

UNIVERSITY OF KWAZULU-NATAL

**THE POTENTIAL FOR MICRO CRAFT BEER BREWERS IN KZN TO BOOST
LOCAL ECONOMIC DEVELOPMENT**

by

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This dissertation is dedicated to my late father, Mr F.V. Nzuza, who unfortunately died before he could see and celebrate the fruits of his offspring. During the course of my Masters degree I encountered many challenges – physically, emotionally and financially – that required more than my available drive to go on. However, the thought of my late father and his commitment to my education gave me the strength I needed when I wanted to drop out. My mother and my sister have been extremely supportive throughout my university life, and with the little they had, they put my education first.

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ABSTRACT

This dissertation seeks to give insights and a deeper understanding of the economic and social impacts of micro craft beer breweries in KwaZulu-Natal (KZN) through the understanding of the lived experiences of microbreweries of craft beer. This study is part of a broader investigation that examines contemporary issues in the burgeoning craft brewing industry in KZN. Furthermore, it aims to contribute to the rather limited body of knowledge, as a source of evidence on how micro craft beer breweries can be aligned by local government as a driver for Local Economic Development (LED) policy and programmes in KZN.

This study was exploratory research. Exploratory research is conducted to gain new insights, discover new ideas and/or increase knowledge of a phenomenon. This type of research design assumes that the true meaning of phenomena can be explored through the experience, as described by the individuals. The findings of this research will make strong contributions toward the improvement of the understanding of craft beer from a South African perspective and also what the costs and benefits of it in the microbrewery sector are – through understanding the lived experiences of participants. The craft beer revolution comes as a response to dismantling the homogenisation of the global beer industry. This study employs two theories – the resource partitioning theory and neo-localism. These theories underpin this study to further explain craft brewery's contributions to LED. Resource-partitioning theory explains the rise of late-stage specialist segments within an industry as an (unexpected) outcome of the consolidation occurring among large generalist organisations as they compete for the largest consumer resource bases of the mass market. Scholars that study neo-localism interpret it as a desire among communities to embrace or reassert the uniqueness and authenticity of places or localities through what they offer.

The literature and research that is the basis of this research also suggests that a number of government officials and local government are starting to acknowledge the presence and role played by culinary tourism in boosting the local economy and its capacity to enhance the sustainability of tourism development. The KwaZulu-Natal Liquor Authority and EDTEA KwaZulu-Natal have also started to embark on a journey to initiate critical policy changes regarding micro craft beer brewers as being a sector that plays a critical role in strengthening the regional and local identities that attract tourists through their strategic programmes like RASET, Operation Vula, and the black industrialists programme.

Key Words

LIST OF ACRONYMS

ABV	Alcohol by volume
AIPA	American Indian Pale Ale
APA	American Pale Ale
CAGR	Compound Annual Growth Rate
DEPT	Department
GDP	Gross Domestic Product
IPA	Indian Pale Ale
KZN	KwaZulu-Natal
LED	Local Economic Development
RASET	Radical Agrarian Socio-Economic Transformation
SAB	South African Breweries
SMMEs	Small Medium and Micro Enterprises
SUII	Scottish Universities Insight Institution
UK	United Kingdom
UKZN	University of KwaZulu-Natal
USD	US Dollar
VAT	Value Added Tax

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CHAPTER ONE: INTRODUCTION

1.1 Introduction

Globally, Local Economic Development (LED) has been recognised as a contemporary concept and a pivotal approach to job creation, alleviation of poverty and socio-economic development of communities. Reich (1991) defines LED as the concept of “suitable economic policies [that] could cure all economic problems by stimulating local economic development to create better human and financial capital flows”. Blakely and Bradshaw (2002) emphasise the potential of LED to create jobs and develop human capacity but note that this is not an easy task as it requires alignment between local institutions and policy-makers and local and natural resources of the community, so as to create jobs that are tailored for local people. Therefore, this means that a comprehensive strategy for a specific type of market needs to be developed to fit the specific region for developmental success (Rogerson, 2009;04).

Potential outcomes of LED are that it:

- Empowers and ensures local participation. Local people can play an active part in planning their own economic future;
- Ensures that local business is involved in the process and is more open to play an active role in partnerships with local communities;
- Ensures that local development is locality based, and focused on local comparative advantages, and allows for more resilient local economies; and
- Could create local opportunities and local jobs – thereby improving the local quality of life (Rodriguez-Pose, 2001:12).

African governments have proceeded to affect social and economic change. For example, Africa in recent times has drastically moved away from the Western aid ideology to align itself with modern development ideologies that are based on the enhancement of locally driven development processes. This shift has been premised on ambitions of assisting African people to assist themselves through, among other processes, stimulating social businesses.

To this end the South African Constitution has enabled its local government to proactively use LED as an intervention strategy to create jobs and alleviate poverty from the local level

upwards. Accordingly, the South African government has strategically employed Small, Medium and Micro Enterprises (SMMEs) as a driver for LED. According to Daun (2009) “Small, Medium and Micro enterprises currently create most of the jobs in the labour market and are the penetrators of the new markets in expanding economies”. Aligned to these claims, The Banking Association of South Africa (2018) has estimated that, in South Africa, SMMEs make up 91% of formalised businesses, provide employment to about 60% of the labour force and total economic output accounting for roughly 34% of GDP. Moreover, contemporary economic development literature is awash with the SMMEs’ contribution to job creation, alleviation of poverty – but also the challenges affecting their survival and sustainability as an economic development strategy (Rambe & Mosweunyane, 2017; Makumula, 2006; Netshandama, 2006). This study will explore the potential relationship of microbreweries of craft beer, which are SMMEs, and local economic development in KZN, with particular reference to job creation, tourism, and revitalisation of distressed regions.

1.2 Research background

Globally, there is a resurgence of the craft beer market, which is rapidly rising and boosting international beer market revenue all around the world. The global craft beer market accounted for USD38,183.52 million and it is expected to attain a CAGR of 14.1% during the forecast period (2018-2023) (Global Craft Beer Market Report, 2018). Craft beer is the type of beer that is brewed in a traditional manner and is normally produced in small quantities. Craft beer production is mostly regional and is concentrated to dedicated microbreweries. Breweries of craft beer dare to be creative with various innovations and exotic flavours (e.g. fruit beer, amber ale, pale ale). The craft beer markets are currently dominated by the US both in terms of volume and revenue (ibid). According to the Standard Bank (2015), in the US, craft beer makes up to 14% of the beer market and has experienced a 20% growth rate since 2012. Worldwide revenue projected from the craft beer market is expected to be USD502.9 billion by 2025. Australia, Belgium, Germany, New Zealand and the US dominate the craft beer production charts – accounting for 65% of the overall volume and value production (Global Craft Beer Market Report, 2017).

Craft beer production and consumption is on the rise across Africa. This is evidenced in local production and locally flavoured beer exports throughout Africa. For example, Ngule in Uganda, endorsed by the King of Uganda, already has over 3% share of the beer category and Azmera in Ethiopia, a lager made from the finest locally grown ingredients, are Africa’s examples of an exciting and growing market of craft beer that warrants continued

innovations in order to meet a very specific demand (Mail & Guardian, 2018). South Africa is leading its African counterparts as the biggest craft beer producer – with several well-established microbreweries in all 9 provinces. The craft beer market has grown in South Africa since 2011 when it only had 0.3% share of the total premium and lite beer market – to 2.1% in 2017. The craft beer market grew by 30% in 2016 and in 2017 it was projected to grow by a further 35% (Standard Bank, 2015). This growth may be attributed to the ever-growing demand, which is said to be driven by new trends around authenticity and originality in the beverage and food markets. Aligned with this demand is growth of the market production that potentially translates to economic growth and job creation. This has led to financial institutions and private businesses taking an interest in this infant market and making moves to invest in it. For example:

“[The] Standard Bank Group wants to harness its research into the industry, advisory expertise and network across Africa to assist businesses to take advantage of the growth opportunities - and not [let them] wither away as these trends unfold” (Standard Bank, 2015).

Furthermore, the owner of Darling Brew in Cape Town has invested R52 million in building a brewery so that it could meet the growing local demand for craft beer (Business Plan Professionals, 2017). This commitment to the craft beer market indicates its massive scope for growth and its subsequent impact on LED. However, despite the potential growth and commitment shown to it by brewers and finance institutions, little is known about the industry itself. Not neglecting the fact that there is some emerging research conducted on the craft beer market in South Africa, there has not been extensive research done to articulate its proper scope and economic impact in KZN. Unless a deeper understanding is developed regarding the proper scope and economic impact of the craft beer market in South Africa with regard to job creation, tourism and the revitalisation of distressed regions, it is unlikely that policies, and programmes designed to support them, will achieve the impact necessary to tackle the South African job deficit and poverty alleviation issues. Indeed research due to the amount of craft beer outputs, they fall under the umbrella of Small Medium and Micro entrepreneurs and the government has a number of strategic initiatives and policy documents to try and support these growing businesses, it is however noted that each industry has its own distinct matters that requires special attention so to reach the desired prospects. This is further necessary to ensure that scarce development resources are effectively used, considering local government budget constraints in developing countries like South Africa.

1.3 Definitions

1.3.1 SMMEs

There is no simple nor single definition of what constitutes a small enterprise in spite scholars attempts to define it. The World Bank Group describes SMMEs as small, medium and micro companies that are established as a means of overcoming poverty (Gstraunthaler and Cramer, 2012). “SMME’s globally act as a conduit that accelerates growth within their inherent economies whilst creating employment”(Gstraunthaler and Cramer, 2012). Booyens (2011), states that globally small, medium and micro enterprises contribute to the employment, wealth creation, innovation and economic growth. It is however of paramount importance to note that SMME’s have a huge impact on performance and growth in mostly developed countries and economies that exhibit low inflation rates, high levels of education and high levels of financial intermediary. As much as their economic output performance may be marginally low in developed economies, SMME’s inherently contribute positively in introducing innovation, enhancing competition and bringing about change so long as the entrepreneurial spirit and support is live .

In addition the most commonly used parameters in classifying SMMEs is based on their staff complement and their inherent annual turnover per annum (Jaiyeoba, 2010). One of the earliest attempts to define what SMMEs are was provided by the Bolton Report 1971. The Bolton Committee Report suggested two definitions for the small enterprise; the qualitative or economic approach which many captured the range and diversity of the smaller enterprise relative to a larger enterprise, and the quantitative approach that defined SMMEs according to selected quantitative criteria (Carter and Jones-Evans, 2006).

1.3.1.1 Qualitative definition of SMMEs

The qualitative definition, regards a business as an SMME if it meets the following criteria

- Independent
- Has a simple management structure (Managed in a personalized manner)
- The enterprise is a price take rather than a prise maker (Carter and Jones -Evans, 2006)

Cater and Jones-Evans (2006) Cited Cosh and Hughes (2000) in their analysis of the SMME industry and came with a partially different view stating that “Other than size itself, one

factor that distinguishes smaller enterprises from their larger counterparts is the nature of the uncertainty they face”. This concurred with the 2018/2019 SME report which confirmed that small enterprises are often reliant on a limited number of resources and also a limited number of customers with a limited product portfolio hence they get exposed to uncertainty in their market due to the independence nature of the business.

An alternative economic perspective on defining a small firm to that provided by the Bolton definition is the one by Strydom, Nieuwenhuizen, Antonites, de Beer, Cant and Jacobs (2007), where an SMME is defined as a “very small business that employs between one and ten employees, and a small business employs between eleven and fifty employees” (Strydom et al., 2007). A business stays at a smaller scale/private venture level if the business owner quits being creative or innovative and an excessive risk-averse and the owner of that business stops to be a business person or an entrepreneur, yet just becomes into a small business manager rather than a visionary entrepreneur. As per Strydom et al., (2007) numerous business people tend to be comfortable and fulfilled with the degree of development and settle for a non-pioneering style of a business. Such a entrepreneurs just remains as small business people.

1.3.1.2 Quantitative definition of SMME

The Bolton Committee also gives a more quantitative definition of the SMMEs which captures the heterogeneity of smaller enterprises as according to that report, no single measure such as assets, turnover, profitability or employment is likely to fully account for the size of an enterprise. The Bolton Committee suggested a variety of measures to reflect sectoral heterogeneity; hence in their report they used employment for sectors such as manufacturing, turnover for motor trade, assets for transportation and ownership for catering (Carter & Jones-Evans, 2006).

Enterprise Category	Head Count	Turnover	Balance Sheet
Micro	<10	2m	2m
Small	<50	10m	10m
Medium-Sized	<250	50m	43m

Table 1: EU Quantitative definition of SMMEs

Source: Carter, S., Jones-Evans, D. 2006. Enterprise and Small Business: Principles, practice and policy, Pearsons Education, USA (2006 p 09)

Table 1 shows these three size groups of non-subsidary of independent businesses make up what are termed Small and Medium-sized enterprises SMMEs.

Internationally, there is a wide number of definitions depending on the economy of a country and will not be static because of the technological advancement of the country. Countries such as the United States of America (USA) and Canada define an SMME as one that employs fewer than 100 employees concentrated mostly in the service and retail industries (Scarborough, Wilson & Zimmerer, 2009). “Hong Kong has an alternative definition which states that “SMMEs are manufacturing enterprises with fewer than 100 employees, or non-manufacturing with fewer than 50 employees”(Carter and Jones-Evans, 2006). This then makes it difficult to compare SMMEs across different countries particularly with regards to turnover or assets; however some transnational studies have tended to concentrate upon simple employment thresholds when measuring SMMEs (Carter and Jones-Evans, 2006).

1.3.1.3 The South African definition of SMMEs

The advent of democracy brought about a need for an established SMME policy that is in line with the values and goals of democracy, given the constraints that impeded growth within the small businesses sector. This saw the introduction of several initiatives to boost this sector. “It began with the birth of the National Strategy for the Development and Promotion of Small Business through the Department of Trade and Industry in 199 which was then accompanied by the Small Business Act (Act 102) of 1996(2), this was envisaged to be the fundamental post-apartheid policy” (Mmakola, 2009). The key developmental milestones to be achieved by the policy were identified as:

- employment Creation
- wealth redistribution and
- the improvement of entrepreneurial skills and competitiveness.

In 2006, the South African Department of Trade and Industry introduced the integrated Small Enterprise Strategy which was to assist in the “promotion of small enterprise development in the coming years after initial failures to promote this sector had been identified through consultations and research” (Rogerson, 2007). The Department further established several institutions in a bid to undertake policy implementation. The Centre for Small Business Promotion was the pinnacle agency tasked with the responsibility of crafting an enabling environment for the development and growth of SMME’s whilst co-ordinating

the establishment of sustainable institutions tasked to deliver support services to the SMME sector. The Reconstruction and Development Programme was also introduced in 2014 to support SMMEs (Reconstruction and Development Programme Policy Document, 2014).

The established policy documents propelled a formation of a number of institutions that aimed at playing a pivotal role within the SMME sector. These institutions may have preceded the SMME policy or come into being after its inception. The most conspicuous ones at national level are the IDC (Industrial Development Agency) established in 1940, the National Youth Development Agency established in 21 June 2008 which was a merger between the Umsobomvu Youth Fund (UYF) and the National Youth Commission (NYC), the DBSA (Development Bank of Southern Africa) established in 1997, the IDT (Independent Development Trust) established in 1990 and thereafter reconfigured to schedule 2 programme implementing agent in 1999, the NDA (National Development Agency) established in 1998 and the NEF (National Empowerment Fund) established in 1998.

It is however, worth noting and important to emphasise that SMME input is not only promulgated by these institutes, but rather by an inter-governmental function that cuts across all spheres of government and fully committed in the vision of SMME development. Hence, we note an “increased focus of local economic development which has been placed firmly on the agenda of local authorities such as Mbombela and Nkomazi dictated by the White Paper on Local Government as well as the National Development Plan” (Enhlaheni, 2014) . “Key to government interventionist policies is regularising the informal economy that is seen to employ a substantial number people both prior to the advent of democracy due to racial segregation” (HistoryOnline, 2015) and after 1994 due to the high levels of unemployment (Lima et al., 2014).

The South African National Small Business Act (Act 102 of 1996) classifies small businesses into four categories which cover a vast array of businesses in terms of ownership, structure, sectors, activities and formality. The four categories are: micro enterprises, very small enterprises, small enterprises and medium enterprises. A common definition given by the South African Department of Trade and Industries (DTI) of a small medium, macro enterprise in South Africa is “any trading entity that is operating with up to 100 employees with an annual turnover of up to R5 million, they are most run and managed by their owners who are trying to minimise costs of employing staff until they reach a level of their business being viable and can be able to bear the cost of employing more staff members. According

to the 2018/2019 SME report, 39% of SMME owners are the sole employee of the company whilst 47% of SMMEs employ between two to five people.

In the South African context SMMEs are not restricted to formally registered enterprises such as; close corporations, private companies and co-operative enterprises. However, SMMEs “include informal and non-vat registered enterprises such as; survivalist enterprises, street trading enterprises, backyard manufacturing and services, and occasional home-based evening jobs” (The Department of Trade and Industry (The DTI), 2008). The South African legislature through the National Small Business Act 102 of 1996 categorises SMMEs as follows:

- i. Survivalist
- ii. Micro
- iii. Very Small
- iv. Small
- v. Medium Sized Enterprises

Informal survivalist enterprises are those that are operated or are run by an individual whose objective is to seek economic subsistence. “A small initial investment capitalises the informal business hence the inherent income returns are marginal. Owners of these enterprises do not possess the appropriate training and business skills to manage their enterprise thus limiting its growth” (Africagrowth, 2011). On the one hand, micro enterprises employ about 5 staff members and like the survivalist enterprises are run by owners who do not have the necessary skills, operate informally and are unlicensed thereby violating legislature. As a rule of thumb, micro enterprises are meant to transcend into formal very small enterprises employing up to 10 professional staff and using technology to operate their enterprises. On the other hand, very small enterprises transcend to small enterprises that are much more established registered entities having fixed business premises. However, Medium Enterprises are owner managed and adhere to the law like small enterprises, employing up to 200 employees (Africagrowth, 2011).

1.3.2 Local Economic Development

Blakey (1994,xvi) defines Local Economic Development (LED) is a locally driven process by which government, business, communities and labour work collectively in a locality to

stimulate and transform the economy, to create new job opportunities and to address economic growth constraints. This view point is further elaborated by the UN Habitat (2005:V) describes LED as “ A participatory process where local people from all sectors work together to stimulate local commercial activity, resulting in a resilient and sustainable economy .It is a tool to help create decent jobs and improve the quality of life for everyone including the poor and the marginalized”. Further, LED is one of five Key Performance Areas (KPAs) of Local Government in South Africa (RSA, 1998; HSRC, 2003) this is to rate the municipality as to how engaged they are in ensuring the survival of local businesses and their promotion.

The objective of local economic development (LED) according to the World Bank, “Is to build up the economic capacity of a local area, to improve its economic future and the quality of life for all” (The World Bank, 2011). The World Bank (2011) further states that the goal of LED can be achieved by “working together of the various sectors; public, private and non-government partners in order to improve economic growth and better the living conditions of the people in that local area”. The main goal of LED is to stimulate entrepreneurship to boost the economy of the area which will subsequently result to employment because it’s the economy that creates jobs not government. USAID defines LED as “the process of strategic planning through partnership between local government, the business community and NGO`s with the objective to stimulate investments that will promote sustained high growth in a local economy (Meyer-Stemer;2003) . (Ruecker and Trah, 2007, p15 in Rogerson, C and Rogerson J, 2010) went further to mention that they “work jointly to create a unique advantage for the locality and its firms, tackle market failures, remove bureaucratic obstacles for local businesses and strengthen the competitiveness of local firms.”

The aforementioned definitions of LED affirms the importance of locality/local action hence the emphasis on a bottom-up approach to economic growth rather than a top-down approach, locality comes out as a relevant economic space through partnership of all stakeholders “in and for which coordinated efforts to promote wealth creating economic activities can meaningfully be undertaken” (Cooke cited in Rogerson; 2006). “Robust and inclusive local economies, exploiting local opportunities, real potential and competitive advantages, addressing local needs and contributing to national development objectives” (DPLG 2006 in Rogerson, 2011, p151). LED further responds to Inequality which is amongst the known 3 evil triplets (Poverty, Unemployment and Inequality) as the first South African democratic

President Nelson Mandela mentioned the need and importance of LED “through the mobilization of resources of urban communities, government and private sector and further make cities centres of opportunities for all south Africans within the world economy”.

LED in South Africa is governed by the South African constitution of 1996 and various other laws and policy documents (Nel; 1999). Apart from the Constitution, the Reconstruction and Development program (RDP), the 1998 Local government white paper and the 2000 Local Government act gives local authorities responsibilities to implement LED, “These legislations determines the developmental role of municipalities; assign developmental powers and gives obligations such as the need for participatory development and the need to prioritise local communities” (Nel et al; 2005., World Bank; 2005)

1.3.2.1 LED partnerships

Rogerson (2010b, p441- 442), cited Stibbe (2008) stating that “Collaborations between municipalities, the private sector, and the civil society to commit to working together on a project or programme in order to pursue common goals and in which the different partners bring complementary resources, contribute to the design of the program, and share risks and benefits.” Rogerson concurred and further mentioned that “Harness the power of different sectors to provide the opportunity to do local economic development better; & offer a mechanism to enable each partner to share its own specific competencies and capacities to achieve common and complementary goals more effectively” (2010b, p443)

1.3.2.2 LED strategies

Rogerson C and Rogerson J (2010a) cited Rodriguez- Pose (2009) stating that “LED strategies seek to embed economic activity in a territory and make economic activity dependent on the specific economic conditions and comparative advantages of that place, they generate sustainable employment in enterprises more capable of withstanding changes in the global economic environment.” It is from these premises that one is convinced that the craft beer industry embodies the values of LED and it seeks to promote locality as a “Strategic approach to the development of local economy and overcome challenges and failures in respect of instances where municipalities themselves try to manage a litany of non-viable projects or start ups” (Rogerson, 2011)

1.4 Research problem

SMMEs in general as potential contributors to LED, and micro craft beer breweries in particular, have shown great potential in the development of a country's GDP by reducing the level of unemployment and poverty levels, and promoting entrepreneurship activity (Rambe & Mosweunyane, 2017). According to Hongbo Duan (2009), Small, Medium and Micro-enterprises (SMMEs) currently create most of the jobs in the labour market and are the penetrators of new markets in expanding economies. As is the case globally, the SMMEs in South Africa are an important vehicle to address the issues of job creation, economic growth and equity in the country that are being prioritized by the state. Notwithstanding their immense potential in the tourism sector and agricultural sector, SMMEs continue to face many challenges that hinder the development of local economies throughout South Africa.

According to the 2018 SBP SME Growth Index, contrary to global trends where SMMEs constitute the largest employer in either developed or developing economies, smaller firms in South Africa are showing stagnation in turnover and employment growth, whilst the report reveals that 39% of South Africa's SMME's owners are the only employees of the company however the report further purports that the potential for job creation grows as a small business matures. On the other hand, the actual scope and extent of impact for micro craft beer breweries in LED has not been fully researched and quantified. This leaves a void in evidence from which policy and programme designs could be based, to enhance local economies, reduce unemployment and poverty, promote entrepreneurial activities, and speed up social stability through SMMEs in general and the craft beer market in particular since the small business sector in South Africa is one of critical parts of the national economy with the government's National Development Plan vision 2030 (NDP 2030) looking to SMMEs to be major sources of employment and drivers of growth in the country's economy.

Globally there have been a number of studies on the microbreweries of the craft beer industry and their potential and challenges as a contributor to LED. For example, the most recent study was the Scottish Universities Insight Institute (SUII)-funded project, which was aimed at collectively exploring barriers to growth, as well as economic development opportunities, for craft brewing at firm, sectoral, regional, national, and international levels – and this resulted in the generation of a White Paper that set out key challenges and recommendations (Wilson *et al.*, 2018). Scotland, the rest of the UK, and eight European

countries (Finland, France, Germany, Ireland, Italy, Norway, Spain, and Slovenia) were the study participants. The focus of the study was to generate and exchange knowledge between places (as well as between disciplines and between academics and non-academics), in order to improve policy and practice. In this regard the study explored and explained the Scottish policy context for craft brewing, highlighting the importance of this sector in terms of national economic strategy – especially with regard to food and drink sectoral strategies, rural socio-economic development, tourism, and sustainable skills development. Similarly, the current study looks to provide relevant insight into the economic and social impacts of the micro craft beer brewery industry within a smaller context (KZN) and within different environments in terms of sectoral demand and growth, policy, governance practices and economic and social dynamics. This warrants a fresh perspective that is uniquely informed by relevant empirical evidence for appropriate study outcomes.

Even though several studies on the micro craft beer industry in South Africa have emerged, non-have focused on generating evidence from which a deeper understanding of the market could be developed regarding its proper scope and economic impact with regard to job creation, tourism and the revitalisation of distressed regions. For example, A study by Green (2015) entitled “*Crafting a South African brew: A study of South African craft breweries and their marketing strategies*” did not focus on the challenges faced by the industry or its benefits for LED. It assumed that the industry was growing but did not account for the extent it had grown in the country – and rather focused on the marketing strategies of 86 brewers they found on the internet. Its aim was to determine whether there were relationships between social media activities and audience size and engagement. Another recent study was the 2016 Brewmisstress study, which was meant to generate statistics on the South African craft beer scene – how many breweries are there, what are they brewing, and how much are they brewing? It posits that before then there were no such statistics available. Even though the study provided evidence on the number of micro craft beer brewers, there was no evidence in respect of the challenges they face or the industry’s impact on job creation and improving socio-economic conditions of people in arrears which they are found.

1.5 Aim of the study

This study aims to provide insights and a deeper understanding of the economic and social impacts of the micro craft beer brewery industry in KZN through the understanding of the lived experiences of microbreweries of craft beer. Secondly, the study aims to contribute to

the rather limited body of knowledge as a source of evidence on how the micro craft beer brewery industry can be aligned by local government as a driver for LED policy and programmes in KZN.

1.6 Study objectives

- To better understand the lived experiences of micro craft beer brewers in KZN.
- To explore the value chain of the micro craft beer industry in KZN.
- To evaluate challenges faced by the micro craft beer brewery in KZN.

1.7 Study questions

- What are the lived experiences of micro craft beer brewers?
- What are the costs and differentiation advantages of micro craft beer brewers in KZN to maximise efficiency and profitability?
- What are the challenges facing micro craft brewers in KZN and their impact on LED objectives?
- What are the perceived benefits of the micro craft beer brewery industry in terms of enhancing job creation, the tourism sector, the agricultural sector and the revitalisation of poor communities in which they are found in KZN?

1.8 Significance of the study/ Contribution to the field of knowledge

In an attempt to transform the South African economy, government has embarked on a strategic direction aimed to bring about radical economic transformation. Radical economic transformation entails a robust shift to an economy that will benefit all including the marginalised groups of the society such as youth, women, people with disabilities and the poor. Government is off the view that, in addition to playing its role in enabling the efficient operation of the markets, it also sees a role in being the catalyst for transformation through strategic interventions in the economy. To achieve this goal of accelerated growth and transformation, effective and targeted economic transformation programmes have been identified however for these programmes to play an effective role they have to stem from an informed point of view, which is what this study is aiming at providing for this goal to materialize efficiently.

It has been deduced that minimal research has been done on micro manufactures of craft beer within Kwa-Zulu Natal (KZN). Since not much is known of the micro manufacturing sector within KZN which is information needed in order to address and respond to the call for radical economic transformation. A favourable legislative environment for local economic development has a wide impact on other critical success factors for business growth and on attracting investments in a locality, therefore this study will contribute towards favourable legislative environment based on the results of the study. This study will further contribute towards the body of knowledge of the subject question that which it is evident that it has not been explored especially in LED.

1.9 Research methodology

There is a growing body of literature on LED and how it contributes to the holistic economic growth of the country. The afore-mentioned will be interrogated and explored in an ongoing manner throughout the research study. However, in the beginning, emphasis will be placed on the literature that relates to microbrewers as being one of the role-players in the LED arena. Thereafter the research will focus on what role the government needs to play in supporting microbrewers.

1.9.1 Research design

This study is an exploratory and qualitative study in micro craft beer brewery industry in KZN. In this regard the dimensions of the research are defined below:

1.9.1.1 Qualitative research

This research will take the route of a qualitative study, Babbie and Mouton suggests that a qualitative study approach may be used to focus on the content which is emergent. Baxter and Jack defines a qualitative research design as a systematic subjective approach used to describe life experiences and give them meaning which is the aim of this study. Leininger (1985) also defines qualitative research as “the methods and techniques of observing, documenting, analysing, and interpreting attributes, patterns, characteristics and meanings of specific, contextual or gestalt features of a phenomenon”.Babbie and Mouton (2001;270) concurs and further alludes that “A qualitative research is about describing and understanding rather than explaining human behaviour”.

The aim of employing a qualitative research design is that it allows the study to gain insight, and explore the depth, richness and complexity ingrained within the phenomenon (ibid), a qualitative research is dominated by in-depth interviews , which allows the researcher to establish more about the study through the experiences of the participants. Therefore, this research design is more appropriate for this study as it seeks to – contextually and through qualitative methods – provide insight and deep understanding on the economic and social impacts of the micro craft beer brewery industry in KZN. Furthermore, the study will contribute to the rather limited body of knowledge as a source of evidence on how the micro craft beer brewery industry can be aligned by local government as a driver for LED policy and programmes within the poor communities of KZN.

1.9.1.2 Exploratory

According to Burns and Grove (2012), exploratory research is conducted to gain new insights, discover new ideas and/or to increase knowledge of a phenomenon. This type of a research design assumes that the “true meaning of phenomena can be explored through the experience as described by the individuals” (Jasper, 1994:309).Babbie and Mouton alludes that a qualitative researcher is more than an observer as they fully engage themselves in the study by employing empathy and an understanding of where they come from and their behavior Therefore, the purpose of this research design in this study was to assist the researcher to gain new insights, generate new knowledge and discover new ideas – to contribute to policy and programme enhancement of the micro craft beer brewery industry in KZN.

1.9.2 Research approach

There are various approaches under an exploratory and qualitative research design, such as phenomenology, case study, and ethnography. For this study the phenomenology approach was used. Phenomenology is best defined by Holloway and Wheeler (1996:117) as “an attempt to describe lived experiences without making previous assumptions about the objective reality of those experiences”. Furthermore, the phenomenological approach examines unique experiences of individuals within the context in which they are lived, exploring beyond reality but what is perceived to be (Burns & Grove, 2012). Therefore, in this study the phenomenon experiences that are lived and researched are those of the micro craft beer brewers and the community members from which the industry derives.

1.9.3 Population and sampling

The study population is defined as the entire set of individuals (or objects) sharing common characteristics as defined by the study sampling criteria (Burns & Grove, 2012). In this study, the population of participants will be the craft beer brewers . The sample will be selected from the afore-mentioned population. The study sample size is defined as the selected or targeted group (from the study population) of individuals or organisations that will participate in the study (ibid). The sample size for this study will be 10 KZN micro craft beer brewers however it would be a reach on reach until the point of saturation.

The non-probability sampling technique called purposive sampling will be used for sampling study participants. Purposive sampling is defined as judgemental sampling where the researcher consciously selects certain participants to include in the study (ibid). This sampling technique is relevant for the researcher to ensure that all those who are participants have a first-hand experience of the phenomenon. Therefore, KZN craft brewers were selected. The sampling size will firstly be determined by the numbers of brewers the study will be able to find. Secondly, the size of the sample will be determined by the principle of saturation that Streubert and Carpenter (1999) describe as the point at which data-collection themes are repeated.

1.9.4 Data collection

Merriam (2002) posits that strategy used for data collection is determined by the research questions, which then define which source of data will produce information that will answer the research question. According to Polkinghorne (1986), phenomenology uses a variety of methods, including interviews, conversations, participant observation, action research, focus meetings, analysis of diaries and other personal texts. This research study will use less structured interviews to allow the interviewee to express him/herself – giving the subjective based experience of the phenomenon. This approach exposes the researcher to the life of the participants through open ended questions that could have follow up questions to better understand the responses given Furthermore, it allows the researcher to gain an in-depth, rich insight into the complexity ingrained in the phenomenon as the one on one interviews allows the researcher to observe even the body language of the respondent/ participant when responding to questions.

1.9.5 Data analyses

The process of analysing data involves various ways of making sense of the data, which includes the process of inspecting, supporting decision making, transforming and cleaning (Mashall, 1996). Data are commonly gathered from a variety of sources, are then reviewed and thereafter are reviewed again to come up with a conclusion based on data collected findings (Robsons, 2011). This research study will use thematic analysis which involves the categorisation of the findings according to various prevalent themes within the data. The statistical data will be illustrated by pie and bar graphs and descriptive analyses of each illustration will be given below.

1.10 Outline of the study

Chapter 1

This chapter provided a brief outline of the study. It formulates an introduction to the study with its background, a research problem which informs the purpose of the study, the objectives and the research questions that will assist in meeting the aim of the study and lastly the research methodology with its limitations.

Chapter 2

This chapter will articulate more on the background through evaluates the theoretical literature that seeks to define the current Craft beer environment globally, in Africa particularly in South Africa whilst understanding its key stakeholders and its inherent challenges, furthermore the chapter will elaborate on the themes that dominate the research study, Namely: Small, Medium Micro enterprises ,Craft beer, Local Economic development, culinary tourism, Theoretical underpinning etc.

Chapter 3

This chapter outlines the research design, processes that informs this study and explains the research methodology used in this study. It specifically focuses at the justifications and the usefulness of the methodology employed , sampling strategy, data collection and the analysis techniques used so to fully respond to the research questions and meet the aim of the study. The techniques employed in this study emanates from the qualitative approach used in the study.

Chapter 4

This chapter presents the data collected during the interviews and responses to the research questions in detail with a specific focus on Micro brewers of craft beer that operate within KwaZulu Natal. This chapter further presents an analysis of findings that were derived from the respondents.

Chapter 5

This chapter draws from the analysis of the study and presents the discussions on the topic at hand and further give recommendations in accordance to the data received and the discussions. Lastly the charper gives a roundoff and concludes on the matter investigated.”

1.11 Summary of Chapter One

An effective research study requires a systematic planning and proper guidelines for execution. This chapter has served the purpose by presenting the context of the study , purpose ,rationale , methodology and the synopsis of the chapter

CHAPTER TWO: LITERATURE REVIEW

2.1 Background

As alluded to in Chapter One, the aim of this study is to provide insight into the scope and extent of the economic and social impacts of the micro craft brewery industry in communities of KZN – especially distressed regions – by understanding and analysing the lived experiences of micro craft brewers. Secondly, the study aims to contribute to the already existing rather limited body of knowledge as a source of evidence on how the craft brewery industry can be best aligned by local government as a driver for LED policy and programmes within poor communities in KZN where the industry exists. The aim includes the following objectives.

- To establish the size of craft beer manufacturing in KZN.
- To explore the value chain of the micro craft beer industry in KZN.
- To evaluate challenges faced by craft beer microbrewers in KZN.
- To analyse the local economic benefits of micro craft beer brewers, with particular reference to:
 - Job creation.
 - The tourism sector.

This study will provide a definition of craft beer to enable a differentiation from mainstream, large-scale brewery beer. Chapter Two then explores the existing literature, defining and examining the phenomenon of the microbrewery of craft beer and its contribution to LED and tourism. Secondly, this chapter will further discuss a theoretical framework that conceptualises the research study.

2.2 Introduction

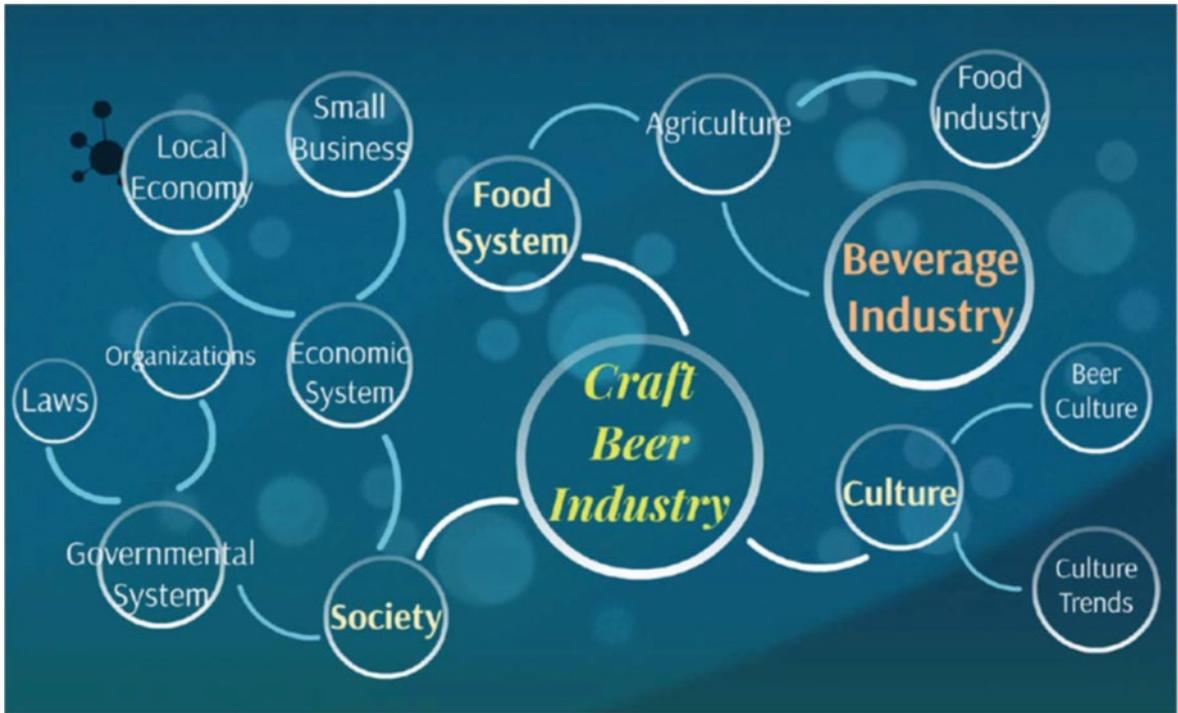
Beer is the most consumed alcoholic beverage in the world and, evidently, global production has increased over the last decades (Statista, 2017). In 2016, the United States of America (USA) was the second largest beer producing country in the world after China, with about 221 million hectolitres (ibid). However, the countries that consume the most beer are ironically not the countries that produce the most beer. For example, according to the Statista Alcohol Drinks Report (2018), despite China and the USA leading the beer production statistics, the Czech Republic, Poland and Germany lead the charts in beer consumption – with the USA and China coming in at position 12 and 46 respectively. Key players such as

Heineken Holdings, SABMiller, AB InBev and Kirin Holdings characterise the global market for beer. AB InBev was in the lead, with beer sales amounting to about USD45.6 billion in 2017. The company produces Budweiser, which had a global value of about USD15 billion in 2017.

African markets are relatively inferior compared to other continental beer markets, but Africa is the fastest growing beer market in the world, which is said to be worth about USD13 billion (Mail & Guardian, 2017). Globally between 2016 and 2017 the beer market has grown by 1,4%, while in Africa for the same duration it grew significantly by 4,5%, with a projection of further growth in 2018 of about 6% (ibid). Within the African region South Africa accounts for 34% of Africa's beer market and is expected to grow from 8-10% annually over the next five years. South African Breweries (SAB) dominates the South African beer market – with the notable presence of brands like Heineken and Guinness.

The beer industry alone in South Africa contributed 51% of domestic liquor sales between 2010 and 2011. The beer market within the liquor industry has been the most prominent market in adding to South African economic growth. For example, during the 2009/2010 financial year SABMiller alone contributed about R66.2 billion or 3.1% to GDP (ARA Final Report, 2012). Furthermore, R10.2 billion in tax revenue was received by the National Treasury directly from SAB in various forms such as corporate tax, employees' personal income tax and from consumers of SAB beverages through excise duties and VAT. These activities accounted for 1.7% of the government's total tax revenue (SARS, 2019). Evidently, the enormous potential of the beer market, globally, regionally and locally, as a catalyst for economic growth and development, cannot be underplayed.

This literature review positions craft breweries within the broader SMME segment, drawing on research in this area in order to understand firstly the craft brewery phenomenon, their value chain, and the role they play in LED. Furthermore, this study analyses the position of craft breweries as small businesses in other countries of the world – so as to draw lessons from their success stories. This is particularly important given that small businesses are a key focus of South Africa's National Development Plan and are seen as one of the ways to strengthen the economy and to reduce unemployment (Mathe, 2013).



Source: (Grunde, Li, Merl :2014)

Craft beer systems mapping

In examining the craft beer systems in which the craft brewery operates we can begin to see just how many systems or industries the craft beer industry effects. In looking at these many systems we first broke them up into their most generic groupings in which under them there are subgroup; culture, society (economic systems, governmental systems and the food system group (see Figure1). When understanding the craft beer industry it is off paramount importance that one understands its impact on other industries so that one could recommend proper guidelines to follow when creating synergies that will sort of supplement the industry in question to achieve the goal of accelerated growth and transformation. This industry-level study focuses on the growth cycles of craft brewing, a niche industry that has potential to grow tremendously.

2.3 Micro craft beer breweries as a SMME

The above-mentioned literature introduces the liquor industry that is mainly dominated by macro brewers in the case of South Africa in general, while “In America microbreweries account for 93,6% of the beer market, giving them substantial control over the market” (Mintel, 2012;p17). One of the early scholars of craft brewers, Acitelli (2013), states that a “craft brewery includes any small, independently owned brewery that adheres to traditional

brewing practices and ingredients. Craft brewers are distinct from larger regional and national breweries, which often use non-traditional ingredients and brew on a vaster scale. According to Bruns (2015), a microbrewery can be described as brewery that produces an amount less than 15 000 barrels (~1.8 million litres) per annum, and further it also sells 75% or more of its beer off-site – directly to customers. However, in the South African industry, according to the Craft Beer Steering Committee (2014), the average volume production for South African microbrewers of craft beer was 188 000 litres per annum, and these sales could be directly to a wholesaler, and to a distributor who supplies to local outlets or directly to the end user customer who consumes the product. It is therefore the purpose of this study to look at microbreweries as an SMME. According to Oyelana and Smith (2015), small and medium enterprises have many distinctive characteristics that are determined by a number of factors. These factors are:

- They are more labour intensive than large companies, meaning that these enterprises use more manual labour techniques, which may be regarded as traditional in nature, and these demand more effort from the human labour perspective – as the process is less driven by technology.
- These enterprises are known to be able create social stability, cause less damage to the physical environment than large firms, use less technology and thus less mechanical instruments and chemicals – while also using limited space. Moreover, these enterprises are purported to encourage personal savings and enhance the population’s general level of economic participation. Thus they have the capacity of improving general living conditions and the economy in general.
- They generate profit for rendering services to small or restricted markets, which large firms have less interests in, thus providing a crucial service to the unserved markets of the economy. Ntsika (1998) concurs with this and further states that SMEs usually have a limited capital base and with only basic technical or business skills among their operators, they sometimes show a lack of formality with regard to business licensing. These factors are also categorised in the National Small Business Act (102 of 1996), which defines them according to:
 - Ownership.
 - Structure.
 - Sector.
 - Activities.
 - Size and formality.

SMMES are often referred to as small businesses, and play an important role in the South African economy. “They are a key driver of economic growth, innovation and reduction in unemployment” according to Nel and Rogerson (2016; 04), who further mentioned that SMMES are one of the most common pro-poor interventions pursued since the introduction of LED as a strategy that has the potential to address local development backlogs. SMMES are widely recognised as a major source of employment. Brown (2016) articulates that Copper Lake Breweries, a microbrewer, and which employs 40 people, highlighted the fact that this industry is a real employment creation opportunity and thus the need to further study the field in the realisation of socio-economic benefits that may be realised as a result of supporting such microbrewers. Brown further notes that the same brewers, by the time of publication, were supplying 300 outlets across the country, and thus further employment is created down the line – as this is a chain of economic development. The owner of the brewery is further quoted – reiterating the levels of growth being experienced and noting that “Our orders have shot up by about 600% over the past year. There is a lot of interest in artisanal beer”. Thus the potential is large, and many economic opportunities may arise from the industry going forward.

Howlett (2013) avers that breweries typically fall under one broader definition. However, as new types of breweries flood in, and as they gain popularity, it is necessary to get a new definition that is on par with the new inventions. According to Lewis (2001), Warner (2010) and Tremblay *et al.* (2005), craft beer brewers operate as small businesses. Green (2014) concurred and further cited Warner (2010) who analysed the American scene of craft beer breweries and highlighted that due to the small business model on which craft brewers in the USA operated – owner brewers had to take on various roles. Sometimes this had a negative effect, where although they were good brewers, they did not have the business acumen to ensure the company’s success. However, as small as they are, depending on their stage and level of growth, they have the potential to employ more people. The Small Business Administration of the USA also identifies the craft beer brewery as a small business – according to their definition of a craft brewery as being small, traditional and independent.

Money (2017) cited the Brewers Association, defining a micro craft brewer as “small, independent, and traditional, and particularized criteria are used to measure these three traits”. For a brewery to be considered a “craft” brewery and its products “craft” beer, it must conform to the following definition:

Annual production of 6 million barrels of beer or less . . . less than 25 percent of the craft brewery is owned or controlled (or equivalent economic interest) by an alcoholic beverage industry member that is not itself a craft brewer. A brewer that has a majority of its total beverage alcohol volume in beers whose flavour derives from traditional or innovative brewing ingredients and their fermentation.

This definition may be very limiting as one would believe that the scale of a microbrewery is dependent on the size of the beer market of that particular country in which they operate. It is evident that most microbreweries fit these criteria, however it is worth noting that some breweries may have started small (size) – but over the years have grown tremendously and exceed the criterion of 6 million barrels. However, they still maintained their independence, for example the Sierra Nevada Brewing Company and the Boston Brewing Company, and there are several like this which then challenges the status quo of small-scale brewers and their definition. The debate on the definition of a microbrewery has been going on between scholars who have written on craft brewery or microbrewery, and this has raised several questions. Garavaglia and Swinnen (2017) enquire “where does craft end” and define a craft beer brewery as “a brewery which has recently started on a small scale to brew different types of beer in a different style which distinguishes them from the mass-produced beer from larger breweries that often have been in business for more than a century”.

Alworth (2013) argues that the terms ‘craft breweries’ and ‘microbreweries’ are sometimes used interchangeably. However, certain experts in the field argue there are differences between the two. Howlett (2013) cited some of these experts, stating that experts contend that the distribution of craft breweries is further reaching than microbreweries, while McLeod (2013) argues that craft breweries can distribute to many different regions, whereas a microbrewery is assumed to be very local and usually unable to distribute outside their region. However, this is all due to McLeod’s view that a microbrewery produces less than 100,000 barrels of beer annually, whereas, according to the Brewers Association (2013) a microbrewery produces a maximum of 15,000 barrels. This then interrogates the views around the size of microbrewers. Both craft breweries and microbreweries, they seem to concur that they produce way less than what macro breweries do, and that their market share is relatively small.

Howlett (2015) asserts that breweries come in different forms, from Nano breweries which he defines as “a smaller type of a microbrewery”, and he further cited Hess Brewing (2012)

defining it as “a brewery that produces less than three barrels per beer batch”. They normally produce batches of beer for testing, and they normally operate within hotels or bars, and do not produce beyond that demand. Nano brewers also require licensing and some, after some time, grow to being microbreweries or brewpubs – which is another form of a brewery defined as a pub that brews its own beer and sells on site, and some of it is distributed to local retailers (Brewers Association, 2013).

Breweries mostly depend on distributing their produce to retail and grocery stores. However, brewpubs differ in that they sell their beer onsite in their pubs or restaurants and typically limit external distribution (Hieronymous, 2010). The limitation on external distribution is presumably done to force customers to come to pubs, so that they can also buy other products offered in the restaurant. Brewpubs contribute immensely to the tourism sector as they go an extra mile in giving meaning to their products. Howlett (2015) stated that “Brewpubs have the ability to create a culinary experience by pairing the different foods with multiple beers, adding another dimension to the beer experience”.

Woolverton and Parcell (2008) and Lewis (2001) established that in contrast to consolidated industry players of craft beer, micro-breweries as small businesses were experiencing growth, through studying the British brewing industry. In a similar vein, Tremblay *et al.* (2005:314) documented and analysed the craft beer industry concentration in the USA, and found that despite a few exceptions, most craft breweries operated as small businesses, “producing their own beer on a small scale for local consumers”. This resulted in what Money (2017) phrased as place making, which brings out the authenticity of the area due to the meaningful experience attached to a particular location.

The acknowledgement of craft breweries as small business that largely contributes tremendously to the local economy, is noted in the South African context by at least the Department of Economic Development and Tourism of the Western Cape, which is noted to have created a strategic development plan aimed at promoting the growth of autonomous breweries as small businesses – to ensure the broadening of the local beer market in general (Department of Economic Development and Tourism of the Western Cape, 2004). The department’s stance highlights the importance of the micro brewing sector as being an essential aspect of the economic development of the province and the country in general.

Furthermore, it is noted that South Africa requires small business to survive economically and to be sustainable. Small business in the South African economy has the capacity to help alleviate the burden of the unemployment rate and uplift local economies and the greater national economy in general (Bruns, 2015; 12). This standpoint is also held by the relevant ministry responsible for the SMMEs, as it is noted that it is the goal of the ministry to focus on developing a strong and growing SMME community, as part of the National Development Plan that seeks to address the socio-economic challenges facing the nation (Bruns, 2015; 16).

In South African law, according to Section (4) of the Liquor Act (Act No.59 of 2003), a microbrewery or to micro-manufacture is to produce liquor at or below the prescribed threshold volume. It is evident that macro-breweries purchase microbreweries to reduce competition. However, with proper support given to microbrewers to sustain themselves and grow their market share, fewer will succumb to pressure by big brewers. It is therefore the main objective of the Liquor Act to promote the development of a responsible and sustainable retail and micro-manufacturing liquor industry, in a manner that facilitates the entry of new participants into the industry to promote competition.

Green (2015:21) quoted the Society for Independent Brewers (SIBA) Report in the UK, which highlighted the value of microbreweries (as small businesses) to the local economy (Society of Independent Brewers, 2014). In most countries, craft beer has played a pivotal role in growing the tourism sector and vice versa. Garavaglia and Swinnen (2017) have argued that “craft brewers and their customers have transformed the global beer market over the past two decades”. Howlett (2010) further stated that “in recent years, consumers are becoming more interested in the development and processes behind their favourite libations. This means a drastic change in the global economy of beer and micro brewers are penetrating the industry and they are seen to be taking over because of the relationship their customers have with their locally and traditionally produced beer. This has spurred a new type of tourist; those that are interested in brewery tours, vineyard hopping, or enjoying a day out at their favourite distillery.

The acknowledgement of craft beer breweries has also extended to the South African government, as Green (2015:42) quoted the strategic plan of the Department of Economic Development and Tourism of the Western Cape: “the development of independent breweries as small businesses to ensure the diversification of the local beer market” (Department of

Economic Development and Tourism of the Western Cape, 2004). According to Money (2017), “American craft brewers now produce approximately one out of every 10 beers sold in the USA and occupy 11% of the total market” (as an example, AB InBev purchased Goose Island Beer Company in 2011, a brewery that began as a microbrewery in 1988). Money further mentioned that the growth attracted the attention of macro brewing giants such as Anheuser-Busch InBev (“AB InBev”) and MillerCoors in the USA.

South Africa’s craft beer microbrewery scene is a sector that has not attracted much attention, and from the afore-mentioned it is evident that the literature covering microbreweries is minimal. The microbrewery/craft beer phenomenon is certainly in its emerging state and total market share is estimated to be around 1% of South Africa’s beer market, according to Hedley (2014). Green (2015) argues that the South African brewing industry is similar to that of the USA, and with that being said, it is worth noting that the US craft beer market share has grown significantly from 1998-2013 – where its contribution to the market has grown from 2.6% to 7.8% (Molla, 2014). The overwhelming growth in market share saw the US craft beer industry throw down the gauntlet to big beer in 2014, and, as a category, they outsold one of America’s largest brands, Budweiser (Weissmann, 2014). Even in South Africa, the craft beer industry has the potential to grow exponentially and may play a pivotal role in job creation, poverty elevation and may also play a strategic role in effecting radical economic transformation.

In 1975 there was only one microbrewery in the US. California is supposedly “leading with its small brewers responsible for almost 20% of all craft beers sold in the USA” (Best, 2015).

2.3.1 Contract brewers

Garavaglia and Swinnen (2016). refer to these brewers as “brewers who do not own their own equipment and premises for producing beer. Weiner (2014) refers to these brewers as “gypsy brewers, phantom brewers and cuckoo brewers”. Research suggests that there are 20 contract brewers in South Africa and 2 are in KZN. The best-known contract brewer in KZN is Poison City Brewing, which is famous for its cannabis beer.

2.3.2 History of craft beer

Throughout the world’s history, alcoholic beverages have been produced or made from different ingredients some of which were indigenous to the local environment. Patton (2016)

argues that a “number of archeologists suggest the first fermented beverages were simply accidents of nature, but these happy accidents were later refined through trial and error over time”. “Beer is the most popular alcoholic beverage in the modern world with over 144 billion liters made per year. It is a massive worldwide industry and comes in many varieties” (History.com, 2013).

With different historic traditions of beer brewing characterised by the diversities of countries, it is hard to find a one-size-fit-all definition of craft beer or microbrewery. What one might label or consider as craft beer in the US has been brewed for years in Europe. However, most authors have standard specifications in each definition which emphasise the type of beer, and the nature in which the beer is processed or produced. However, Berning and McCullough (2017) argue that this definition may be limited, particularly if we seek to define “craft” on a global scale. Large producers (referred to as macro breweries) in particular tend to view craft beer as a market segment irrespective of brewery size. It is, however, problematic that the current definition does not concede ground for a proper framework to police the craft beer industry.

The term craft is not a “birth name” or a marketing term but a “description of a brewer who is different from the global brewing giants” according to Money (2017). Garavaglia and Swinnen (2017) also argue that the definition differs from place to place, as what might be innovative in one region might be a tradition in another region, and they further gave an example that the production of stout beer may have been an innovative idea in a small Californian brewery in the 1990s – but probably not in Ireland where Guinness dominates the beer market. Elzinga (2014:35) concurs that what may be considered as craft beer in the US, may differ from the understanding in Europe. Micro brewers differentiate their beer from macro-brewers by naming it craft beer. Howlett (2013) argues that macro-produced beers are known to have limited character (little flavour) that differentiate them from other beers and have little historical and cultural connotations attached to them.

Garavaglia and Swinnen (2017) have identified that in the US the craft beer phenomenon started in 1965, when Fritz Maytag bought the Anchor Brewing Company of San Francisco. Similarly, van Dijk, Kroezen and Slob (2017) believe that the craft beer revolution started in the Netherlands in 1981, when the first new brewery since World War II was launched. The first brewpub in Italy was established in 1988 (Garavaglia & Swinnen, 2017) and in Australia craft brewing started around 1980 (Sammartino, 2017).

South Africa had its own first microbrewery established in 1986. It was established in the Western Cape Province, where the phenomenon of craft breweries has been highly dominant until today. According to the statistics from the South African microbrewery survey done by brewmistress, the Western Cape has 72 breweries of the 156 in the country. Those who study the beer industry in South Africa affirm that from 2013 the microbrewery sector has experienced immense growth, with a resounding average of 10,250 litres per month. This figure has not been proven; however, it gives an idea of how much growth the industry has experienced. “Figures suggest that the annual production of micro crafted beer in South Africa is around 20 million litres, which means it still accounts for less than 1% of the beer market in South Africa” (www.brewmistress.co.za, 2016). However, it is noted in other studies that craft brewing has not only gradually increased the sector’s market share in comparison to the macro-brewing sector, but has also impacted on consumer access, as people who live near craft brewers do not have to travel long to find the craft brewers, and thus the local economy is strengthened with a boost of local spending (Reid & Gatarell, 2017; 34).

According to Standard Bank (2016), there were large investments being made in the micro-brewing/craft beer sector to meet growing craft beer demand in recent years, as craft beer gained in popularity (Brown, 2016). On the other hand, Standard Bank forecasted that the local craft beer market would grow by around 35% in 2016. Further it was highlighted that craft breweries could produce as much as 18 million litres of beer during 2017. This prediction would entail that by 2018 the craft brewing industry would command a 2.1% share of the total premium and lite market, in comparison with the 0.3% share recorded in 2011, and thus the industry is on a serious growth trajectory (Standard Bank, 2016, as cited in Brown, 2016). In South Africa there is less information on microbreweries and the entire phenomenon of craft beer, which is a gap this research seeks to respond to. Thus, there is the need for this research to be executed in order to help fill this gap in information on an industry that could have a relatively positive economic input into the provincial economy and nation at large.

KZN is the third fastest growing province in South Africa with 22 microbrewers of craft beer according to the statistics given by the South African Microbrewery Survey (2016), and with the hope that the number has grown. This study seeks to understand the context of the

micro-brewing industry in KZN to help understand an industry that promises economic benefit for the province and that can help alleviate unemployment and poverty in general.

Every country has its own distinct history of their traditional beer. In the US, native Americans have long produced corn-based beer, and from 1600 South African sorghum-based beer (umqombothi) has been produced and the skill of brewing has been passed from generation to generation – as in Botswana and many other African countries. However, this research focuses more on the modern era of brewing beer. According to Elzinga and Tremblay (2017) and Howlett (2013) the modern era of macro brewing started around the 1800s, when there were approximately 130 breweries in operation and consumption per capita was less than one gallon. This was perceived as the birth of the modern era of brewing, because, as much as beer was being brewed domestically it was now done in large batches and distributed widely – just as it is done by today’s macro breweries.

In the craft beer revolution, documentation of the American history of beer in the 1960s plays a pivotal role in what the craft beer scene is like today. During this stage there were limited flavours and styles of beer; the prohibition phase was perceived as the death of the American beer scene. In 1965 things changed in America’s beer scene when Fritz Maytag established a craft beer brewery. In addition to Maytag reviving the beer scene, Maytag brewed the first American Indian Pale Ale (IPA), and “brought back traditional porter, revived the custom of a spiced holiday beer, created the first American barley wine, and brewed the first American wheat beer since Prohibition” (Fritz Bows Out, 2010; 76). This was a time when “almost all other domestic brewers brewed light bodied lager beers which were vaguely of the pilsener style but lighter in bodies, notably lacking hop character and generally bland to the palate” (Elziga *et al.*, 2015:56).

In 1965 the Anchor Brewing Company which by then was owned by Fritz Maytag could not sell according to its capacity, as it barely sold 1000 barrels, and at that time it took over a decade for their sales to reach 7500 barrels.

The modern-day brewing culture hails from European (e.g. Germany, England) countries that have a rich beer heritage, which is also where countries like the US inherited their brewing tradition from (Howlett, 2013). In Europe there are cities like Munich where beer formed part of its life since the Middle Ages and “where drinking beer was safer than drinking water because it was somehow contaminated” (Loftus, 2010). As much as beer is

not native to some countries, e.g. China, they however have started with the recent growing trends in breweries, and beer has become an aspect of their identity as a country. Legislation red tape often hinders the growth of brewers. Howlett (2013) referenced the American scenario of how the National Prohibition Act crippled the craft brewery.

2.3.3 History of craft beer in South Africa

Similar to the US, South Africans have always brewed sorghum and maize-based beer, which is brewed for two or more days to allow proper fermentation of the maize and sorghum – and it has been the most popular beer for decades. As much as it has been established that maize is frequently contaminated by mycotoxins that produce fungi and mycotoxins, it is still part of the South African beer culture and is still embraced by South Africans

Bruns (2015) highlights that in South Africa the craft beer scene is comparatively a new phenomenon. Homebru.net, as cited in (Bruns, 2015), posits that there are 159 craft breweries in South Africa, of which more than 80 only started to operate within the past 5 years – highlighting the rapid nature in which the industry is expanding and spreading across the country. Fletchall (2016) argues that craft beer brings in an element of place making and regional pride due to its authenticity in terms of how it is made. “Besides the taste of the beer, the local nature of breweries and their community focus prove to be an important draw for brewery visitors and provide the chance to experience the community in a more authentic way, and thus, offer an opportunity to make a meaningful connection with place” (Fletchall, 2016). Schnell and Reese (2014) stated that “such breweries are often proudly and self-consciously local, and often use imagery and stories associated with a particular place as a means of promoting their brews”. This active, conscious creation and maintenance of attachment to place, is termed neo-localism.

Money (2017) mentioned that “locally made” beer created by small, independent breweries is preferable to beer produced by large, national industry giants, and further that these factors play a significant role in influencing the purchase decision of most customers. The research further mentioned that the merger of microbreweries into macro breweries caused an increase in lawsuits in the US, one of which was the case of the Oregon residents: “the lawsuits reflect a distrust that craft beer enthusiasts assign to large-scale brewing operations, as they believe that their macro brewed beers cannot embody the thoughtfulness and authenticity emblematic of craft and specialty beers” (Money, 2017:35).

The beer market is slowly being dominated by craft beer over big beer. D'aversa (2017) concurred and referenced the current American beer market status, stating that “the numbers indicate that America’s affections seem to be shifting from “Big Beer” (like Bud, Miller, and Coors), which has dominated the beer scene since the 1950s, back toward smaller local and regional brewers”. Howlett (2015) also looked at a case study of Colorado, which is one of the states that have a deep history of craft beer and microbrewer, and concluded that Coloradoans seem to enjoy their smaller brewery products more than the larger macro-brewery beers. This plays into their culture by supporting small, independent and local businesses. That being said, it is worth noting that the shift that we witness today in the American craft beer industry, was also influenced by the changes in the state and federal government regulations in 1977, helped pave a way for new micro-brewers in the US.

2.4 Craft beer breweries role in LED

There has been a lot of controversy surrounding the meaning of LED and the direction in which LED should take in South Africa. A number of literature has been written by different skilled researchers in the field of Local Economic Development during the late 1990s and early 2000s. Scholars such as Nel, Rogerson and Meyer-Stamer have played a pivotal role in producing fundamental research on which the field of study for SA LED is based (Mawson, 2001, Nel and Rogerson, 2007). Rogerson (2010b) states that the “definition of LED has been a controversial issue in SA, surrounded by misunderstanding and opposing views, while others believe that LED should facilitate competitive business others view LED as a means of driving social projects and initiatives”. Inequality in the country has been the underlying source of the confusion surrounding the meaning of LED. The economies of the large city centres flourished during the apartheid period, while rural areas were riddled with poverty and lacked in basic resources such as clean running water and electricity. SA’s past of apartheid has a direct influence on the country’s.

Different countries practice LED as it is compatible with their realities because it is focus differs from place to place, Confirming the assertion by the World bank that LED is a place based approach. According to Bond (2001) “LED has two strategic approaches namely market-led approach based on business development and the market-critical approach focusing on poverty reduction.” Bond further went on to mention that LED can be interpreted in two ways, which may have the same desired goal, but proceed in two different paths (2001).

The micro manufacturing sector is key in creating products and sustaining jobs. This sector is labour intensive and in the long term it tends to create jobs. KZN's manufacturing sector is also counted to be the second largest in the country after Gauteng Province. It is therefore the role of the provincial and local government to ensure the growth and sustainability of micro-manufactures for not only economic growth but also to preserve the uniqueness of that area. It is the responsibility of policy makers to ensure that the policies in place are conducive for the growth of small businesses. The micro manufacturing sector of craft beer is regulated and determined within the provision of the Constitution of South Africa Schedule 5, Part A, which provides for the functional areas of exclusive provincial legislative competence.

By virtue of this constitutional mandate, Kwa Zulu Natal regulates the liquor industry through the provisions of the KZN Liquor Licencing act no 06 of 2010. The long title of the act amongst other provisions makes provision for the “the regulation, control and licensing of the retail sale and micro manufacture...in the Province of KwaZulu-Natal”. It is on the basis of the aforementioned act that the KZN liquor Authority was formed. The objectives of the Liquor Authority are set out in section 6 of the said Act which amongst others is to implement and promote initiatives which addresses the objects of the Act as provided for in Section 2(b) and in this instance and in particular (d) of the act. to promote the development of a responsible and sustainable retail and micro manufacturing liquor industry in a manner that facilitates –

- (i) the entry of new participants into the industry;
- (ii) diversity of ownership in the industry; and
- (iii) an ethos of social responsibility in the industry

Whilst the above are noble objectives, as a subsequent the local brands are then promoted to compete effectively for economic transformation. Craft breweries thus emerge as a culinary tourism attraction and exemplify one of the many ways that communities can reaffirm their local identity in the wake of the impacts of globalisation on homogenising tastes and products (Schnell and Reese 2003; Murray and Kline 2015). Further, by branding beers with local themes a unique beverage culture can be fostered to enhance the distinctiveness of localities for tourism development (Schnell and Reese 2014). Among others Eberts (2014: 196) contends that tourism has emerged as “an important component of the craft breweries business model and increases their connection to local communities”. Through tourism development, the economy grows and more opportunities for local people. Henderson

(2009), Dillivan (2010) and Spracklen et al. (2013) point out “beer tourism is an integral part of tourists consuming local heritage and of experiencing local history and cultures as reflected in food and drink”. Neo-localism is a trend towards the active, conscious creation and maintenance of an attachment to a locality or place (Flack 1997).

2.5 The process of making beer

Benjamin (2016) defines the designing of the craft beer process as more artistic than it is technical. Craft beer uses many of the same ingredients as traditional beer, but they generally use the ingredients of the highest possible standard, to provide taste experiences. The beer-making process is a unique and a not so easy process, and it requires a skill and technique and is a trial and error process. There are different kinds of styles and flavours of beer. Beer as defined by the Merriam-Webster dictionary (n.d.), is “an alcoholic beverage usually made from malted cereal grain (as barley), flavoured with hops, and brewed by slow fermentation or a carbonated non-alcoholic or a fermented slightly alcoholic beverage with flavouring from roots or other plant parts”.

2.5.1 Brewing ingredients

According to Benjamin (2016) ingredients used in brewing beer often date back to The German Beer Purity Law of 1516 (Reinheitsgebot), which states that only water, barley and hops can be used in beer production; however other specialty ingredients are added to give beer a flavour. Benjamin (2016) further stated that with the rise of craft beer and the enthusiasm that has surrounded it in past years, many brewers are experimenting more and more with a multitude of additives and flavours in beer, to create their own unique style. Day (2001:16) states that mediaeval brewers were often putting all kinds of things into beer for various purposes such as flavouring and reducing the cost with ingredients that are not of good quality. However, health and safety laws were put in place to protect the average citizen from consuming a drink that could very well poison them. Some brewers still conform to the Reinheitsgebot, and they add their personal touch to their beer.

2.5.1.1 Water

Water makes up most of the beer and hence it is the crucial part of beer making. “Water is important in brewing because its pH and mineral content impact the flavour of beer and some aspects of the brewing process” (Daniels, 2000:63). Pure water with a neutral pH lets the brewer start off with a clean slate, without worrying about having to distil and filter the

water. “The aforementioned also takes into consideration the environmental conditions (soil, water, and air) of the area from which items are produced and which will affect the flavor of the product” (Draftmag.com, 2011). “Water has remained the only ingredient in beer that has always remained “local” to where the beer is made. If the brewer wants to apply the concept of “Terroir” into their brew to give it truly a local flavor then the water would be changed very little from its natural source” (Palmer & Kaminski, 2013:43).

Palmer & Kaminski, argues that “Although water may be clean and safe to drink, as in potable municipal water, this does not mean it is suitable for brewing. Safe drinking water may contain chemicals, such as chlorine, that may alter the taste of the beer” (2013:44). In present day times water from any source can be adjusted and modified utilizing chemicals , to suit whatever style of beer that is wanted by the brewer. Not only can pollutants be removed, mineral substance can be included or erased as required and the pH value can be changed to suit the style of beer being made (Palmer & Kaminski, 2013). Water plays an important role and has huge impacts to the final product so much that a same recipe may be used in different regions and bring out totally different products due to the value and quality of water used. It is therefore very important that the brewer thoroughly assesses the quality of water, before starting the brewing process. “Some brewers add mineral salts to their water in order to mimic the original water quality of certain cities like Munich and Pilsen” (Daniels, 2000:69). The local water supply defines the uniqueness of the beer, and different brewers in different regions may use the same recipe but if the water quality is not the same – the beer will come out tasting different.

2.5.1.2 Grains

There are different kinds of grains used in making beer; however, they need to go through a malting process. Viking Malt (2015) states that grains provide the body of the beer, mostly this body is in a form of malted barley. There are different kinds of grains, however, to simplify things, they are broken down into two categories of malted barley: base malts and specialty malts. The base malts provide most of the enzymatic (diastatic) power to convert or turn starches into fermentable sugars and provide the highest extract potential (Goldhammer, 2015). The base malts are Pilsner, Pale Ale, Mild Ale, Vienna and Munich. The second group of malts are the specialty malts, which are different from the base malts as they contribute less diastatic capability, but give the beer more aroma and bring out the colour. Some of the known examples of specialty malts are chocolate, crystal and smoked. Barley is not the only grain used in craft beer; there are other grains like wheat, oats and rye.

Benjamin (2016) cited the brewer Puza (2014), remarking that “while hops are very important to craft beer the body and base of the beer come from malt and that craft brewers use the absolute best malts they can find to make the best beer possible”. Craft brewers use the best quality of material, which is the special difference between them and the traditional macro-breweries.

2.5.1.3 Wheat

Wheat is also used in beer making although it is mostly preferred for the bread and pasta industries (Frane, 1996). Patton states that “Wheat comes in many different varieties; those used in beer making must also be malted to bring out the enzymes, proteins, and starches needed to produce the sugars and flavors in the beer wort”(2016;270). “Wheat contains glutens and more proteins than barley and can make beer products hazy and translucent verses the clear appearance of barley based beers” (Beeradvocat.com, 2016). “The malting of wheat can be problematic due to the extended times to steep and germinate as wheat requires more moisture than barley and more time to germinate” (Fleming, Johnson, & Miller, 1959). Popular in America, Germany, and Belgium, wheat can be used by itself in beers or as adjuncts in concert with barley (Frane, 1996).

2.5.1.4 Hops

Puza (2014) states that hops are something that really define craft beer from mainstream beer. According to the report given by the Plants for a Future (2012) “hops are the flowered buds of the *Humulus lupulus* vine that provide aroma, bitters, and a natural preserving affect for beer. It is not the whole flower that provides these affects, but 6 parts of the seed cone, also called strobilus, which contain the alpha and beta acids in resin” (Plants for a Future, 2012). Blanchette (2015) points out that since hops give beer shape, it is therefore an ingredient that craft brewers take extremely seriously and they can pay thousands of money to ensure that they get the kind that they want and they are not afraid to use a lot – because they give their craft beer a distinct taste from the commercial beers. Blanchette also ponders that hops are not significantly present in mainstream beer, because the bittering taste they produce has not yet been acquired by the average beer consumer (2015).

As much as hops are a fairly new ingredient to craft beer, they have played a pivotal role in defining and differentiating craft beer relative to commercial beer. Daniel (2000:72) states that before “the use of hops, brewers used a combination of many spices and herbs to balance out the malty sweetness of their fermented drinks”. Just like grains, hops also have different

variables, “but they can technically be divided into two major sub-groups: aroma hops with lower acidity and powerfully fragrant oils, and bittering hops with high acidity” (Freshops, 2014).

2.5.1.5 Yeast

Yeast is a living organism that is technically a fungus. It grows and multiplies by eating the sugar (malt), converting the sugar to alcohol and then releasing CO₂ (yeast will eventually help to carbonate your beer). Different strains of yeast give different flavours to your beer. Patten states that “yeast converts about 48% of the wort into ethanol, about 46% into carbon dioxide, and the remainder into new yeast. This is called the cold side of the beer making process as the wort must be cooled before adding the yeast” (2016:33). This stage is perceived as the most vulnerable time in the beer making process because of the it comes with a high possibility of beer contamination due to the introduction of bacteria into the cooled wort. Some yeast produces fruity flavours, while others may create a spicy character during fermentation. According to Capece, Ramaniello, Siesto and Romano (2018), “brewer’s yeasts are mostly from the genus *Saccharomyces* and can traditionally be divided into two groups: ale and lager yeasts – also known as the top-fermenting and bottom-fermenting yeasts, respectively”.

The two kinds of yeast are visibly differentiated at the end of the fermentation process. Top yeast tends to rise to the surface of the fermented wort, whereas bottom yeast settles to the bottom of the fermentation vessel. Furthermore, these two types of brewing yeasts are differentiated based on growth and fermentation temperature. Hence this technical part of the brewing is very important, and the brewer needs to be vigilant, as it can affect the taste of the beer. Different strains of yeast have different tolerances to the alcohol levels they create during the fermentation process. Eventually the yeast dies in the presence of alcohol, which will gradually and eventually stop the fermentation process. Different yeasts are used for different styles of beer, as they have different alcohol tolerances.

2.5.1.6 Beer flavouring

As mentioned above, the common beer ingredients are water, grains, hops and yeas; however, with the experimenting that comes with crafting, brewers sometimes add flavouring ingredients. “Additives and flavouring in beer are by no means unusual. They have been used from the beginning of brewing history until today save for a few periods such as the time of the Reinheitsgebot” (Sundby, 2013). “In modern brewing adjuncts are

popular with the microbrew industry and can be any ingredient that adds something to the quality (taste, color, or body) of the beer” (Jason, 1996;65). These additives are added with the purpose of giving the beer a distinctive flavour. Some of the most common ingredients that brings out the flavour in beer are flowers, herbs, roots, spices, fruits and beans like coffee and chocolate.

According to Benjamin (2015), traditionally, beers brewed with herbs, roots and spices were called Gruit or Grut. The three herbs linked to Gruit are sweet gale, yarrow and wild rosemary. “These herbs provided Gruit with a resinous and astringent taste that was also spicy with a bitter aftertaste” (Bessette, 2012). The rich publication history on craft beer by scholars like Jackson (2002) and Sinebrychoff (2013) can lead to the conclusion that Gruit is the grandfather of modern flavoured beer and has a major impact on brewers using herbs and spices in beer. “Some greens used in modern brewing are chamomile, cilantro, clover and spruce spouts” (Jackson, 2002:17). Brewers experiment a lot and brew what they would like to drink; in Durban, Poison City Brewing went as far as brewing cannabis beer which has got people talking in South Africa – especially with the legalisation of the private use of cannabis.

The brewer’s creativity goes as far as brewers making beer for different seasons, majoring it with common food offered in that season. “Winter beers are famous for using spices like cinnamon, allspice, ginger, and clove to add flavour that mimics common foods and desserts eaten at Christmas time, like gingerbread cookies” (Benjamin, 2016:8). Craft beer journalist Glancy (2015) when analysing the craft beer scene, “mentioned that spices like ginger and cinnamon bring a different level to craft beer that hops and malts alone cannot, and consumers love it”. The flavouring of craft beer brings out the authenticity and the uniqueness of it, as it is a recipe originated by the brewer, but is obviously motivated by a certain style of beer. There are also fruity beers, where brewers add fruits to accommodate those that mostly drink ciders.

2.5.2 Beer making process

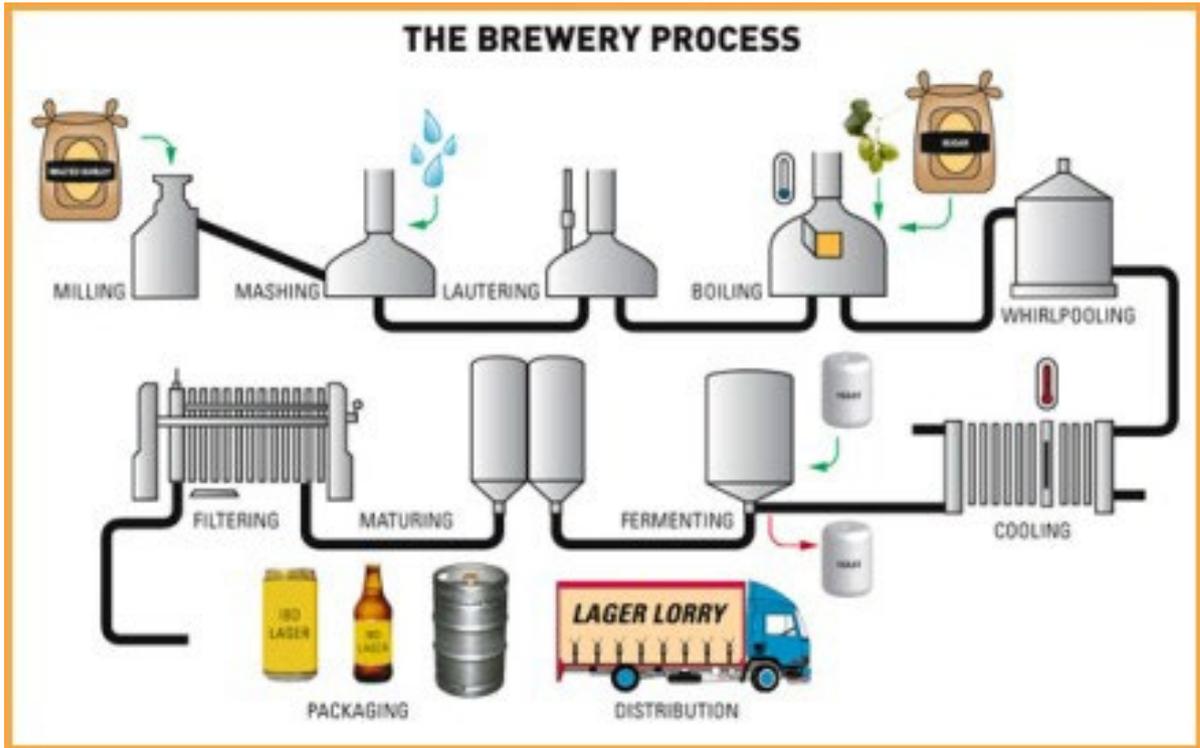


Figure 2: The beer making process

2.5.2.1 Milling

The first stage in making beer is crushing the malted barley/grains to bare the needed starch inside the grains. The Beer Temple (2011) gives a thorough and a clear explanation of this process.

“This crucially important step can make or break a beer before it has even begun. The key is to crush the grains enough so that it exposes the starchy centre of the barley seed without damaging the grain hulls that encase them. If the crush is too coarse, not enough of the starch will be converted to fermentable sugars. If the crush is too fine, the husks, which act as a filter bed for the brew will be destroyed, and the brew will become gummy and unusable”.

This is a very important stage of making beer as it determines how the brewing process will go. Benjamin (2016:10) states that “craft brewers, as the name suggests, usually mill their grain by hand, partly because automatic milling machines are expensive, but mostly because they take a literal hands-on approach to brewing and they are labour intensive”.

2.5.2.2 Mashing

The infusion mashing process takes place in the mash-tun where “water is added to the milled malt and heated at the certain heat rate so the enzymes can convert starches to sugars. The sugars can in turn be converted to alcohol and CO₂ for the fermenting process” (Korpinen & Nikulainen, 2014:19). Different enzymes in the barley work best at different temperatures, so the brewer needs to always be on guard and observe the mashing process very closely. Contingent upon how the grain is malted, the mashing process is intended to make however much solvent material as could reasonably be expected accessible in the wort, while maintaining a strategic distance from undesired results or qualities in the beer. The malt sugars and various materials are released from the grist by the activity of the enzymes in the malt. The mash is then sprayed with hot boiling water, called sparging, which goes through the mash and out of the mash-tun through an opened false base, taking with it all the dissolvable material that structures the wort – the sweetliquid that the yeast will age into a brew.

Diverse crushing procedures are used in various parts of the world relying upon local beer culture, the nature of malt accessible, the equipment used, and the beer style. Depending on the ingredients used, the brewers use a conducive mashing temperature. Mashing at a lower temperature produces beer that is a bit dry and vice versa for mashing at higher temperatures. “Mashing takes about 1-2 hours, and at the end of the mashing process the liquid is quickly boiled to kill off the enzymes, and this process is called mashing out” (The Beer Temple, 2011). During this process, it is paramount for craft brewers to constantly tweak and perfect their mashing times and temperatures, to get the best out of their recipes, in spite of the uniqueness of the mashing method used (Carpenter, 2016). “Craft brewers spend much hands on time focussing on how they can improve their mashing techniques and give craft beer that edge over generic beer” (Benjamin, 2016:11). As the nature of malting grain enhances or improves, infusion mashing is used by many craft brewers to brew lagers, wheat lagers, and different kinds of lagers. Since the infusion mashing method requires just two brewhouse vessels (the mash/lauter vessel and a kettle) to produce hopped wort, it is still generally used among microbrewers and bar distilleries. (Benjamin, 2016).

2.5.2.3 Lautering

According to Benjamin (2016:10), lauter comes from the German word *abläutern*, meaning roughly “to rinse off” or purify. Sparging is performed during the lautering stage, where

extra water is added to get the most starch out of the malt (The Beer Temple, 2011). Lautering refers to the process of separating sweet wort from the grain bed. In commercial breweries, the mash is frequently pumped from the mash tun to a dedicated lauter tun – freeing the mash tun for a new brew. Lautering separates the wort from the used-up grist. The filtering happens by moving the mash to a vessel with a perforated false bottom (Benjamin, 2016:11). There are many different sparging and lautering methods that craft brewers play with, in order to get the desired levels of fermentable sugars; some brewers add water while draining and others only once the wort has been completely removed. “Excessive sparging is not good because the tannins will begin to be flushed into the wort” (Jackson, 2002:20). These tannins are not the kind of bitterness brewers are looking for in a beer, and it is what makes their beer unique.

2.5.2.4 Boiling

Once the lautering stage is done and the brewer has their wort, they begin the boiling phase, which takes roughly two hours. Local water in many places may be in horrendous shape – being full of toxins and microbes that are not good for the beer making process. Boiling the wort makes the water safe to drink even though the founders of beer didn’t know what in the brewing process made it non-toxic. Boiling the wort also stops the enzymatic process by denaturising the proteins and dissolves and isomerises the oils in hops (Einari & Mäkinen, 1993:83).

2.5.2.5 Fermenting

Fermentation happens when the right temperature is set to heat up the yeast and sugars so they can begin to convert the sugars to alcohol and carbon dioxide. Different fermentation processes and temperatures are used for different styles. Benjamin (2016:12) quoted the Beer Advocate (2016), explaining there are basically two general forms and one special form of beer fermentation. During the brewing of most traditional beers, the sugars are derived mainly from malted barley, although other cereal sources and other plant sugars can also be used to produce sugar that would be useful during the fermenting process. The primary function of fermentation is to convert sugars into alcohol, and for the yeast to fulfil this requirement it must be present in sufficient quantity to effect the transformation. This is why brewing is seen as a technique and an art, because one needs to know and understand the where, how, what and when aspects of brewing.

There are two common forms of fermentation process (top-fermenting and bottom-fermenting) and a third uncommon form called spontaneous fermentation. Top-fermenting yeast is used to make ales. The yeast forms a head or plume on top of the liquid that is then scraped off after the process is complete (Benjamin 2016:20). Bottom-fermenting yeast settles to the bottom of the tank after fermentation, where it is siphoned off. Bottom-fermenting yeast is used in the production of lagers (Beer Advocate, 2016). The fermentation temperature is critical in controlling the outcome of fermentation and has a significant impact on the development of the flavour of the beer. Benjamin (2016:23) alluded that the combination of certain yeast strains and temperatures generates very distinctive flavour profiles in the beers, “with the ales and particularly stouts generally producing fruity characters, whereas the lagers feature much lower ester levels, enabling more of the delicate pale malt characters and hop aromas to manifest on the nose”. Craft brewers use special and unique fermentation techniques to bring aroma and flavour to their beer that generic brands just don’t have. It all depends on the taste and style the brew master wants to achieve.

2.5.2.6 Conditioning

The last stage of the beer making process is called conditioning, where beer is allowed to age in a manner that will improve its taste and the mouth feel. Palmer (2015) explains that yeast produces many compounds that lead to flavours like green apple, butter, and honey. Conditioning allows for the brewer to control which of these flavours to accent or remove. There are a wide variety of conditioning methods and styles used that produce very different effects. Palmer (2015:36) continues by explaining that “conditioning can also be referred to as a secondary fermentation where the yeast has broken down all sugars and then turn their attention to manipulating the remaining fermentables”.

2.5.3 Different styles of craft beer

There are different kinds of common craft beer. Craft brewers often take a traditional style and twist it in a mix of art and science to create new styles and tastes (Brewers Association, 2016).

Family Style – Pale Ale

- Indian Pale Ale (IPA) is the most popular style of craft beer offered globally. IPAs are light coloured top-fermenting beers with midrange alcohol of 5-7% and mid to high bitterness (Benjamin 2016). IPAs are characterised by the significant amount of hops

used in their production – giving them fruity, floral, and bittering aromas. There are also American Pale Ales (APA) and American Indian Pale Ales (AIPA) that are similar to IPAs but are brewed with American hops that give off a more resinous and floral, fruity, citrusy aroma. The APAs and AIPAs tend to be slightly less bitter than IPAs (Brewers Association, 2016). APAs are medium bodied beers and carry all its toasted maltiness.

- Blonde Ale - is also known as the golden ale; it is an easy drinking beer and has no particular dominating malt or hop characteristics.
- English Style Bitter - A seasonal malt-driven beer that has a lower alcohol content. It is commonly associated with cask-conditioned beer that is light bodied with a low residual malt sweetness.
- English Style Pale Ale - Also known as the Extra Special Beer and is known for its balance and interplay between malt and hop bitterness.

Family Style - Lagers

- American Amber Lager - a seasonal style of beer that showcases both malt and hops. It is a medium bodied lager with a toasty or caramel-like malt character.
- German Style Dunker - bottom fermented lager style, with balanced flavour of chocolate, bread crust and caramel.
- German Style Marzen - a style of beer that is rich in malt with a balance of clean hop bitterness, bread or biscuit-like malt aroma and is seasonally available.
- Stout and Porter - these are also quite popular amongst craft brewers. They are usually top-fermenting and always dark beers that vary wildly in bitterness, alcohol volume, and flavour. The mildest versions are Milk and Oatmeal Stouts full of malty sweetness and are smooth and full bodied. The strongest versions are Imperial Stouts and Porters, with up to 12% ABV and layers upon layers of malt and hop aromas (Brewers Association, 2016).

Stouts

- American Imperial Stout.
- American Stout.
- English-Style Oatmeal Stout.
- English-Style Sweet Stout (Milk Stout).
- Irish-Style Dry Stout.

Porters

- American Imperial Porter.
- Baltic-Style Porter.
- English-Style Brown Porter.
- Robust Porter.
- Smoke Porter.

The afore-mentioned styles of beer are the most dominant in the South African beer industry, though there are many other styles of craft beer that are offered globally.

2.6 Beer regulations

Every sector is regulated differently according to the role it plays in society, the role it plays in personal and public health which includes the determination of the age restriction on who should drink beer, where the beer should be sold, on which days it should be sold, the location of a pub/tavern or a bar, and how much alcohol content beer should contain. The brewing industry is amongst the highly regulated industries. The Twenty-first Amendment legalized alcohol production, “this amendment essentially allows states full control over grain alcohol including consumption, sales, and transportation”(Woolverton & Parcell :2008). While most control issues such as distribution and consumption controls remain state-specific, broad legislation changes. Scholars like Malone and Stack explore beer laws as they examine how regulatory barriers affect beer production in the United States. Specifically, they provide a history of regulation, discuss the rationale for and consequences of such policies, and examine the implications for economic growth.

Mostly there are policy issues surrounding the beer production, beer distribution and beer consumption. Berning and McCulough (2017:21) aver that in the US the federal government has established a variety of beer regulations, dating back to the 18th Amendment prohibiting alcoholic beverages and to the 21st Amendment repealing prohibition, the legalisation of brewing at home, and laws regarding distribution which lead to the emergence of craft beer. States can also choose the extent to which they regulate beer production, distribution and taxation. According to Raitolahti (2015), in Finland small breweries get tax benefits. Brewers producing 500 000 litres per year or less get a discount of 50% on their taxes.

In the US the federal excise tax reduction for small brewers has gone into effect and it helped pave the way for today's microbrewers. Federal legalisation of homebrewing in 1979 and the old legalisation of brewpubs beginning in 1982, also facilitated the entry for microbrewers (Elziga *et al.*, 2015).

2.7 Beer as an Agricultural product

The route to a successful brewery that offers best beers starts way before the brewing stage. A brewer ensures that the raw material they use is up to the standard of the beer they want to make, and that is all dependent of the agricultural successes of producing the best raw materials. "Your favorite craft beer starts with hop farmers and their fields" (Hines :2019) The production of craft beer primarily involves the procurement of malted barley, hops, yeast, and water. Yeast is often grown on-site however sometimes it is imported from other countries and water is procured locally. The world hops market is fairly tight, with demand equaling, and often exceeding, supply (USAHops:2005).

The farmers and their companies are getting less credit or appreciation for the past years of explosive craft beer growth, this is evident through the minimal research done around their impact on what is perceived as the beer revolution. To fully understand the rise in the craft beer, it is rather of paramount that one understand the relationship between the brewer and the farmers that offers hops and grains. Berning & McCullough (2017) argues that "Some theories suggest that beer production was one motivation for adopting early farming practices and moving from hunter/gatherer to agricultural lifestyles". Further to that archaeologists debate whether baking bread led to the brewing of beer or whether bread was actually invented to facilitate beer production (Standage, 2006). There is not a general consensus as to when mankind moved from being hunter-gatherer to farmer. This is a mystery that has been well debated and scrutinized over many years. Hornsey (2003) argues that there is a link between the domestication of barley grain and the change from nomad to settler which he argues that there is a link between agricultural and archeological studies. (Hornsey, 2003).

The brewery industry cuts through a number of sectors including SMME's , Agriculture and tourism to name a few. For every seep that goes through a craft beer's mouth , there is a farmer behind working the land as beer comes from a collaboration between farmers and

brewers. Woolverton & Parcell (2016:50) argues that the agricultural producers have given little attention to similarly structured sectors and niche-market development within these sectors. Hop farmers are the main contributors to craft brewing as one needs hops to consistently deliver on flavor, aroma and volume of the beer. Each and every type of hop delivers a different levels depending on the type, and not all farmers can grow all types of hops as some are proprietary, which means only the people licensed to grow them can grow them. A fall out between the farmer and the brewer can affect the entire beer-making process. The slogan for Roy Farms, one of the largest hop farms in Yakima, says it best: “No farm- no beer.”



Source: <https://vinepair.com/articles/brewer-farmer-relationship/> (Nick Hines)

It is due to the aforementioned that EDTEA KZN works on merging the two participants through the black industrialist program and RASET to maximize their capacity. As farmers also benefit from microbrewers through the used grains that they collect to feed their livestock. As much as using locally grown ingredients may be good for local economic development in which it promotes interdependency within industries and support for one another however while most commercial brewing processes use pelletized hops, Oehlke: (2011) argues that “local hops are preserved in the whole flower form, which is either fresh or dried” Therefore, the processes by which local and non-local hops are used in the brewing process widely differ. Likewise, Oehlke further alluded that “using locally grown and malted grains poses problems in quality and consistency since using specialty ingredients also require special attention in the brewing process” (2011:3). These series of challenges, both in traditional and specialty brewing ingredients, may act as a limiting factor in brewers using local ingredients.

2.8 Craft beer as a necessity for the tourism business

Tourism is a complex industry and is yet very lucrative and crucial to many economies. Beer tourism is a growing dimension of culinary or food tourism (Rogerson & Collins, 2015). Academic studies highlight the significant growth of the craft brewing industry in different parts of the world (Elzinga, 2011; Fastigi, Esposti, Orazi & Viganò, 2015; Maier, 2013). While academic studies addressing this industry from an entrepreneurial perspective already exist (Danson, Galloway, Cabral & Beatty, 2015; Ellis & Bosworth, 2015) this study seeks to take one step back by looking at craft brewery as a phenomenon that which, if properly understood, can give proper guidelines as to how to respond to challenges that may be a hindrance to one being a prosperous entrepreneur.

McAuliffe was one of the first brewers who recognized the demand for craft beer as a drink to be paired with food. Elzinger *et al.* (2015) stated that McAuliffe also demonstrated that small-scale production could produce a product/food whose taste signature stimulated the demand for craft beer. In terms of culinary tourism, South Africa is traditionally associated with wine tourism. However, it must be noted that the country is experiencing the rise of beer tourism – considering the number of craft beer festivals and their attendances (Rogerson & Collins, 2015). South Africa is a country well-known globally for its wine exports, but has fallen far behind the craze for craft beers that came of age in the US before exploding in other parts of the world like the UK and Germany (Business Day, 2017). The sensation of beer tourism is described by Howlett (2013:32), as a “form of special interest tourism”. Furthermore, it is a phenomenon defined as a type of tourism whose participants are interested by the culinary experience of drinking different types of beer and further enjoying the typical environment of brewing restaurants; tourists of this kind are also intrigued by knowing history and the current technology of beer making in general (Rogerson & Collins, 2015).

The beer market is dominated by South African Breweries (SAB), which is better known for its affordable lagers. It is noted that more than 4 out of 5 beers sold in South Africa are made by SAB, but a growing number of craft brewers are pushing to put their creations into the hands of drinkers in South Africa and beyond. Craft beers are distinguished from mass-market lagers by their more artisanal manufacturing process, smaller production runs, and innovative flavours. Market analysts Grand View Research estimate the global craft ale market could be worth USD500 000 billion by the year 2025, which is equivalent to 6 times

more than the value in 2015, and thereby this is a growing industry with a great potential of bringing economic returns to the breweries and the nation in general if it is positioned to capitalise on such a global market share value by 2025 (Business Day, 2017).

With the overwhelming expansion of micro-brewing and nano-brewing, “tourists are going on brewery-based tours in multiple regions, such as Colorado, Oregon, or New England” (Howlett, 2010:16). Moreover, it is noted that “tourists are beginning to seek a stronger connection with the communities they are visiting. They want to sample the local cuisine, taste the local beer, and meet the artisans making the products they are interested in purchasing” (Grandmaison, 2013). Cognisant of the above activities in the American brewing industry, local brewers are also seeking to attract beer aficionados and tourists with their quirky brewery concepts. In the effort to make microbrewing an anchor to the tourism industry of South Africa, the city of Johannesburg is home to Africa’s first brewery located at an airport – introducing tourists to the existence of excellent microbrewing entities in the nation.

According to Business Day (2017), the Airport Craft Brewers at OR Tambo airport makes 3,000 litres of craft beers a month, that include Porters, Indian Pale Ales (IPAs), Blondes and Pilsners. Moreover, there are other breweries attracting tourists across the country, such as the Zwakala Brewery in Limpopo. This brewery is a tourist hotspot and sits in the heart of a region popular with visitors from home and abroad, and thus it can capitalise on the tourist influx and boost the economy of the region and country by increasing tourist expenditure as they spend on the craft beers produced locally: "We get quite a lot of Americans coming through here and quite a lot of Dutch tourists stopping. It is a market we want to target," says Tooley, as cited in Business Day (2017).

Howlett (2013) reiterates Fletchall’s (2013) point about craft beer creating an experience that brings out the place making element of that particular location: “brewery-based tourism is a way for locations to attract tourists as a supplement to their itinerary or as the main attraction. If a brewery becomes particularly popular, it could bring dollars and tourists into locals to spend money on hotels, restaurants, shopping, and, of course, beer. In many parts of the world the activity of culinary travel is expanding in popularity and progressively culinary tourism has emerged as an independent product on its own within tourism” (Bujdoso & Szucs, 2012). Smith (2005) and Howlett (2013) argue that the most effective experiences of tourism involve four kinds of interaction: entertainment, educational,

escapist, and aesthetic; this is also effectively attained through tourists engaging and participating in tourism, as they get to be taken on tours around the low-tech and craft-driven industry. The tourism sector contributed 2,9% to the South African GDP in 2016 (Statistics South Africa, 2018), which seems a small contribution. However, considering that tourism contributes to other sectors of the economy such as transport and logistics, the tourism sector makes contributions to the growth of other sectors of the economy. The growth of craft brewing thus can add to the contribution made by the tourism industry to the economy in general.

Scholars like Robinson and Novelli (2005) and Kraftchick *et al.* (2014), when studying culinary tourism, define it as a form of niche tourism, with people travelling to particular localities in order to experience the unique foods and beverages of a destination. People when travelling to foreign places want to experience the authenticity of the particular place they are visiting and learn things that may be of foreign to them – that’s the idea of travelling, and this goes as far as the food they eat and the beverages they drink. This concurs with the definition given by Minihan (2014:3), that culinary tourism is a “tourist’s experience taking a trip outside their normal setting for either a primary or secondary intention to embrace the food spectrum and sample local cuisine”, and these tourists are termed ‘foodies’ in the US, as they live to collect food experiences according to Howlett (2013). San Diego has been stated to be one of the top places in the world to visit, because of the liquid attractions and specifically because of its beer culture. Research has shown that roughly “95% of tourists research their potential travel destination prior to making or purchasing their trip” (Lee, Close & Love, 2010).

For this kind of tourism, local food and beverages become a motive to travel or visit a particular area; Budjdoso and Szucs (2012) name it gastronomic tourism. Rogerson (2015) cited Jablonska *et al.* (2013:67), who specifically defines it as a form of tourism “of which participants are motivated by [the] gastronomic experience of drinking different types of beer and [the] typical atmosphere of brewing restaurants or knowing history and current technology of beer manufacture”. Most restaurants that offer craft beer usually craft it on site, so it gives visitors a thrilling experience to see all the work in action; it also gives meaning to their visit, as it gives them the national identity. Lukas (2004) and Howlett (2013) state that in the US, they sometimes allow visitors to get close to the production where workers get to supervise visitors doing work, like applying labels and even hand

dipping the bottles in the signature wax. This experience, as limited as it is, gives visitors a unique and memorable experience.

Spracklen *et al.* (2013) and Howlett (2013) point out that beer tourism is an “integral part of tourists consuming local heritage and experiencing local history and cultures as reflected in food and drink”. Nevertheless, with regard to the local people, Francioni (2012) and Kraftchick *et al.* (2014) argue that there are 4 sets of main motivational factors for beer tourists. These relate to the craft brewery experience, enjoyment, socialising and beer consumption. People network and some seal business deals over a glass of beer, and at a very comfortable place rather than a boardroom.

The food and drinks of a particular area play a role in moulding the culture of the area, and culture plays a crucial role in tourism development and the image of the area – hence culinary tourism has an essential role in motivating tourists to visit the particular area. Pechhlaner *et al.* (2009) argue that beer is a cultural asset in some regions. Dillivan (2012:8) articulates the linkages between craft beer, local heritage and identity as follows: “When ordering a drink at a bar, pub or microbrewery, there is much more than simply the drink that is ordered: it is part of a tradition that has shaped our culture and our history”. Schnell and Reese (2003) concur and further aver that by branding beers with local themes, it builds a unique and distinctive beverage culture, thereby enhancing the distinctive character of localities for tourism development, like the Soweto Gold beer, which is themed “Born ekasi, brewed for all”.

This type of tourism is still in its emerging phase in South Africa: “a young form of special interest tourism” (Howlett, 2013:32. However, it is growing at an exponential rate. According to the industry experts like Budjoso and Szucs (2012) who analyse and observe the industry, they argue that it is indisputable that the beer tourism has become a new and a popular form of alternative tourism and a growing industry. This is further supported by statistics in by the survey done by the beermistress and others that study the beer industry in South Africa. The World Travel and Tourism Council in their 2014 report also acknowledged that beer tourism was one of the fast-growing niches in the global tourism economy. Nevertheless, Dunn and Kregor (2014) argue that there is minimal research done to understand the relationship between craft breweries and visitors, which may be useful to breweries to assist them to keep the beer culture going. Rogerson (2015) avers that in considering an entry into beer tourism, breweries must have sufficient knowledge of this

kind of a business and also must be realistic about potential revenues, the size and scope of their business operations, and of the specific goals they wish to achieve. Furthermore, they need to understand that they are going to be contributing to the history and development of beer tourism.

Meger (2006) documents that SAB in the 1990s came up with initiatives to promote and celebrate the beer product offerings of the country's monopoly brewers – one of which was the SAB World of Beer museums in Johannesburg and Cape Town. The afore-mentioned was the introduction of beer tourism to South Africa, as culinary tourism had been mainly dominated by activities of wine tourism. However, from then till now there has been a metamorphosis in culinary tourism and in the beer industry to be specific. Rogerson (2015) cites Collins (2014) and Strydom (2014) argue that since the early 2000s the momentum of beer tourism in South Africa has shifted, with the emergence and establishment of over 100 000 microbreweries that produce a wide array of craft beers. It is worth noting that more and more craft beer brewers are operating legally with licences offered by the liquor authority.

Recently, the province of KwaZulu-Natal launched a brew or beer route, which in many ways is noted to have great similarities with the wine routes of the Western Cape, which attract many tourists in general. The KwaZulu-Natal Brew Route affords a platform to showcase the capabilities of the province's breweries and brewers, as they are given a chance to present the beer products they produce. The province boasts a number of recognised brewers and some of them that participate in the route include: The United National Breweries in Congella, Durban; Nottingham Road Brewing Company at Rawdons Hotel in the Midlands; Wartburger Brauhaus in Wartburg; the Shongweni Brewery in the Valley of a Thousand Hills; and the Zululand Brewing Company in Eshowe – among others (Tourism KwaZulu-Natal, 2016).

The Untapped Craft Brew Festival is another initiative put in place to boost the craft beer industry, where the South African National Beer Trophy awards are held and this gives an opportunity for attendees to appraise themselves with the different craft brewers and their produce. Moreover, it raises the levels of competition amongst craft brewers as they compete to ultimately take the awards in the different categories. This platform also serves as an advertising tool, as in 2018 where it took place in Durban, a popular tourist destination – tourists were familiarised with the products available and at the same time made aware of the local communities' presence (saontap craftbeerfest, 2018).

Rogerson (2015) cited Everett and Aitchison (2008) stating that food tourism can be a vehicle for local and regional development, with opportunities to diversify local economies and to strengthen local identities and traditions. Zong and Zhao (2013) and Jablonka *et al.* (2013) concurred and added a third contribution, beer tourism (in a form of microbrewers), to the afore-mentioned by stating there are three positive impacts upon destinations:

- Contributions to LED;
- Image enhancement; and
- It can potentially strengthen the competitiveness of the destination for business investment.

With more tourists coming to a particular region it means that businesses that offer local food and beverages will ‘boom’, which will lead to a booming local economy. That will result in the creation of job opportunities and more start-up businesses due to the high demand for local food; this is also maximised by the establishment of innovative initiatives like beer routes (Rogerson, 2015).

Everett (2013) and Slocum (2014) suggest that a number of government officials and local government are starting to acknowledge the presence and role played by culinary tourism to boost the local economy and the capacity it has to enhance the sustainability of tourism development. The KwaZulu-Natal Liquor Authority and EDTEA KwaZulu-Natal have also started to embark on a journey to initiate critical policy changes regarding micro craft beer brewers, as one of the sectors that plays a critical role in strengthening the regional and local identities that attract tourists. Eberts (2014:12) also argues that breweries and brewery tours have wider benefits to communities as they are a vehicle for LED. The enhancement of linkages between beer and tourism through different aspects of beer tourism, in the long term can offer opportunities for the growth of the beer industry and of tourism (Caffyn, 2010). This is evident in countries like Brazil, New Zealand, and Belgium. Nevertheless, it is worth noting that “with the recent birth of South Africa as a beer tourism destination there is an urgent need for (re)examining the changing nexus between tourism and the beer industry in general” (Rogerson, 2015).

Breweries have different marketing strategies to grow retail sales; most of them have a tasting room, some host festivals, and some host beer competitions to attract new customers and retain customers. Rogerson (2015) argues that the distribution of craft beer can be very

expensive and difficult on the brewers. Brewers make more profit on direct sales than going through the wholesale route. It is also argued that education about craft beer as a phenomenon can be a strategy used to gain customers – as it is aligned to “promoting and developing product awareness and also challenging the status quo and the dominance of large brewers” and their uniform beer (Rogerson, 2015). As much as craft beer brewers capitalise on building links with their consumers through beer testing, festivals and competition, it is equally important that they also consider extending their collaboration and cooperation, which, according to Dunn and Kregor (2014), means that “brewers acknowledge their potential role as tourism attractions and embrace support and partnerships from tourism organisations”. It is further argued that most beer tourists get to learn about breweries through those that are around them and by the word of mouth. Breweries are said to be less active on the social media and other advertising platforms, which is something they need to work on in order to reach a far wider customer base. It is equally important that craft beer brewers draw lessons from wineries to enhance brand awareness and sales.

With regard to the above-mentioned, it must be noted that the micro-brewing industry of South Africa is not asleep in relation to marketing and maximising the potential of culinary tourism – as noted by the fact that there is an array of festivities created to promote craft beers in South Africa. One example is the Mocktober Craft Beer Festival, which is described by CraftBru (2016) as bringing craft beer to the “Garden Route”; this festival is slotted in time for Christmas, which is the time South Africa as a nation is a hive of tourist activity. This festival was founded in the year 2016, and was championed by Mossel Bay’s craft beer producer, South Cape Breweries. It has been able to capture the attention of holiday-makers during this festival and raising the awareness of the industry in the country. CraftBru (2018) highlights the Rosetta Craft Beer Festival, taking place on 29th September 2018 at the Rosetta village dam. The festival is a stage where selected breweries from KZN will showcase their product for the public to enjoy, along with great food and entertainment – thereby raising awareness to locals and tourists alike, of the capabilities of the KZN micro-brewing industry.

Howlett (2015) documented the craft beer revolution in Colorado and explained how festivals show how the breweries are engaged in their communities, and how beer is used to honour their citizens. It is very important that citizens from communities that they operate in, gain confidence in them; their attitude toward the product may play a pivotal role in the marketing of their product.

2.9 Theoretical underpinning of the study

2.9.1 Neo-localism theory and resource partitioning theory

This study employs the neo-localism theory and the resource partitioning model to better analyse and understand the reasoning behind the emergence and growing trends of the craft brewery industry that is aggressively changing the beer market. Carroll and Swaminathan (2000) aver that competition among generalist organisations in markets consists of an escalating war for resources and markets. Microbrewers seek to establish themselves within the economic industry that is long standing and that has been dominated by commercial brewers. Therefore, it is crucial that they are integrated and find expression within the economic industry as they fall within the segment of Small, Medium and Micro Enterprises.

Baginski and Bell (2011) argue that the international trend toward the growth and expansion of craft breweries exemplifies resource partitioning theory in which “firms that serve small niche markets challenge the monopolistic competition of the large enterprises that command the brewing industry”. Carrol (1985:18), cited in Carroll and Swaminathan (2000:25), also used the resource partitioning model to explain the rise of specialist firms, stating that “it involves the resource space that lies outside the generalist target areas and that, away from the intense competitive pressure of the dominant large generalists, specialist organizations can find viable locations”. Academics like Benjamin (2016) and Howlett (2013) have argued that craft brewers specifically do not aim to charm the principal potential consumer base of the everyday consumer of alcohol, as that is the realm of the national or multinational brewer such as SAB and others such as Heineken who are dominant in the global sector. As an alternative to creating beers that a wide group of consumers indulge in, craft brewers specially produce their beers in a small scale but appeal highly to their customers.

Carroll and Swaminathan (2000) made a proposition and to further validate his proposition he tested the one most plausible theory to date, Resource Partitioning to explain how two industries coexist in one sector without really being in competition as they tap in different customer bases. The Resource Partitioning Theory (RPT) states that while larger companies or generalists compete for dominance by consolidating and homogenising their product(s), specialty producers with innovative products emerge, gaining space in the larger market. RPT can be applied to a broad array of industries, including breweries.

Craft brewers are aggressively changing the beer scene in the form of what Garavaglia and Swinnen (2017:14) term a “counter-revolution against the domination of the macro brewers and their uniform beer styles”; Carroll and Swaminathan (2000) term it an established model of organisational ecology. The craft beer revolution comes as a response to dismantle the homogenisation in the global beer industry. Carroll and Swaminathan (2000) state that resource-partitioning theory explains the rise of late-stage specialist segments within an industry as an (unexpected) outcome of the consolidation occurring among large generalist organisations as they compete for the largest consumer resource bases of the mass market. Scholars that study neo-localism interpret it as a desire among communities to embrace or reassert the uniqueness and authenticity of places or localities (Flack, 1997; Schnell & Reese, 2014). This research employs neo-localism theory and the resource partitioning model to better understand organisational developments in the craft brewery scene in KZN, and also understand its potential to boost LED.

Business Day (2017) highlighted that small, artisanal breweries are growing at a fast pace in South Africa, and that there are currently about 200 artisanal or micro-breweries. There is a question however which then arises as to whether the microbreweries can compete with South African Breweries? An answer may be provided using the resource partitioning theory that explains that commercial beer brewers like SAB and craft brewers depend on a different resource base (Carroll & Swaminathan, 2000). The insight given by this theory will then enable us to better understand the growing trends between macro-breweries and microbreweries of craft beer.

Spracklen *et al.* (2013:307) argues that neo-localism is a significant asset for culinary tourism development and sustainability. Howlett (2013) concurs as he studied the brewery sector in Colorado and avers that such shifts in attitudes and desires make breweries and brewery tourism a possibility for growth in communities, and a main attraction in certain cities in Colorado. This drastic change may also affect the standard of living within the community as microbreweries incorporate a number of ideas, like understanding where the food is produced, as they understand and know the person behind the brewing of their loved beer. This is very beneficial to what Howlett (2013) terms the “foodie movement”, where tourists are always looking for something new to try, which they further recommend to other customers. Breweries have played a pivotal role in most states and it has been seen to have been playing an equally important role in boosting the economy of a particular area – besides

the role it plays in creating the culture and heritage of the place; for example, the case of Oregon in America and other localities.

Within beverage tourism, some beverages are more dominant than others according to Rogerson (2015). Wine seems to have received more attention and is most recognised in most regions. However, there are other beverages like craft beer that equally play a critical role, and hence the purpose of this research is to close that gap and the homogeneity thereof. Rogerson (2015), cited in Dunn and Kregor (2014:192), avers that scholarship on wine tourism “clearly demonstrates that wine producers initially did not regard their businesses as tourist attractions”, and further he argued that they needed “encouragement to recognise the potential benefits of cooperating with tourism industries to form wine tourism regions”. “We get quite a lot of Americans coming through here and quite a lot of Dutch tourists stopping. It is a market we want to target,” says Tooley – as cited in Business Day (2017) referring to the Limpopo craft beer tourism sector, which is realising a rise in tourists sampling its craft beers, while at the same time not fighting large entities like SAB, but rather creating a market of their own through tourism and other local enjoyers. Thus, the industry can survive side-by-side with macro brewers.

Howlett (2013) considers this phenomenon to be a relatively new type of tourism and deems it to be a form of special interest that is a “small and relatively unknown form of tourism” (Howlett, 2013:23). Beer tourism is a representation of what Timothy and Boyd (2014) refer to as a “purposive cultural route” – a form of a tourism trail. It is notable that local beer consumers are also displaying dissatisfaction with the global generic lagers by welcoming the new beer offerings made by craft micro-brewers (Rogerson, 2015). This is further accounted for by the growing number of beer festivals and the growing number of micro-brewers who sell their craft beer in the farmers’ markets.

In US cities in Oregon with a well-established beer trail, they have even developed a phenomenon called a beer passport. Howlett (2013) states that this beer passport works in a way that when a tourist visits various breweries, they collect a stamp and when they reach a certain amount – they go to a local visitor centre where they receive a special prize. States like Michigan went to the extent of declaring the month of July as a month of craft beer in order to promote consumption. Eberts (2014) argues that “tourism has emerged as an important component of the craft breweries business model and increases their connection to local communities”. This is also supported by the initiative of most breweries that offer

tours, not only as a marketing strategy, but to create linkages and connect to their customers. Belger (2009) avers that purchasing locally manufactured foods/goods is viewed as a healthy and responsible alternative to buying what you want at a grocery store. This gives consumers an opportunity to interact with the producers of their favourite goods and to build a bond.

Rogerson (2015) makes distinctions between different kinds of beer tourism, and he argues that the first one is beer being the primary motivation for tourists to travel and the core aim being the consumption of different beer types offered in a particular region (e.g. beer festivals, beer themed programmes). The second one is the destination having a connection with beer and beer consumption being secondary motive (e.g. beer museums). This agenda includes the need to profile beer tourists, understand the participation of breweries in beer tourism, the importance of neo-localism for the craft beer industry in South Africa – and to evaluate the impacts of beer tourism promotional initiatives for LED (Rogerson, 2015:23).

Scholars have noted that the theoretical conception of resource partitioning relies majorly on philosophies of crowding between organisations in a market regarded as a finite set of varying resources (Carroll & Swaminathan, 2000). Companies in the beginning try to find a sustainable position within this market by targeting their products to various resource segments. However, it is specialist organisations that choose narrow similar targets, while generalist organisations choose targets made up of various segments. Scientific postulations from the academic literature support the fact that craft breweries do not have massive advertising and marketing budgets, and, as a result, generally craft brewers refrain from national advertising.

2.9.2 Advantages and benefits of the resource partitioning theory

“Craft beer has been considered a market segment that parallels the rise of independent and market-specific industries such as Fair-Trade coffee, artisan cheese, and heirloom seed sales” (Murray & O’Neill, 2012). It is argued that this differentiation is imperative especially when there is a growing trend new businesses entering an existing markets, as buyers are constantly in search for unique, specialty types of products. In the case of craft beer, consumers are looking for local beer, over specialty types. Besides being locally produced, local beers offer unique style of beer, different in flavours, ingredients and production that is not available at the national distribution level as it is locally made and can only travel a certain amount of kilometres (for perseverance purpose and neo-localism) as the idea is to get people to come and enjoy beer where it is made. The afore-mentioned also reveals how

craft beer contributes to the growth of the local economy and putting the particular area on the map through their products. Hannan (2001) terms the resource partitioning theory as the theory of segmentation that concerns the relationship between increasing market concentration and increasing proliferation of specialists in mature industries.

Resource partitioning theory helps to understand the nature of the microbrewery sector and why they should never compare to macro brewers because they serve different markets. The theory holds that under certain environmental and organisational conditions, the increased dominance of large firms in an industry will enhance the life chances of specialist organisations such as craft brewers, as they specialise in a kind of beer. There are four different mechanisms that produce resource partitioning: location, customisation, anti-mass-production cultural sentiment, and conspicuous status consumption – and these mechanisms are the ones used to define craft beer.

2.10 Conclusion

In conclusion, the craft beer brewing industry is an exciting new field of study in which academic peer-reviewed studies are still in their infancy. Thus far, research has not focused on generating evidence from which a deeper understanding of the market could be developed regarding its proper scope and economic impact especially on Local economic development. This chapter has went in-depth in defining the concept of craft beer and its key characteristics that locate it within the Small, Medium and Micro Enterprise sector, and further discussed the philosophical dimension of craft beer as a necessity for tourism businesses as it gives a distinct taste and it defines the place.

Literature have noted that craft breweries do not aim to appeal to the largest possible consumer base or middle of the road consumer that is the domain of the national or multi national brewer hence the authenticity and distinct of the product. Instead of creating beers that a wide group of consumers merely like craft brewers produce beers that a small, but loyal group will love (Clemons et al., 2006; Friedman, et al., 2007; Lamertz et al., 2005) Evidence that supports the targeting of niche markets in the beer industry has been found in the literature. The employment of two theoretical frameworks, the neo-localism theory and the resource partitioning theory was strategic for the proper footing and the underpinning of this study. The use of the two theories highlights the unique contribution of the microbrewery market within the Local economic development phenomenon holistically.

This chapter has discussed the appeal of craft beer to local communities as a specific tactic. The concept of local appeal was discussed as a tool to mark craft beers as different from conventional ones while simultaneously maintaining the aura of authenticity of that particular area. Furthermore, it was considered a reaction to mass produced products as per the resource partitioning theory. A return to localism is itself treated as a marketing tactic that is also exploited (Schnell & Reese, 2003). Appealing to a particular locale creates an intimate connection between the consumer and the local product (Schnell & Reese, 2003).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

Chapter Two presented and engaged the literature that seeks to define and contextualise the microbrewery craft beer phenomenon and its contribution to Local Economic Development – from a global scale to a provincial scale. With the research objectives and questions outlined in chapter one, it is of paramount importance that a research methodology is designed to effectively meet these objectives and to answer the research questions. The following will be outlined in this chapter: research strategy, the research method, the research approach, the methods of data collection, selection of the sample, the research process, the type of data analysis, ethical considerations, and the research limitations of the project.

Part of the research problem is that the phenomenon of microbrewery is under researched in South Africa, and therefore the afore-mentioned makes it hard for policy-makers to properly regulate and initiate development projects and programmes to assist grow this industry. The information that this study will give may also help microbrewers being meaningfully incorporated in the Redical Agrarian Socio-Economic Transformation (RASET) strategy of KZN and also other progressive government strategies. This study is categorised as a descriptive type of qualitative research with the aim of gaining insight into the daily lives of micro brewers of craft beer and their lived experiences. Green (2015) states that the end goal of a descriptive study is to give an account of a phenomenon and further cited Durrheim (2006), stating that interpretive researchers maintain an ability to formulate reach descriptions and aims in terms of obtaining information on a phenomenon. Sekaran (1992) also states that this approach is appropriate to enhance knowledge when there is a gap in the literature.

This study is a phenomenological study that seeks to understand and analyse the lived experiences of those engaged in the value chain of brewing craft beer. Given the aim of the study, the chosen method attempts to satisfy it through gathering data through interviews to gain a holistic and in-depth understanding of the microbrewery industry. This chapter seeks to present the methodology used to better understand the lived experiences of microbrewers of craft beer. This chapter is also an important part of the study, because it gives meaning to the study as it clearly draws boundaries of the study in terms of *inter alia* the population and

sample. This chapter addresses the model sampling design and strategy. It is of paramount to design a methodology that will help respond to the study problem. McMillan and Schumacher (2010) define research as the systematic process of collecting and logically analysing data for a given purpose. However, what this definition does not include are the different methods used to collect and analyse data – which this chapter will engage more on. This chapter identifies and describes the population, sample, research instruments and methods of data collection used in the study.

3.2 Research Paradigm

The first part of this chapter will look at the theoretical underpinning that conceptualises the research study. As a means of a competitive advantage in a highly concentrated and mature market like the liquor market, it is highly important to engage a research paradigm that fits and that will help meet the aim of the study. The research paradigm that informs this study is the constructivism in which there is no single reality. Reality needs to be interpreted, and hence will adopt qualitative to understand this reality. (Crotty, 1998). Therefore, in order to accomplish the research aims and due to the complex nature of the issue investigated, this study will use semi-structured interviews and the observation approach to collect primarily qualitative data by means of interviews.

3.3 Qualitative research approach

Jackson, Drummond and Camara (2007) argue that the approach to ensuring objectivity, ethical diligence, and rigour depends on whether the study is qualitative or quantitative. The research methodology adopted for this research is the qualitative method, which is used to satisfy the study objectives. Merriam (2009) simplifies the phenomenon and categorises it using the following four characteristics that are identified by most as being the key to understanding qualitative research:

- The focus is on process, understanding and meaning;
- The researcher is the primary instrument of data collection and analysis;
- The process is inductive; and
- The product is richly descriptive.

The qualitative approach is employed on a qualitative phenomenon, especially when one seeks to understand the reasons for a human behaviour, and it concerns subjective

assessments of attitude, experience, opinions and behaviour (Young, 2002). Corbin and Strauss (2008) concurred and further mentioned that qualitative research is “understanding people from their own frames of reference and experiencing reality as they experience it”, which concurs with how Blumer (1969) defined the motive behind a qualitative study and went on to suggest that qualitative researchers must attempt to set aside their own perspective and view things as if they are happening for the first time. The qualitative approach is appropriate for this study, as it seeks to understand the lived experiences of microbrewers. Rist (1977) further defines a qualitative methodology as an approach that produces descriptive data, “people’s own written or spoken and observable behaviour”, in order to understand meanings that people attach to things. This study is exploratory research as it “enables the researcher to better understand the concept and test the feasibility of an extensive study. The qualitative approach is used, because it focuses on the natural setting where there are no predetermined responses or answers and no responses are taken for granted (Sherman & Webb, 1988). In other words, the study looks at events through the eye of the respondent who has had a personal interest.

3.4 Phenomenology

Having reviewed the different qualitative research methods available – case studies, ethnography, phenomenology and grounded theory – the phenomenology method emerged as the most appropriate method, because it is aligned to the aim of the research and answering the research questions. Phenomenology is a phenomenon that was founded by Edmund Husserl. According to Husserl, the phenomenon refers to us, other people and the objects and events around us. It also includes the reflection of our own conscious experiences, as we experience them and also our imaginations. Moran (2013) stated that phenomenology is understood as the careful description of experiences in the manner in which they are experienced by the subject.

Several researchers have described variations for the steps used in phenomenology. The following is a description of the steps in a phenomenology study; it summarises steps in the Modified Stevick-Colaizzi-Keen method as described by Moustakas (1994):

- The **Bracketing Stage** is where the researcher identifies, and keeps in check, any preconceived beliefs, opinions or notions about the phenomenon being researched and also the presuppositions – in an effect to approach the study of the phenomenon from an unbiased perspective.

- The **Intuition Stage** necessitates that the researcher becomes totally immersed in the study of the phenomenon, so to get an unbiased meaning of the phenomenon as described by those that are directly involved, and those that have a lived experience of it. For this process to succeed or for the researcher to reach a level of understanding, it requires the researcher to do a reach on reach with the microbrewers, until they get to a point of saturation when doing data collection.
- The **Analysis Stage** is the process of analysing data and involves the researcher becoming full immersed in the rich, descriptive data and also using processes such as coding and categorising to organize the data. The goal is to develop themes that can be used to describe the experience from the perspective of those that lived it.
- The **Description Stage** is the final stage of the research study. The researcher uses his or her understanding and comprehension of the data to describe and define the phenomenon.

The exploratory research method is broad in focus and lacks definite answers to issues or problems (Datt, 2016). One of the characteristics of a qualitative study is the size of its sample, while its outcomes are measured in a quantifiable manner. According to Collis and Hussey (2003), the basic difference from quantitative research, is that it offers a complete description and analysis of a research subject, without limiting the scope of the research and the nature of participant responses. Taylor, Devault and Bogdan (2011) further stated that the afore-mentioned is done to avoid reducing people's words or acts to statistical equations that may lead to one losing sight of the human side of social life – which in this case is the lived experiences of those brewing craft beer. Why was the qualitative method used in this study?

The qualitative research methodology was used because the researcher deemed it to be the best method to respond to the research questions, meet the study objectives like identifying and examining experiences as well as the cause and effect (Welman, Kruger & Mitchel, 2005). Lincoln and Guba (1985), cited in (Merriam, 2009), refer to this type of research as 'naturalistic inquiry', which implies that participant observational techniques result in a more natural approach than do tests and surveys used in more quantitative approaches. Through this approach the researcher comes face-to-face with respondents who share personal behaviour, experiences and how their daily lives are influenced (Eisner & Peshkin, 1990). The qualitative method is also useful as you get to read the body language of the respondent. Cassell and Gallian (2004) averred that a qualitative research approach is associated with the collection and analysis of verbal text or direct observation of behaviour.

Marshall and Rossman (1999) suggest that qualitative research offers opportunities for conducting exploratory and descriptive research that uses the context and settings to search for a deeper understanding of the person(s) being studied – hence the semi-structured interviews that are more impersonal.

According to Leedy and Ormrod (2010) and Marshall and Rossman (2011), qualitative research is a process that involves looking at characteristics or qualities that cannot easily be reduced to numbers and amounts; qualitative studies also follow a more flexible research design. Questions posed to microbrewers are more open ended and not restrictive, as they need to fully express themselves. This study operates within a theoretical framework that guides, as one can never escape all our assumptions about the world and also being cautious of what DeVault (1995) stated as the “unstated assumptions and unarticulated meanings”. However, when studying people qualitatively one gets to engage them at a more personal level and get to know what they experience and their daily struggles.

3.5 Population and sampling

The population of the study is defined as a group of individuals with at least one common characteristic that distinguishes that group from other individuals (Best & Kahn, 2006). The target population of this study were the licensed microbrewers that operate within KZN. According to the report by the KZN Liquor Authority, there are 23 microbrewers in KZN. The population of the study is usually a large number, but to solve the problem of size, it is necessary to select a sample from the target population that would form the basis of the research study.

Sampling is one research requirement. According to Best and Kahn (2006), a sample is a small proportion of the population that is selected for observation and analysis. This research study will use a purposive, non-random sampling methodology. Purposive sampling fits within the framework of non-probability (Durrheim & Painter, 2006). “Purposive sampling occurs when a sample is drawn from a target population, based on specific inclusion and exclusive criteria (Daniel, 2014). Given the small number of legal craft brewers operating in KZN, consecutive sampling will be employed. This method reduces the possibility of bias or a form of selection bias (Daniel, 2014). Sample members are selected on the basis of their knowledge, relationships and expertise regarding a research subject (Freedman *et al.*, 2007).

In order to develop a satisfactory and demonstrative sample for conducting the interviews and analysing the observations, it was necessary to determine the inclusion and exclusion criteria for the sample. To do so, an effective definition for ‘craft brewery’ was developed and informed by the micro-manufacture licence criteria of the National Liquor Act of 2003. The Act includes cider in the definition of beer, and consequently they were included as ‘craft breweries’

3.6 The inclusion and exclusion criteria

The inclusion criteria will consist of 10 craft breweries in the Province of KwaZulu-Natal that are active in brewing and hold a liquor license from the KZN Liquor Authority or the Department of Trade and Industry – and this will necessarily exclude the imported craft beer. According to the growing number of South African craft brew blogs, there is a growing interest on locally made beer and it will therefore assist this study to do in-depth interviews until we reach the point of saturation.

The determination of whether these breweries were actually licensed and worth being included in the study to best answer the research questions, was a process of brief qualitative analysis using criteria informed by a number of things:

- Cross checking them from the list provided by the KZN Liquor Authority;
- Their availability for sale;
- Their distribution to liquor outlets; and
- Their level of participation in industry organised festivals.

The exclusion criteria were inferential and based on the craft brewery operational definition by the Craft Beer Interim Steering Committee (2014). The report given by the steering committee estimated that the average volume production for South African microbreweries of craft beer was 188 000 litres per annum (CBSA Interim Steering Committee, 2014).

Creswell (1998), cited in Leedy and Ormrod (2010), indicates that the sample size for a purposefully selected sample is 5 to 25 individuals who must have direct experience of the research problem being investigated. In this research, the 10 microbrewers interviewed were selected purposely according to the afore-mentioned criteria from the whole population of craft beer brewers in KZN (23 in number). Sampling is useful as it is not practical to use all members of the population in the research. Welman (2005) stated that in human behavioural

science, it is usually not practical to involve the whole population – as that usually deals with a large population.

3.7 Data collection

The data collection process entails the setting of parameters for the study, collecting information through semi-structured interviews, and determining protocols for recording data. The data collection method is semi-structured interviews, and observations. According to Easwaramoorthy and Zarinpoush (2006), a semi-structured interview is an interview whereby “the interviewer uses a set of a predetermined questions and the respondent’s answer in their own words”. Predetermined questions are used but new questions may arise as the interview goes on – to clarify and elaborate on certain issues. It was decided that this would be the best method to achieve the desired results, as open-ended questions promote discussion and bring forth an accumulation of data.

Langos (2014) states that “In depth interviews are personal and unstructured interviews, whose aim is to identify participant’s emotions, feelings, and opinions regarding a particular research subject”, and it is therefore appropriate and befitting for this study to employ the afore-mentioned approach, so as to fully understand the lived experiences of microbrewers. Fox and Hun (1998) defined semi-structured interviews as a data collecting method based on the use of open-ended questions to research a particular subject. The main advantage of personal interviews is that they involve personal and direct contact between interviewers and interviewees, and eliminate non-response rates; however, interviewers need to have developed the necessary skills to successfully carry out an interview (Fisher, 2005; Wilson, 2003). As flexible as unstructured interviews are, Gill and Johnson (2002) state that there is the risk that the interview may deviate from the prespecified research aims and objectives. It is therefore important that the researcher is vigilant at all times and guides the participants, without leaving anything behind.

A semi-structured interview schedule was prepared to guide the interview sessions with the participants – so as to satisfy the objectives of the study and to effectively answer the research questions. Follow-up questions were made as the session went along. Unstructured interviews may lead to the interviewee deviating from the subject at hand, and Leedy and Ormrod (2010) argue that the disadvantage of unstructured interviews is that “the researcher gets different information from different people and may not be able to make comparison among the interviews”, and this may lead to key questions not being responded to efficiently.

3.7.1 Pre-testing the data collection method

The interview schedule was sent to the supervisor assigned to the research by the university for pre-testing to check if the research methodology to be used for the research met the university's academic standards. The interview schedule was also sent to EDTEA KZN to check if they will produce the anticipated results. The comments and inputs were taken seriously and were incorporated into the interview schedule submitted for approval as part of the ethical clearance process. This process also helped ensure that questions were straightforward, unambiguous and easy to comprehend, and most especially, that they were easy to answer.

3.7.2 Research ethics and informed consent

Wellman, Kruger and Mitchell (2005) state that ethical considerations are important in doing research as they ensure that researchers do not manipulate the respondents and that they are treated with the utmost respect when data are gathered. Given that the study was a qualitative one and therefore involved a qualitative data collection method and personal feedback of the microbrewers, it was of paramount importance that the informed consent was obtained from the participants. This included giving consent to use the audio recording during the interview process.

The ethical underpinning of the study was guided by University of KwaZulu-Natal research policy and the terms that the ethical clearance was granted on. The consent letter was to be signed by the researcher and left with the respondent after the interview. It entailed description of the topic and the aim of the study, and the ethical underpinning of the study. The contact details of the supervisor and the details of the ethics office were included in the consent letter for verification. The aim of the consent letter was to reassure participants that their participation in the research was voluntary and that they were free to withdraw from it at any point, and for any reason.

3.7.3 Data collection process

The study aims to address, firstly, the current gap in the literature regarding the understanding of the LED potential of micro craft beer brewers in KZN, and, secondly, how the micro craft beer brewery can be aligned by local government as a driver for LED policy and programmes in KZN, by examining the individual feelings, experiences, perceptions

and opinions (Leedy & Ormrod, 2005). The method that was seen as appropriate for this study was to interview the participants using a semi-structured approach, where the largest part of the interview was guided by a list of questions and issues to be explored.

3.7.4 Primary data collection

Primary data collection through interviews and direct observation was perceived as the most appropriate for the study, because data would be collected directly from the affected microbrewers of craft beer through face-to-face interviews, discussions and a walkabout in the brewery. Leedy and Ormrod (2005) regard data collection through interviews as a rich method of collecting data, as it allows respondents to articulate and express their lived experiences and feelings on the topic under investigation. This was a phenomenological study with minimal data existing about the craft brewery phenomenon in South Africa. This study did not explore any secondary data.

3.7.4.1 Interviews

According to Bogdan and Taylor (1984) there are three types of interviews: the life history interview, the in-depth interview and the participant observation interview method. This study employed the in-depth interview method. This form of an interview is described as having a face-to-face encounter between the interviewer and the interviewee, with an aim of getting direct information, and to establish the perspective and experience of the participant regarding the phenomenon being investigated. Some information about activities cannot be acquired through observation, and thus the interviewer depends on the description given by the interviewee of their view of the events.

The research questions were formulated to be used for interviewing the sample microbrewers for this study. The questions will help with understanding their lived experiences and evaluating their challenges in the liquor industry. The interview questions and discussions also helped establish recommendations toward addressing the issues of the industry, beyond answering the research questions.

3.8 Data analysis

According to Cohen *et al.* (2007), qualitative data analysis involves organising, accounting for and making sense of the data in terms of the participants' definitions of the situation, and

noting patterns, themes, categories and regularities. In this case it involved organising data in terms of the microbrewer's lived experiences.

The data obtained from the data collection process were analysed using a qualitative method. Content analysis was used to analyse the data gathered from personal interviews. Moreover, content analysis gives the researcher an ability to structure the qualitative data collected, in a way that satisfies the accomplishment of the research objectives and that better answers the research questions. However, the researcher is a human being, and therefore human errors might occur in content analysis, since there is a risk that researchers might misinterpret the data gathered – thereby generating false and unreliable conclusions (Krippendorff & Bock, 2008).

During the qualitative process of coding, coding categories should constantly be checked for their reliability, to measure or to define the phenomenon – as recommended by Mayring (2000). According to Moore and McCabe (2005), this is the type of research where data gathered are categorised in themes and sub-themes, so as to be comparable. The coding draws on many concepts from the neo-localism theoretical framework underpinning the study. Data analysis focused on answering each of the research questions by focusing on the data collected from all methods of data collection.

The reliability of the data collected is important for the study to yield good results that will feed into the phenomenon being studied. In this study, the semi-structured interviews were used as the primary means of data collection. It may, however, be difficult to ensure reliability, due to the deliberate strategy of treating each participant as a potentially unique respondent. In addition, the distinctive context of each brewer, also makes it difficult to ensure reliability in terms of using semi-structured interviews for research (Bush, 2002). The main objective of this research study was to produce a deeper understanding of the phenomenon being investigated, through understanding the lived experiences of those directly involved in the phenomenon. This research did not aim to generalise findings to other situations. Therefore, the external validity of this study was low. It is important, however, that a study is internally valid.

3.9 Conclusion

This chapter presented the methods used for data collection and the techniques applied when interpreting the data. The chapter began by restating the rationale of the study, provided a philosophical positioning of qualitative research, and described the research design. This chapter is of significant importance for the study as it provides guidelines for how and which information that is relevant for the study being explored. The chapter explained the qualitative approach as an approach able to unpack a multi-facet phenomenon that scientifically cannot be measured. The chapter did this by explaining the qualitative approach and explaining the design selected. The study had a qualitative nature with a descriptive approach. The following chapter will present the results of the collected and analysed data.

CHAPTER FOUR: DATA ANALYSIS

4.1 Introduction

The previous chapter dealt with the research design and methodology used for the research which produced the study findings. The results of the study were aligned with the objectives of the study to ensure that the research questions were comprehensively answered. The purpose of this chapter is to present a clear analysis of the data acquired from the 10 microbrewers of craft beer interviewed – in order to ascertain whether this can bring about an economic spin-off and boost tourism. A sample of 10 microbrewers was interviewed using the purposive sampling method.

During interviews a number of questions were asked and administered, so as to meet the aim of the study. The study was designed to describe and analyse the lived experiences of microbrewers of craft beer in KZN, and what role this micro sector plays in boosting the economy. The interviews were also aimed at giving a proper in-depth analysis of what role the microbrewing sector plays in LED, especially in relation to government strategies such as Operation Vula and the Black Industrialist Programme. It follows that the study was exploratory in nature.

The South African government embarked on a strategic project aimed at bringing about radical economic transformation for emerging black business – to make inroads into an industry that has been dominated by whites and males most especially. This study will then provide a proper guide on what is needed to supplement small industries like the micro manufacturers of craft beer in the liquor industry. The purposive research methodology with semi-structured interview questions was used to source relevant information, as it allows open-ended answers, and the interviewee was also given a chance to seek clarity when the need arose.

However, venturing into further discussions around the identified themes, it was important to first have an understanding of how the political context of microbrewing in KZN is currently. This research was conducted through interviews and going to different breweries to identify the diversity amongst different brewers and their styles of brewing, which underpins and influences the relationship between LED and craft beer brewing.

This section presents data qualitatively using thematic analysis with the aid of the computer assisted qualitative data analysis (CASQDA) software Nvivo11. Thematic analysis highlights patterns, pinpoints and examines data for recurring themes. According to Braun and Clark (2006), there are six basic procedures to follow when using thematic analysis:

- Getting familiar with the data;
- Generating the first set of codes;
- Searching for themes in the coded data;
- Reviewing the themes;
- Redefining the themes and naming the themes; and
- Producing the final report.

The researcher gathered information using research questions (interview questions) by conducting interviews with 10 participants in the micro-craft beer making industry. The research study sought answers to the following objectives: to better understand the lived experiences of micro craft beer breweries in KZN; to explore the value chain of the micro craft beer industry in KZN; to evaluate the challenges faced by the micro craft beer breweries in KZN; and to explore the local economic benefits of micro craft beer brewers – with reference to job creation and the tourism sector in order to give answers to the following objectives.

In engaging adequately with the study, the key topics rose under every objective of the research study. The interviews were guided by open-ended questions which were for the purpose of getting the participants to be vocal about their lived experienced without being confined by any boundaries Moreover, the inquiries questions had follow up questions with the end goal of better understanding their responses on the phenomenon in question.

Each objective acted as the main theme of the study; the interview questions for the study were then grouped under the respective research objective it aimed to answer. The objectives formed the main themes, the questions formed the sub-themes, and the respective responses formed the sub-sub-themes that showed the inner patterns and trends of the study.

4.2 Interview feedback

To better understand the lived experiences of micro craft beer breweries in KZN, the following questions were asked. This will help the researcher understand the lived experiences of the craft beer makers.

4.2.1 What does craft beer mean to you?

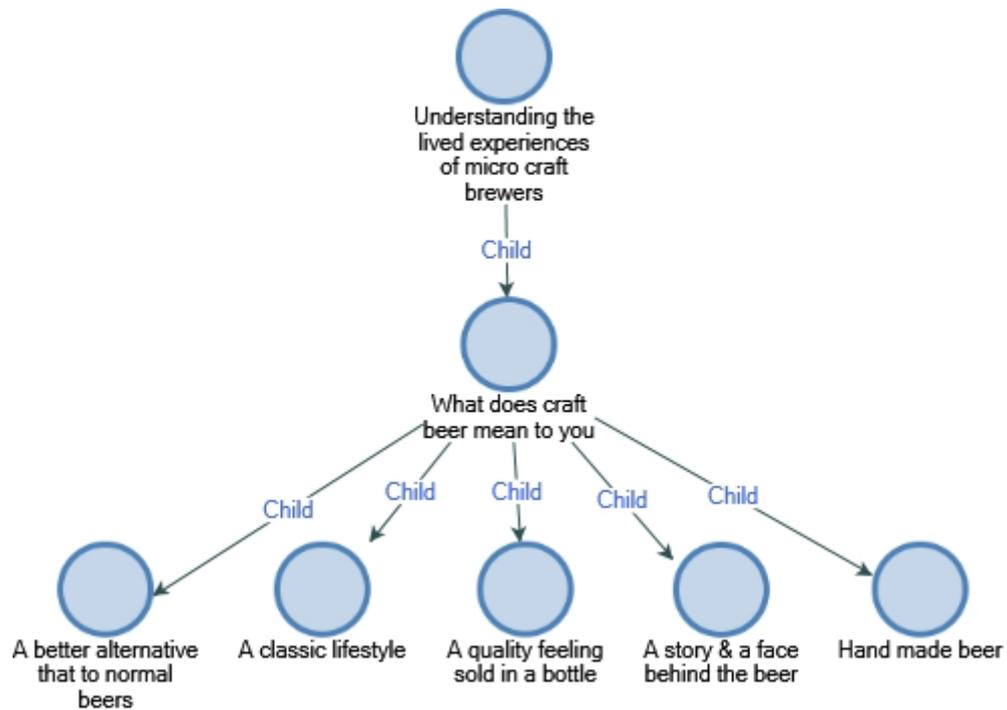


Figure 3. The model showing what craft beers mean to the respondents.

The responses included:

- A better alternative to normal beers;
- A classic lifestyle;
- A quality feeling sold in a bottle;
- A story and a face behind the beer; and
- A hand-made beer.

4.2.2 Why did you first decide to craft beer?

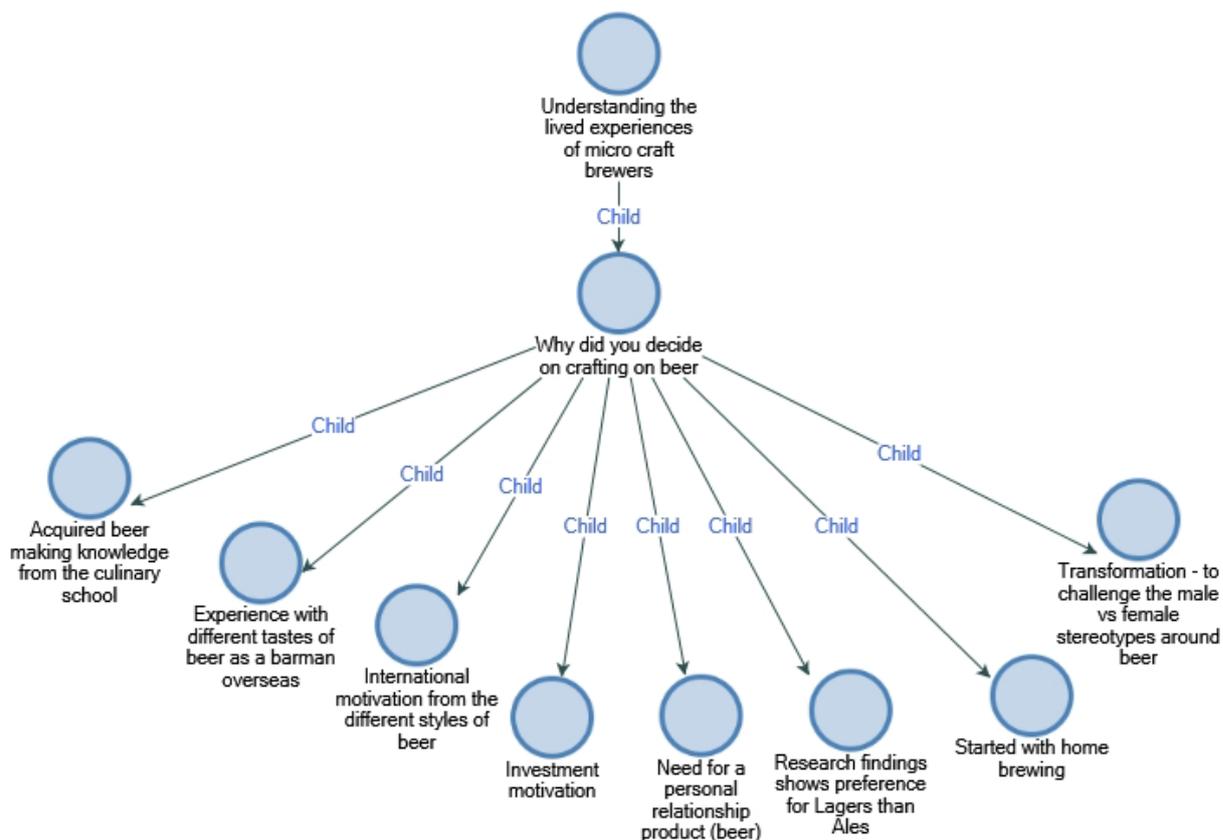


Figure 4. The model showing the responses to the question on why the respondent first decided on crafting beer.

The responses included:

- Acquired beer making knowledge from a culinary school, to practice my beer making skills;
- Experience with different tastes of beer as a barman overseas;
- International motivation from the different styles of beer;
- Investment motivation;
- Need for a personal relationship product (beer);
- Research findings showed a preference for lagers over ales;
- Started with home brewing; and
- Transformation – in order to challenge the male vs female stereotypes around beer.

Interpretation

The data collected through thorough interviews entails that the nature of the craft brewing industry is found to be designed on product differentiation, innovation, quality and community. These qualities translate into the brewer's desire for freshness and quality but also through support of local economies, and interest in uniqueness of beer style, all of which lend well to supporting local ingredients as much as possible however being also conscious of the quality of beer that one wants to produce so not to compromise it.

It appears from the responses that craft beer is associated with class and prestige, as it has a uniquely better taste because the brewers spend their time focusing on the quality of their beer – rather than focusing on their marketing campaigns and stock prices. Craft brewers put their heart and soul as well as lots of amazing ingredients into every beer they brew, and they don't cut any corners. It is in this spirit that the respondents were very knowledgeable people, who were highly literate. They belonged to the upper middle-class and most of them were loyal to the brand because of its quality. Their brand loyalty was exhibited by their preference for lager, rather than ale, in terms of beer styles. Their responses also exhibited that if you were not passionate about craft brewing then you would not survive the challenges the industry presents.

It can also be discerned from the results that craft beer is preferred by many middle-class consumers because of the health benefits and because it is high quality beer. The participants knew that home brewed beer is healthier than commercial beer. The responses were in line with the lived experiences, as respondents held the beer in high regard as a good quality beer, and a better alternative to normal beer that consumers are accustomed to. Respondent 10 stated that: “commercial beer is the worst beer you could ever drink as hops contain Xanthohumol, which has been found to have significant anti-cancer activity in liver cancer cells and also in colon mucosa”.

The manufacturers were using the opportunities brought about by the programme established by the provincial government. The respondents said they had no equipment and capital to embark on a microbrewery industry. Some suggested that Radical Agrarian Socio-Economic Transformation could be used to improve the lot of brewers of crafted beer in rural areas, especially since most hops and barley farms in South Africa are owned by SAB – which sometimes forces them to import these ingredients due to quality. They had hoped

that in terms of Operation Vula they could now start a microbrewery in the townships, and they were hoping that this would bring about economic growth and job opportunities.

Additional motivations included both the knowledge of craft beer production and chemicals – for instance, as a hobby brewer (home brewing) or the need to make an income through something significant to a brewer. However, the background of the brewery (family/individual enterprise), as well as motivations to establish the brewery are always subject to the availability of funds – as starting a brewery is very expensive. In addition, all the breweries interviewed were either located in a large city, or in a town. Hence, in the case of these businesses, craft brewing appears to be an urban/suburban phenomenon, and when starting a brewery, one needs to strategically locate. Respondent 5 stated that he started his brewery on a quiet, countryside golf course near a retirement estate. However, unfortunately he did not get the response he desired or anticipated. Similarly, in gathering the information from other brewers, especially those who offered onsite consumption, it was noticed that the physical addresses of most breweries were in cities or towns.

In the final analysis, the respondents confirmed what was reflected in the literature review: crafted beer is steadily becoming a favourite and beer of choice for the new middle-class. Accordingly, their perception on crafted beer is that it is for the well-heeled and that it demonstrates the deconstruction of gender stereotypes, in that more and more women drink beer nowadays.

4.2.2. What drives your approach to make and design craft beer; technique or art?

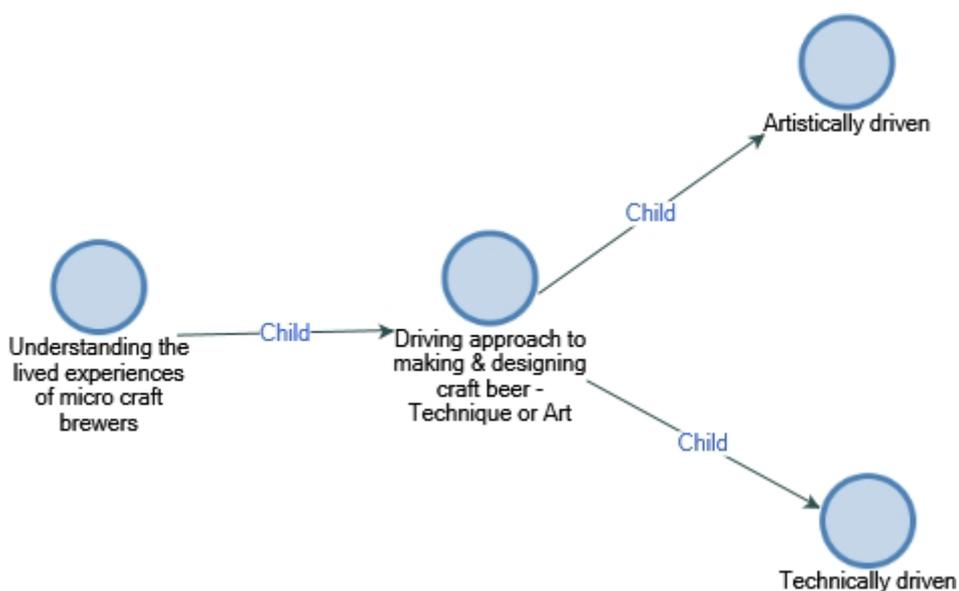


Figure 5. The model showing the responses to the question on what drives your approach to making and designing craft beer: technique or artistically driven.

The responses included:

- Artistically driven; and
- Technically driven.

Interpretation

Brand identity

The responses showed that it was crucial to know the brand personality of the crafted beer, which the first port of call should be. The responses demonstrated that one has to translate personality into a visual brand identity, and in the case of craft beer this is associated with good lifestyle. In other words, the responses showed that consumers were now warming up and friendly towards craft beer, simply because of its artistic appeal. Thus, it has to be artistically driven and recognisable – so that it is going to be sold at local pubs and determined how to visually communicate that concept to the world. Some brewers have gone to the extent of making cannabis beer, non-alcoholic beer and fruity beers, to accommodate people from different walks of life.

The element of design

The element of design that is best at communicating personality with just a quick glance, is colour. Science has shown that each colour sparks a unique emotional connotation, acting as a useful “shortcut” for marketers and designers to communicate brand complexities with just a momentary glance (Goldstein & Kroeger, 2013). From a South African perspective and judging from the responses from the brewers, South Africans generally like green bottles and associate this with a good status symbol; also, they love quarts – hence one of the respondents stated that as a strategy to attract black people from the townships, they offer their beer in quarts. It should be observed that green bottles became popular after WW II, when there was a shortage of brown glass in Europe (Fussell, 1990). Since these beers were extremely high quality, the green bottle was associated with high society good beer (Fussell, 1990). However, craft brewers in their responses intimated that green bottles are less commonly used by them, because of its very specific association with a few prominent

European beers such as Heineken, Stella Artois and Carlsberg. However, they conceded in their response that it is also a suitable choice to have crafted beers in trendy green bottles.

Finally, it is significant that regard should be had for the artistic design and technical aspect of crafted beer to be synch with the perception that it is a beer of high quality and should be marketed as such. The respondents noted that in a township setting it could be difficult to market crafted beer that has good artistic design. Some responses indicated that the youth could be attracted to the good artistic packaging and most especially through education of the benefits if craft beer.

4.2.3 Is your product customer based or artistically driven?

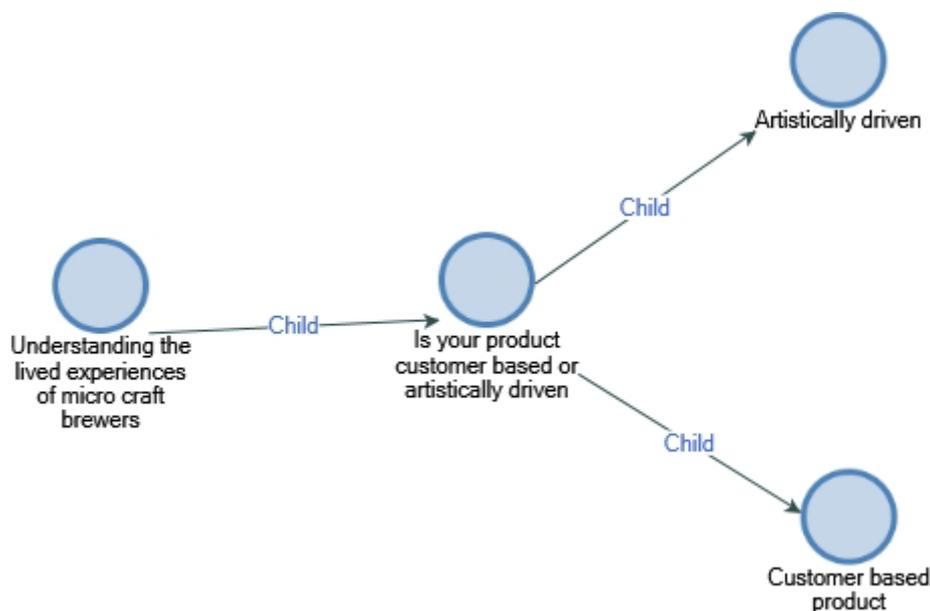


Figure 6. The model showing the responses to the question on whether the product is customer based or artistically driven.

The responses included:

- Customer based product; and
- Artistically driven.

Interpretation

The responses at first demonstrated that most microbrewers intimated that ordinary people still liked commercial beer brewed by big companies as opposed to crafted beer, which was

exclusive. The responses are in line with the literature that in some cases the brewers were artistically driven, and from the previous decade the brewers started focusing on the bottom-line, where the needs of the customer were taken into account (Grinstein & Goldman, 2011;12). Respondent 5 stated that it is easy to convince the youth and to educate them on craft beer as opposed to people over 50 years – because of their loyalty to the beer they are used to drinking.

With the advent of women entering the industry and taking their place in the business world and the destruction of gender roles and stereotypes, many brewers agreed that crafted beer had to accommodate female customers, in order to increase the customer base.

It follows that with the emergence and rise of, and increasing preference for, craft beer in the alcohol market for men and women, the question shifts from how gender is *done* – to asking how masculinities and femininities are *undone/redone* (Chapman *et al.*, 2018). Some writers, for example, use this framework to examine how gender roles and behaviours surrounding drinking, especially for women, in newspapers, have changed over time. They find that the media stories on alcohol consumption construct multiple gender roles beyond the dichotomous “feminine woman” and “masculine man” – including good parenthood and responsible motherhood, the “party girl,” and the career woman. With new possibilities for women to enter “masculine” drinking spaces and adopt more “masculinised” roles, some have idealised the ways in which masculinity can be produced and adopted by male and female bodies (Peralta, 2007).

In the light of the above it can be said that the responses showed that both the artistic look and the marketing aspect appeal to both male and female consumers.

4.2.4 What are your influences and inspiration for making craft beer?

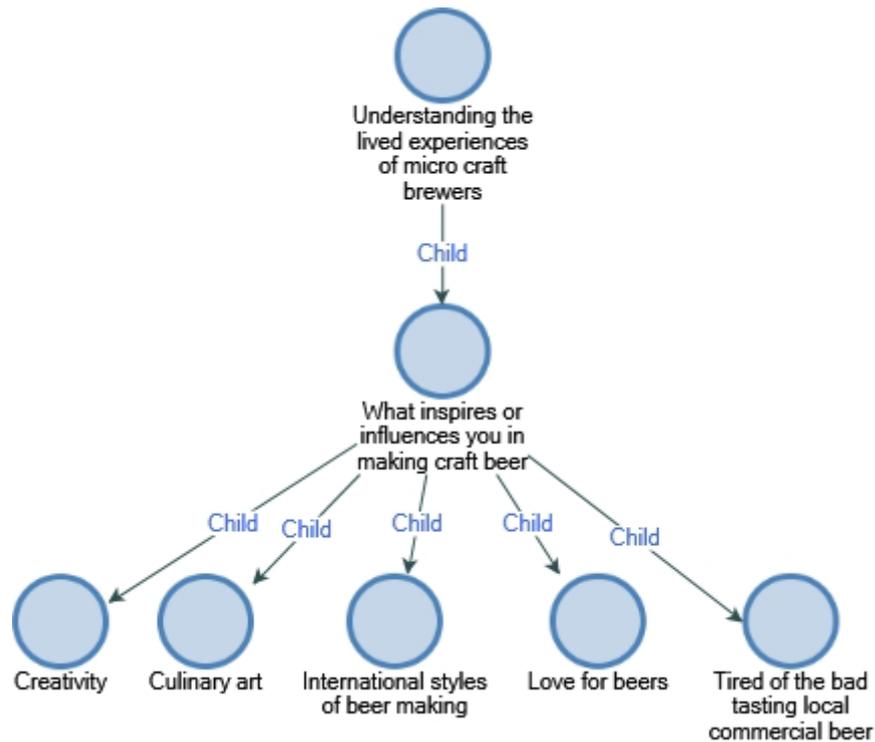


Figure 7. The model showing the responses to the question on what inspires or influences you in making craft beer.

The responses include:

- Creativity;
- Culinary art;
- International styles of beer making;
- Love for beer; and
- Tired of the bad tasting local commercial beer.

Interpretation

Participants alluded to the fact that crafted beers were looked down upon in the past, where lagers and ordinary commercial beers were preferred. Since most South Africans now travel overseas and are exposed to different lifestyles, they have fallen in love with crafted beer. Whereas in the past crafted beers were known for their own potent, hoppy flavours and high alcohol percentages, and often comprising unusual ingredients like chilli and chocolate – American craft beers have inspired a host of imitators around the world.

In the past, anything that was not a lager was frowned upon and in the UK these do not always qualify as "real ales" – a term popularised by British beer lovers when they launched the Campaign for Real Ale (Camra) a generation ago, in rebellion against the prevalence of mass-produced carbonated beers (Hopkinson, 2013).

Craft beer, it was noted, is often produced in kegs – a technique which traditionalist brewers doubted it in the past. It was a reaction that enthusiasts for the new wave of American-inspired craft beers were happy to provoke. It is clear from the responses that beer is no longer indelibly associated with mass-produced bottled lager, and it could be argued that the country's beer landscape is reverting to how it was before it was swamped by fizzy canned or bottled lager, where home-made brew was the order of the day. Jack McAuliffe, often heralded as the father of American craft beer, was inspired to start the New Albion Brewing Company in San Francisco, after he fell in love with ales and stouts while working in Scotland (Mosher, 2004).

4.2.5 What equipment and processes do you use and why is that?

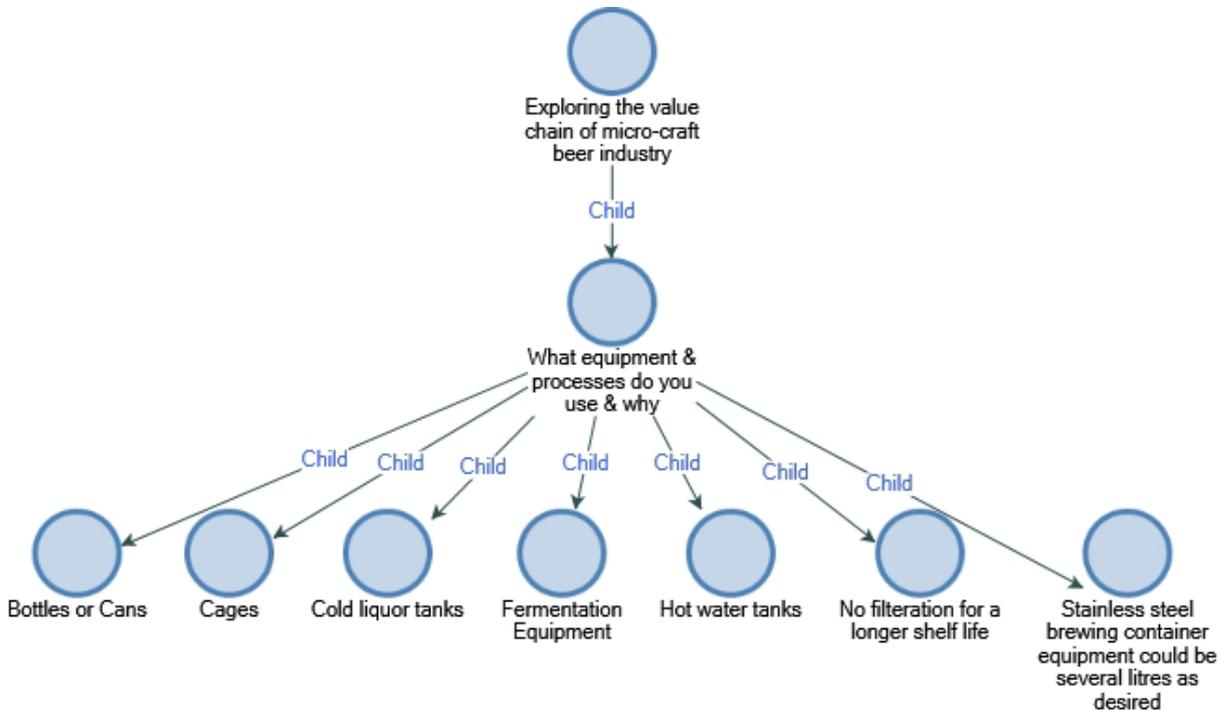


Figure 8. The model showing the responses to the question on what types of equipment and processes are used and why.

The responses included:

- Bottles or cans;
- Cages;
- Cold liquor;
- Fermentation equipment;
- Hot water tanks; and
- Filtration is not done for a longer shelf life.

Interpretation

The responses seem to be in line with what was in the literature, in that brewers used brown bottles and cans to make crafted beer. For cost effectiveness and quality assurance cages were used as equipment to make craft beer instead of bottles, because it was expensive. From the responses it was revealed that yeast was fully distributed through the beer while it was fermenting, and both equally flocculate (clump together and precipitate to the bottom of the vessel) when fermentation is finished. It can be argued that all top-cropping yeasts demonstrate this behaviour, but it features strongly in many English yeasts that may also exhibit chain forming (the failure of budded cells to break from the mother cell), which is, in the technical sense, different from true flocculation.

The most common top-cropping brewer's yeast, *Saccharomyces cerevisiae*, is the same species as the common baking yeast. However, baking and brewing yeasts typically belong to different strains, cultivated to favour different characteristics: baking yeast strains are more aggressive, in order to carbonate dough in the shortest amount of time; brewing yeast strains act more slowly, but tend to tolerate higher alcohol concentrations (normally 12-15% above is the maximum, though under special treatment, some ethanol-tolerant strains can be coaxed up to around 20%).

Modern quantitative genomics has revealed the complexity of *Saccharomyces* species, to the extent that yeasts involved in beer and wine production commonly involve hybrids of so-called pure species. They generally form a foam on the surface of the fermenting beer, which is called barm, as during the fermentation process its hydrophobic surface causes the flocs to adhere to CO₂ and rise; because of this, they are often referred to as "top-cropping" or "top-fermenting" – though this distinction is less clear in modern brewing, with the use

of cylindro-conical tanks. Generally, warm-fermented beers, which are usually termed ale, are ready to drink three weeks after the beginning of fermentation, although some brewers will condition them for several months.

4.2.6 Do you have an equipment wish list?

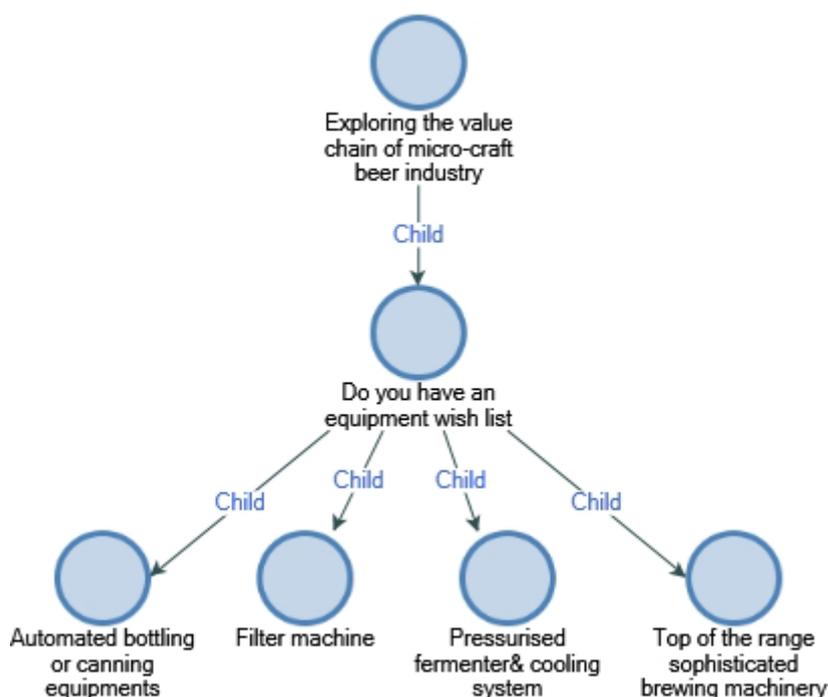


Figure 9. The model showing the responses to the question on whether the respondents have an equipment wish list.

The responses included:

- Automated bottling of canning equipment;
- Filtering machine;
- Pressurised fermenter and cooling system; and
- Top of the range sophisticated brewing machine.

Interpretation

The equipment wish list in the responses showed that from a South African perspective, there will be less equipment because of funding issues. The marketing was also a challenge

as many people were loyal to normal beer. It was further revealed that most brewers bought second hand equipment to start their business, as the new equipment was quite pricey.

The respondents also revealed that, at first, it was difficult to get into the market and educate the South African public about craft beer. However, once beer lovers tasted the London Ale, Valley Weiss or any of their great beers, things changed, and the brewery quickly expanded to a capacity of 3,000 litres per month. The equipment wish list grew. With micro-brewing expanding at a rapid rate and the demand for micro-breweries and associated brewing equipment on the rise, the South African craft brewers have become operational and are expanding capacity even further. This is in line with international trends. With their additional marketing skills and using the brewery provided, they are producing the finest craft beers in Cape Town, are very successful and growing from strength to strength. The sale of Valley Breweries enabled, for example, Micro Brewing SA to concentrate on the manufacture of brewery equipment and breweries. This includes the correct designing manufacture, consulting and installation of single stainless-steel vessels to turn key operations and brew pubs.

In the final analysis, the list is: All brewing equipment, hot liquor tanks, mash tuns, boil kettles, fermenters, bright conditioning tanks, grain crushers, bottle fillers and keg washers. We have a full understanding of the brewing process, from grain crushing, mashing, lautering, boiling, cooling, yeast, fermentation, carbonation, conditioning, bottling, kegging and dispensing. There is much to be done for South African craft beer breweries to get the necessary equipment to embark on a thriving craft beer business. There is huge potential if they were to get government support, as there are quite a number of things that are needed in the brewing phase, and they are more labour intensive.

4.2.7 What is the raw material of craft beer – is it locally sourced?

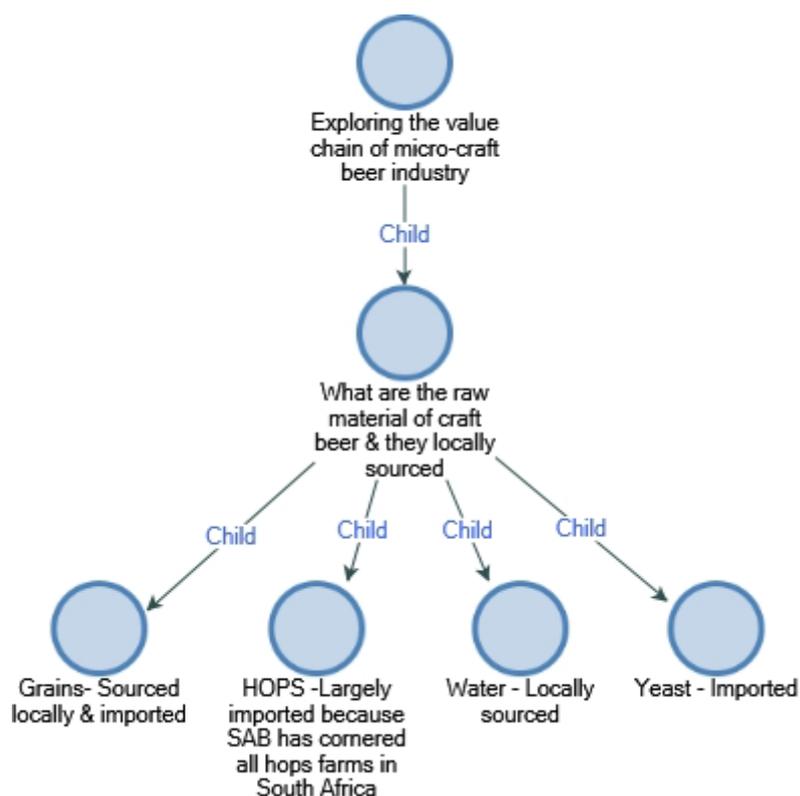


Figure 10. The model showing the responses to the question on what the raw materials of craft beer are and whether they are locally sourced?

The responses included:

- Grains – sourced locally and imported;
- Hops – largely imported because South African breweries has cornered all hops farms in South Africa;
- Water – locally sourced; and
- Yeast – imported.

Interpretation

The respondents revealed that when focusing on quality there is no room for compromise, and quality is mostly important. It is not right to lower the standards for craft beer due to its definition and nature. Many brewers interviewed responded by saying that they have deliberately made a choice only to cooperate with the best producers of raw materials for

beer. This means, when you need to produce good quality crafted beer, you need grains that are grown locally and imported, and hops should be largely imported, water, and yeast that is imported. This is in line with international standards where special malt, hops, dry yeast, and the best ingredients make craft beer appeal to the consumer.

In the final analysis, the respondents understood that it was of crucial importance to a brewer to be able to rely on the quality of the products. Therefore, they only work with well-established, quality-conscious producers. Finally, their product range also included organic products and they continue to expand their range with new brewing ingredients. They understood and were happy that the Radical Agrarian Programme will improve the value chain of microbrewery and supply microbrewers and emerging agro-businesses. They will be happy if the programme creates an alternative value chain in order to bypass structural barriers associated with the existing value chain. Respondents also alluded to the model that helps create opportunities for youth and women, increase microbreweries, improve market opportunities, and reduce dependency on state support – as well as increase agricultural land utilisation.

4.2.8 Is production labour intensive - how many people do you employ?

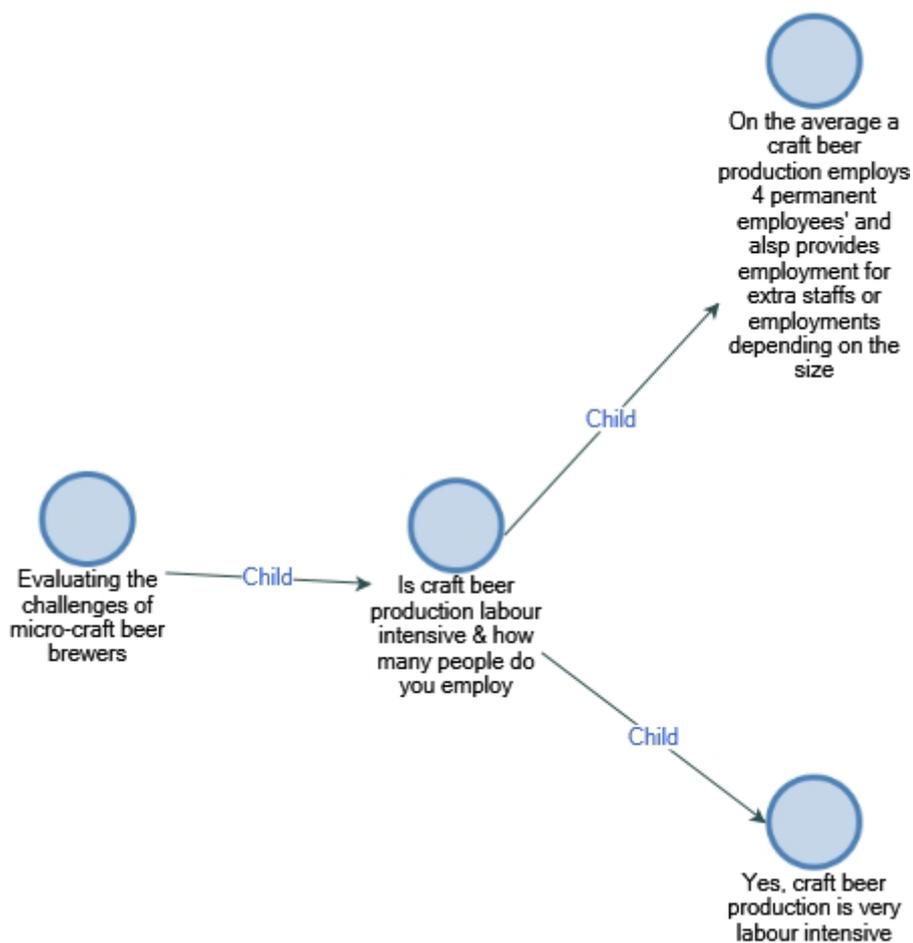


Figure 11. The model showing the responses to the question on whether craft beer production is labour intensive and how many people were employed.

The responses included:

- Yes, craft beer production is very labour intensive; and
- On average a micro craft beer industry can employ 4 permanent employees. Sometimes there is employment for extra staff or employees, depending on the size.

Interpretation

The craft beer industry in KZN is an emerging industry for most people. However, there were established industries in Nottingham Road owned by established white farmers in the Midlands.

The respondents all agreed that it came down to three simple factors: logistics, economies of scale and quality. Beer is a heavy and fragile item, so logistics is the biggest factor. It's all about getting the right beer to the right place, at the right time, in the right quantities and in the right condition. KZN has a challenge of tackling the triple challenges of poverty, inequality and a rising unemployment rate.

When you look at economies of scale, you're comparing a few hundred litres for young craft breweries with tens of thousands by the heavyweights. That comes into play with ingredients, bottling, labelling, marketing and distribution. Quality is where it all becomes a little more subjective.

According to the views of respondents canvassed in a craft beer industry, the Western Cape's revolution seems to be further ahead than KZN's, because, "like, Cape Town is just so much more with it, bro"; "people in the Cape have always been exposed to more wine so it's a natural transition for them" (the more practical possibility); and "because it's just so much easier to get a licence in the Western Cape" (which truly caught my attention). They also intimated that there was little knowledge of craft beer in the province, and it was concentrated across the middle classes and young professionals. Today, the respondents estimate, KZN is producing 20 000 litres a month – and even that is falling behind demand.

Above all, respondents claim to be serious and focused businesspersons, and what sets them apart is that they are highly skilled in craft beer brewing. This gives them a distinct advantage because, besides the home-made system at the brewpub, they build their own brewing systems. Most others spend a fortune importing them from overseas or buying them second-hand from another brewery that has either expanded or gone bust.

4.2.9 What are your limitations/restrictions here - how do they create benefits for you?

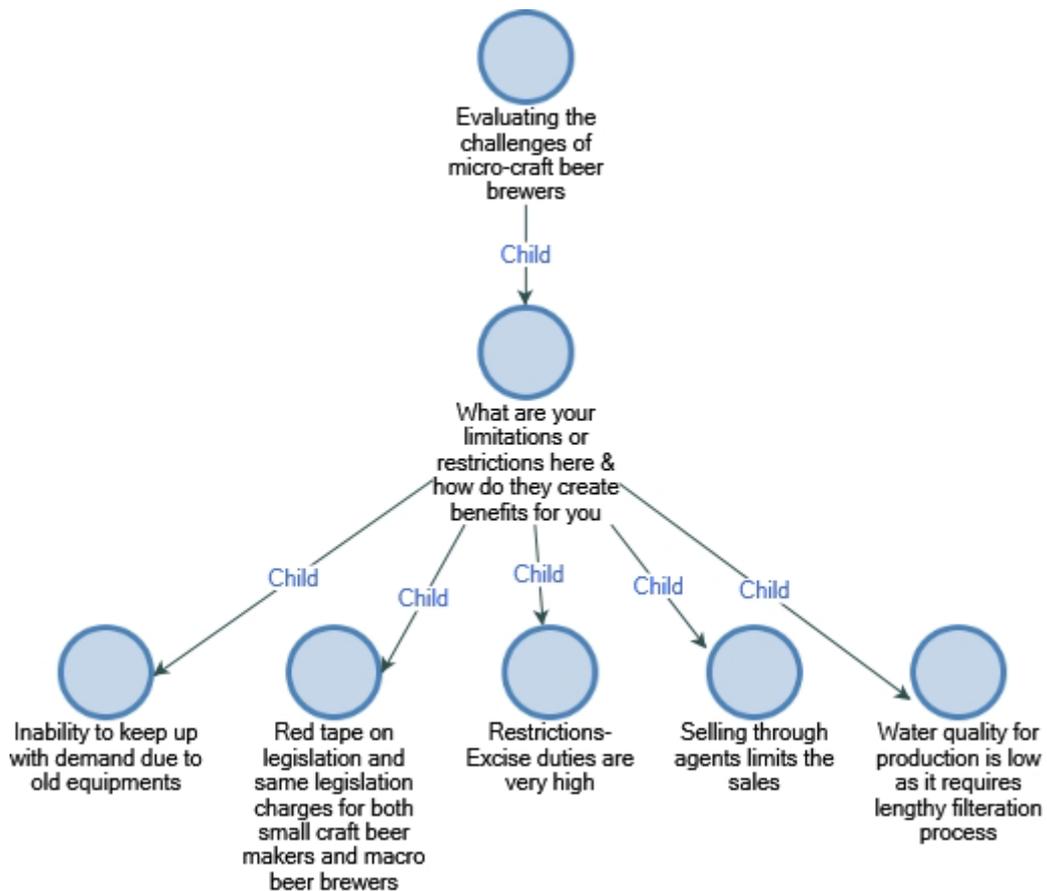


Figure 12. The model showing the responses to the question on what are the limitations or restrictions to craft beer production and the benefits for the respondent?

The responses included:

- Inability to keep up with demand due to old equipment;
- Red-tape on legislation and same legislation charges/ regulates for both small craft beer makers and macro brewers even though they produce in different scales
- Restrictions such as very high excise duties;
- Selling of products through agents limits sales; and
- Water quality used for production is low, as it requires a lengthy filtration process.

Interpretation

The respondents were not happy with the rudimentary equipment used to make craft beer, as there was now increasing demand. They also mentioned the slow pace and complicated licensing procedures used by the provincial government. There are high taxes imposed on imported material and the overall tax and excise duties levied on the product decreases the profit margin.

Distribution is primarily a brewery rather than a brewpub issue. Distribution is said to be the craft beer value chain “bottleneck” between producer and the final consumer (McCormick 2006). Servicing your customers and making your product available at all times is key into a successful business, however the legislative red tapes especially on the on-site consumption license makes it hard for craft brewers to grow significantly. Each state mandates its own distribution laws and the three-tier system is in place in many states including South Africa: 1) brewers and importers, 2) wholesalers, and 3) retailers. The three-tier system results in intertwined distribution and on- and off site consumption. Respondent 5 went on to mention how they have been affected by the devils peak buying the tap room which then gives them ownership over all taps in restaurants and hotels. He further went on to state how unreliable it is to keep your beer on taps that you do not personally maintain because they can contaminate the beer or even affect the taste of it.

These regional distributors often already carry “flagship” products of mass producers which are higher-volume and lower margin products. Competition in distribution is strong. While the wholesale margins are higher for craft beers—approximately 25 percent versus 12–18 percent—mass-produced beers are quite competitive in terms of volume. The 2:1 sales-to volume ratio (mass-produced to craft) needed to compensate for smaller margins is not a problem for mass-produced beers. More importantly, perhaps, are the market power forces found in distribution. Certain mass producing brewers have been found urging their distributors to discontinue distributing various craft beers (Jaquiss :1998). Respondent 2 further articulated that gaining retail shelf space is also a concern for craft brewers since craft beer is double the amount of the mass-produced beer. Craft brewery is an industry that began with keg sales in local restaurants and bars however research shows that it has turned into a retail on off-site premises force as well. Industry estimates indicate that 25–50 percent of microbreweries and regional specialty brewers sales are off-site (the brewMistress: 2017).

Craft brewers are generally people who are environmentally and socially conscious but most importantly people of neo localism as they realize the many benefits to using local ingredients, as local food systems typically have lower environmental impacts and support a stronger socio-economic fabric in the state. However this is something brewers have been battling with as there are less farms that offer quality hops and grains in South Africa. Farms that do offer grains are owned by SAB and they unfortunately “unreliable” and inconsistent in their quality offering respondent 7 elaborated, furthermore hops and grains imported are not only quality but also cheaper than the ones sourced locally. This can however be turned into an opportunity for aspiring farmers to fill in the existing gap for sustainability as brewers are also noticing the marketing potential of using local ingredients. “As awareness in sustainability continues to rise throughout the populace, many consumers and farm-to-table style restaurants are supporting the ‘buy local’ cause through purchasing beers made using locally grown ingredients” (Oehlke:2011). Due to the small size of craft brewers, using local ingredients helps to display regional pride and therefore reach out to the surrounding customer base.

Such limitations hinder economic growth in KZN, and fewer jobs are created as a result because craft beer brewing is labour intensive. The respondents noted with regret that the Black Industrialist Programme is being undermined if there are still barriers and obstacles for black microbrewers. This is so because the programme seeks to advance radical economic transformation in the province. The respondents wished to have access to funds from the Department of Trade and Industry and the provincial government.

4.2.10 Where have you succeeded in selling your beer and where have you had to rethink things?

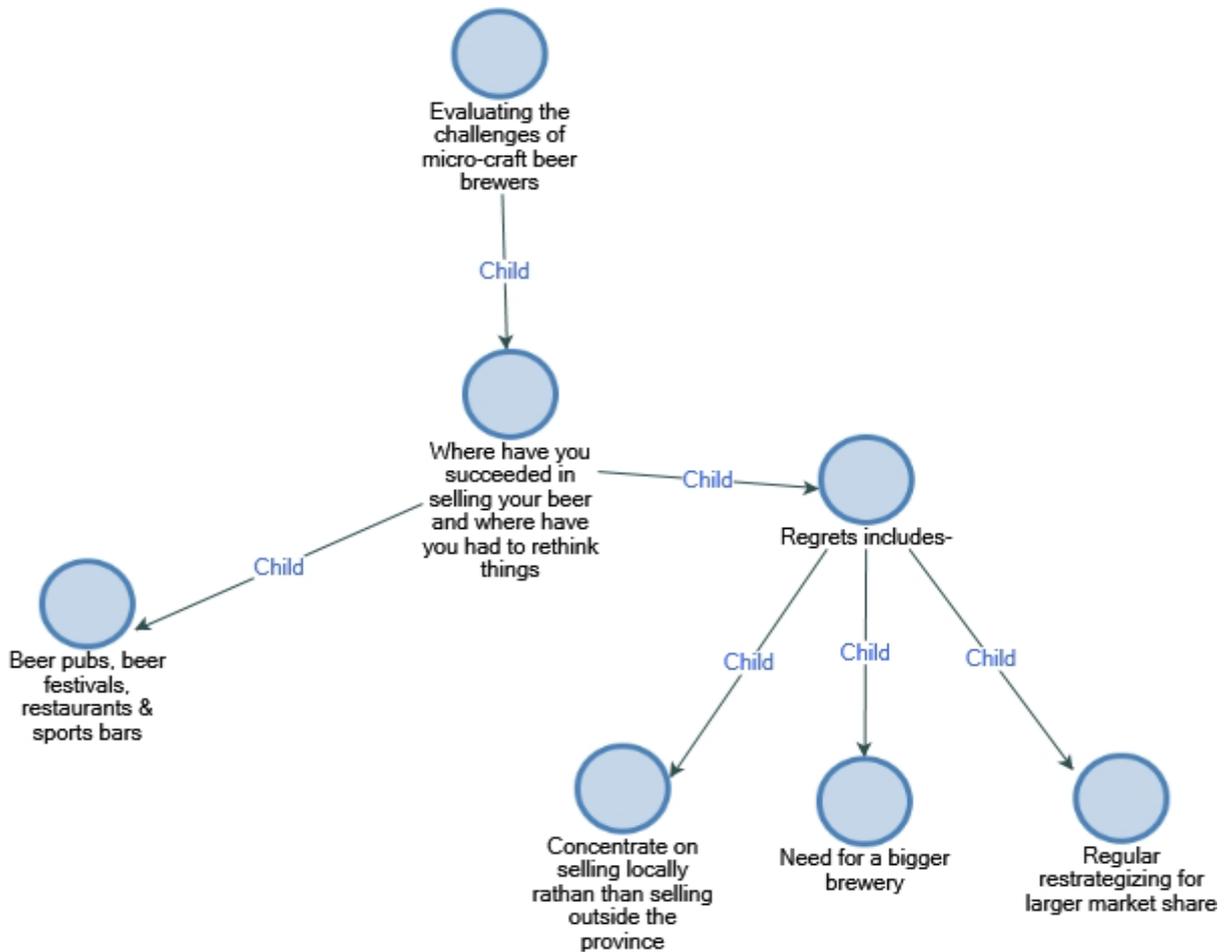


Figure 13. The model showing the response to the question on where there was success in selling beer and where things had to be rethought.

The responses included:

- Places where craft beers are sold: beer pubs, beer festivals, restaurants and sports bars;
- Some of the regrets included:
- Concentrate on selling locally rather than selling outside the province;
- Need for a bigger brewery; and
- Regular strategising for larger market share.

Interpretation

It is clear from the responses of micro beer brewers that there is not much support for this small business sector despite its growth potential and ability to attract economic positive spin-offs in the province in line with Operation Vula – which is an initiative by the provincial government to empower emerging black business.

The respondents said it was easier to market this beer in local pubs, restaurants and grills. It was also making its presence felt in ‘swanky areas’ in the townships, such as ‘eYadini’, ‘KaMax’ and others.

4.2.11 Who is your ideal customer?

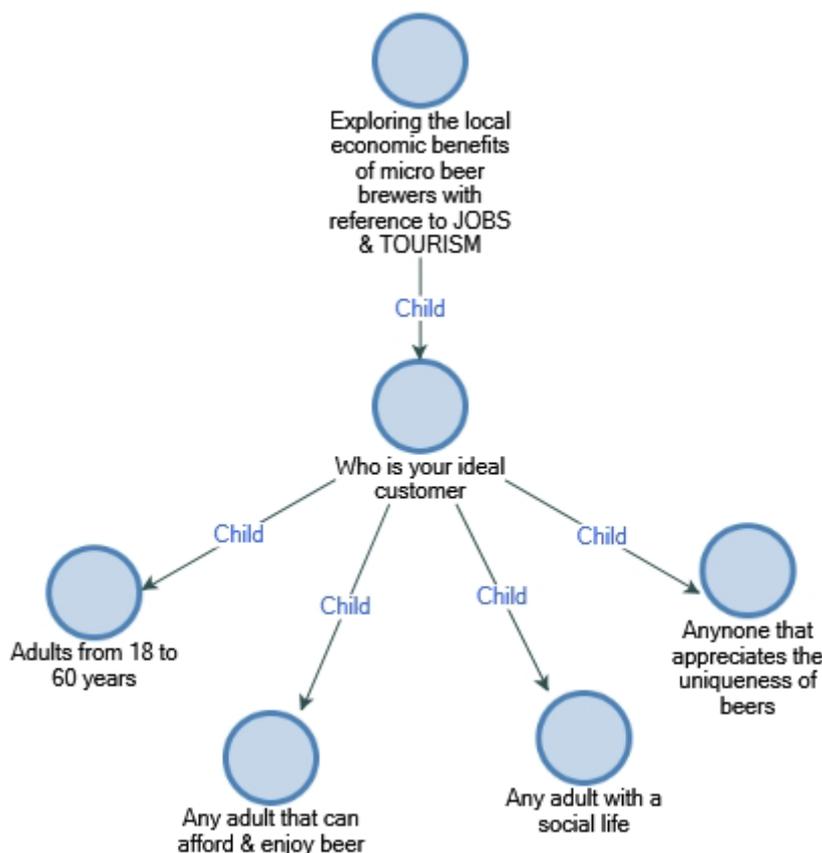


Figure 14. The model showing the response to the question on who the ideal customer is.

The responses included:

- Adults from 18 to 60 years;
- Any adult that can afford and enjoy beer;
- Any adult with a social life; and
- Anyone that appreciates the uniqueness of beers.

Interpretation

The responses were consistent with the fact that craft beer is exclusively consumed by people who are ‘in the know’ and in accordance with the laws prohibiting alcohol consumption to minors. A large majority of people were still drinking their lager beer and there was a substantial educational campaign on the benefits of crafted beer. There was also a myth among the consumers that crafted beer was very expensive.

The respondent’s ideal customers were millennials since they continue to account for a majority of weekly craft beer drinkers, followed by the youth in their mid-thirties as most of them would be employed. The respondents were expecting women to be under-represented in the ranks of beer appreciators – especially crafted beers.

The respondents acknowledged that although it is dismal to see that men of drinking age are close to three times more likely to drink beer weekly than adult women, things are not always in black and white. They pointed out that women who drink beer weekly are just as likely as men to choose craft beer. Regardless of gender, many prefer crafted beer.

4.2.12 What is the potential to promote tourism through craft beer in KZN?

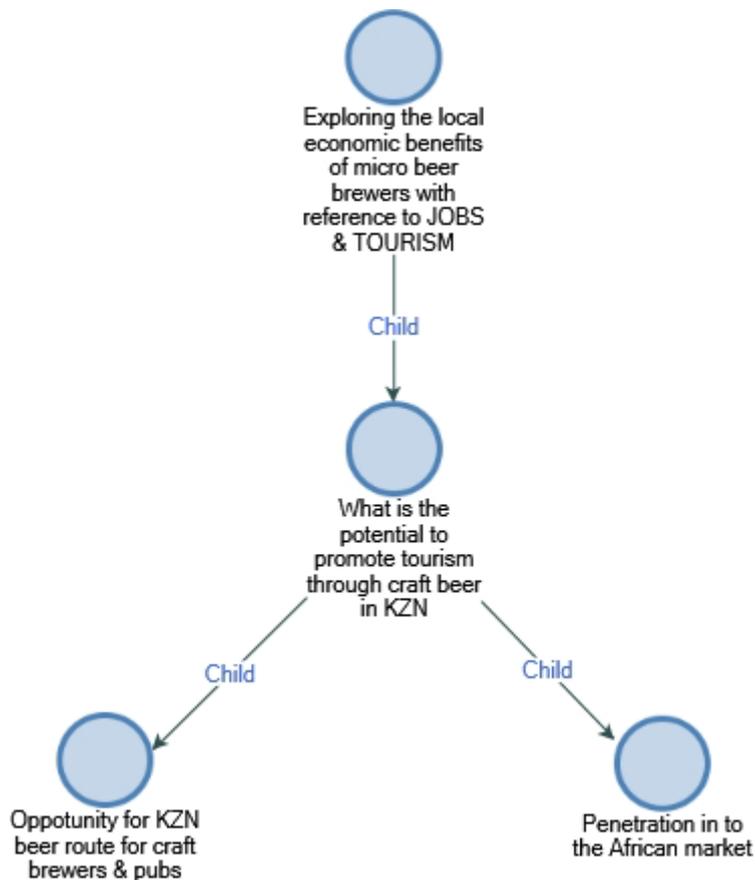


Figure 15. The model showing the response to the question on what the potential is to promote tourism through craft beer in KZN.

The responses included:

- Opportunity for penetration into the African market; and
- Opportunity for a KZN Beer Route for craft brewers and pubs.

Discussion

Craft beer: South African perspective

With different historic traditions of regions, different people define craft beer according to what they understand and what they have experienced. Scholars who have studied the craft beer revolution, like Garavaglia and Swinnen (2017), state that as much as there are different definitions there are standard specificities which emphasise the type of beer and the nature

in which the beer is processed or produced. This study revealed that craft beer is more than just a drink, it is a social life, and people who consume it are now held in high esteem in terms of economic status. Today there are more than 200 craft breweries across the country, but you cannot buy beer from a single one of them in a supermarket. The Craft Brewers of South Africa believe it is time for a change (Oliver & Colicchio, 2011).

Most respondents found it very strange that one could buy wine in a supermarket but not beer, and there has since been a lobby to get crafted beer into supermarkets. It was also intimated by respondents that there was also fierce resistance from hotels – where there could be a huge boost in the hospitality and tourism industry. The craft beer brewers believed that from a consumer's perspective it is a point of convenience – if you can buy wine in a supermarket, which generally has a higher alcohol content than beer, then why should you not be able to buy beer there? It should be a choice that the outlet owners can make to cater to the needs of their customers.

The introduction of the craft beer industry will bring about growth in the local economy and it will be in line with Operation Vula. Operation Vula and its subsidiary, known as Radical Agrarian Socio-Economic Transformation (RASET), were launched by the President of the Republic and the KZN provincial government, in Ixopo, in June 2017.

In a speech delivered by the MEC for Local Economic Development in 2017, he said “Operation Vula seeks to localise the economy by, initially, exploiting the government buying power to buy from SMMEs and Cooperatives. It targets specific societal groupings, such as women, youth and people with disabilities in the province; aligns and coordinates enterprises regionally and sectorially; and assists targeted enterprises with skilling, funding and markets. Its many pillars include furniture manufacturing; bakeries; clothing and textiles, as well as mining which would be launched in the near future.”

He continued to inform that “through the RASET programme, KZN seeks to improve the participation by small scale farmers from historically underprivileged communities in the lucrative food production value chain. It can be argued that for a successful LED, through the boost in the tourism industry, the KZN provincial government should support local small businessmen and women as well as the youth in realising this great business potential.”

In another parallel with the wine industry, beer tourism has grown as a phenomenon over the past few decades (Anderson, 2004). In fact, a number of academic journals have been devoted to further study this growing phenomenon. It is assumable that the beer tourism market might likely never approach the size and scope of wine tourism, however it is a significant market and it is worth noting that it is growing substantially. Still, very few studies have been devoted to exploring the craft beer industry in particular, and the few that have, are devoted to particular markets. Much more research needs to be conducted on craft beer tourism, especially research that ties together the factors that draw people to particular markets into a model that describes the larger phenomenon. More research additionally should be conducted with regards to craft beer tourism in South Africa as it is in other countries as it is a subset of culinary and agritourism. As the craft beer market merges, international and Macro brewers are investing resources to purchasing micro craft brewers that have proven to have a potential to being a lucrative business just like Heineken did with the craft beer company called "Soweto Gold". Research is expected to deduce as to how craft breweries turn out or change subsequent to having been bought by macro-brewers. There is little research inspecting how craft beer, just like to wine, has come to be viewed as a compliment to food, and not just an independent drink. It would be extremely useful for administrators to realize which sorts of lagers pair best with which sorts of food – both from a culinary and a business stance.

There are initiated organized efforts working on coming up with evidence based solutions with the newly formed KZN brewers association. Brewers association of America, and the Cicerone association. Keeping that in mind, have done studies, assessing consumer inclinations when blending craft beer with different food would be informative. Brewers would likewise benefit from research analyzing what contrasts and differences exist between consumers of specialty craft beers as opposed those who prefer mass market beers. Furthermore, as beer contributions become increasingly changed, beer administration measures need to extend and improve also. An examination of expanded physical necessities for brewers (like keg rooms and expanded tap capacity) is warranted . As craft beer brewers sales seem to be catching up to those wine in other countries where craft beer is a big thing, it will likewise be of significance to brewers of craft beer to better comprehend the benefit structures of beer compared wine.



Figure: KZN Craft beers association sticker

In conclusion, the craft beer industry is a growing segment of the beverage industry, which, because its audience is typically younger, will only increase with time as population demographics change. The efforts of KZN craft brewers organizing themselves to try and fight the system that seems to be giving them challenges, furthermore to give each other support in an organized manner are warranted. Craft beer as a growing industry warrants much greater exploration as it has economic development potential. There is a wealth of opportunity for practitioners and researchers alike.

CHAPTER FIVE: CONCLUSIONS & RECOMMENDATIONS

5.1 Introduction

The previous chapter dealt with data analysis where responses were interpreted using themes with regard to breweries of the crafted beer industry in South Africa. This chapter will put forward recommendations which emanated from the responses and what was gleaned from the literature. It will also make certain observations for future research.

Internationally, LED has been viewed as a contemporary concept and a pivotal approach to job creation, the alleviation of poverty, and socio-economic development of communities. Therefore, this means that a comprehensive strategy for a specific type of market needs to be developed to fit the specific region in order for there to be developmental success.

5.2 Discussion

The recent rapid growth of craft breweries in South Africa has been reflected in academic research. Accordingly, supporting rural entrepreneurship in South Africa's microbrewery sector will be crucial for economic growth and the development of the tourism industry. This exploratory study fundamentally addressed some of the identified research gaps noted above – regarding the literature on both the brewing of crafted beer and entrepreneurship. Essentially, beer tourism is a leisure activity based on motivational elements, which entails experiencing a beer region, visiting breweries, beer festivals or shows, and tasting beers.

Throughout this study it has been demonstrated that LED has been recognised as a contemporary concept and a pivotal approach to job creation, alleviation of poverty and socio-economic development of communities. Accordingly, it is recommended that a comprehensive strategy for a specific type of market needs to be developed to fit the specific region in order for there to be developmental success. The study employed neo-localism and the resource partitioning theory to understand how and why organisations targeting narrow segments cannot expand.

At present, judging from the responses and the literature review, microbreweries create quite a substantive number jobs in the labour market and they are the penetrators of the new markets in expanding economies. This is evident because it has been alluded to in preceding chapters that in South Africa small and medium-sized enterprises make up 91% of

formalised businesses, provide employment to about 60% of the labour force and total economic output accounts for roughly 34% of GDP. Further, it has been shown in this study that the economic development literature is awash with SMMEs' contribution to job creation and alleviation of poverty – but also with the challenges that are a possible threat to their survival and sustainability as an economic development strategy. Thus, this study explored the potential relationship of microbreweries of craft beer – which are small-medium-sized enterprises – and LED in KZN, with particular reference to job creation, tourism, and the revitalisation of distressed regions.

Extensive research results (Mutezo, 2005), (Chimucheka, 2014), (Abor & Quartey, 2012) exhibits that most SMME owners perceive access to funds as a major constraint to expanding their businesses. This situation is aggravated by the following factors: lack of collateral on the part of the entrepreneurs, bad credit or no credit history and “an exaggerated risk factor” as perceived by the banks with the responses received from participants it is evident that supposedly due to lack of information and education around the type of liquor industry in question, they have not received enough attention to make it easy for them to lend them funding since they are mostly self-funded. Respondents confirmed that they are facing troubles with securing funding from financial institutions. Chimucheka (2014) reiterates this point by stating that research carried out by Fataki and Garwe (2014) concluded that the lack of financial resources was the second most important contributor after education and training to the failure of SMMEs in South Africa (Chimucheka, 2014).

It is against this background that perceived forms of the crafted beer industry could be developed, as well as the perceived challenges, could be informative to practitioners involved in the craft brewing industry, and considering diversification alternatives. At the same time, this added information could contribute to narrowing the existing knowledge gap in the academic literature in relation to the potential of microbreweries. Moreover, the overall findings could be used by researchers as a foundation for future investigations of the microbrewery phenomenon.

5.3 Recommendations

This exploratory study sought to contribute to the microbrewery literature and explored the burgeoning craft brewing industry from the perspective of predominantly micro and small South African craft brewery operators. The findings underline participants' positive perceptions regarding the potential for craft beer industry development. In particular,

distribution to hospitality businesses, packaged tours and craft beer–food pairings were perceived as being most attractive forms of this industry. In contrast, the modest means did not clearly point out any specific challenges, with logistical and time limitations being the most significant. Several statistically significant differences underlined variations in perceptions based on breweries' production, the age of the brewery, and also based on participants' gender. Verbatim comments further complemented the predominantly numerical data and supported the participants' overall perceptions.

The overall findings identify various practical implications. Fundamentally, the generally positive perceptions of participants, including their agreement with the various forms of microbrewery industry that could be on offer, provide clear evidence of crafted beer's potential.

In turn, this evidence could be further considered by a number of stakeholders. For example, regional tourism development agencies such as the local and provincial government could further examine the potential of the crafted beer industry and how it can boost LED and tourism. The findings also underline the significance of further fomenting collaboration between craft breweries and other stakeholders, and the significance of proper stakeholder management – particularly given the inter-relationships or dependence of breweries on consumers, visitors, and local hospitality businesses. Furthermore, the findings revealed that a lack of collaboration did not seem to be a key challenge. However, given the relatively recent growth of this industry, there is limited information regarding collaboration or other critical areas that could affect the sustainable growth of the microbrewery industry. Thus, the role of development agencies, together with the craft brewing industry and other stakeholders, including festival organisers or managers, and hospitality and tourism industry stakeholders and consumer groups, could all be vital in designing future microbrewery-related plans and projects.

Future research could attempt to address some of the above limitations – for instance, identifying more craft breweries nationwide, and achieving higher response rates. In particular, future research could benefit from a more balanced response rate from different provinces, which could allow for comparing perceptions regarding opportunities and challenges in microbrewery industry development. This information could be complemented by face-to-face interviews with selected craft brewers. Studies could also help confirm or otherwise the overall positive views concerning crafted beer industry

development in the present research. In addition, other stakeholders could be considered in future investigations/research, including consumers/visitors to craft breweries or craft beer festivals/fairs, suppliers, distributors and hospitality operations (e.g. hotels, restaurants, bars). This information could provide valuable perspectives that might lead to identifying stakeholders' needs and wants, including in regard to their involvement in the industry. Finally, the further consideration and application of the theory used in this study could not only enlighten or illuminate researchers investigating the significance of stakeholders in microbrewery development – but also lead to theory development or refinement.

Distribution laws continue to have a significant impact, so polarising the industry. Many brewers argue that raising the distribution cap is essential to their survival, while the distributors are adamant that the present system works to the benefit of competition, society and the consumer. The imposition of a third tier between the brewer and the customer is hard to argue for from an economic perspective. The wholesalers have to be paid, which, when combined with the taxes levied at both ends of the transaction, leads to increased costs for the consumer. The National Beer Wholesalers Association (NBWA) express the value of the current system as ensuring a safe, orderly marketplace. In N.C. the North Carolina Beer and Wine Wholesalers Association (NCBWWA) focuses on promoting their role in the responsible, legal consumption of alcohol, through the operation of a state-based regulatory system. While there is some truth to these arguments, research demonstrates that the role of distributors as guardians of morality is over-played, Williams (2017;12) argues that “The judiciary’s critical view of the three-tier system bolsters the General Assembly’s need to consider whether their laws truly promote temperance and reduce social costs, rather than regulating the alcohol industry on the basis of outdated social mores that view alcohol as an inherent evil”. The current distribution system hampers the freedom necessary to grow the craft beer industry in the province. The law hinders the brewers in a highly competitive market in which it is hard to stand out when you are one of hundreds of brands handled by a wholesaler. To grow, change has to be made to self-distribution legislation. It has been demonstrated that states that allow self-distribution and do not enact beer franchise laws consistently have more breweries, so creating more choices for consumers.

Excise duties also have to be considered across the nation, and craft brewers claim the existing tax laws are a hindrance to developing SMMEs and are slowing their ability to grow. When more than 40% of the cost of a beer comprises some form of tax, this impacts on consumers. As has been discussed, taxes are the most expensive ingredient in beer –

regardless of which state you are in. The problem is that, as with distribution rights and franchise laws, no consensus exists with regard to beer taxes. One group is advocating national excise tax relief only for small craft brewers, while another pleads for companies that in some cases are not even making any beer in this country. Clearly the current playing field is not level.

The future will see a continuation of this conflict played out across the country – with both sides taking fixed positions. The wholesalers will seek to maintain the status quo, through the judicious use of powerful lobbyists at provincial level, paid through the huge profits generated by the three-tier system. Previous changes to legislation in the craft beer industry have come about as a result of pressure from consumers. The growth of the South African craft beer industry is important and the provincial government has explicitly recognised it as worth promoting.

A cautionary factor, which has to be taken into consideration however, is the degree to which the current rapid growth seen in the craft beer market can be sustained – particularly under current distribution legislation. As Williams (2017), cited in Wells (2015), argues "I think we met the critical mass margin (for craft beer) a long time ago ... you're looking at market saturation ... we are steadily approaching a time where the sheer number (of products) is going to make business difficult for everyone." Brawley (2016:08) argues that a crucial impediment to infinite brewery growth is distribution and retailing, citing the finite number of draft lines at bars and shelves at retailers. Competition for this space will increase as more breweries enter the market. The practice of tap rotation, the retailer's preferred method in dealing with choice, provides little stability for beer producers. The degree to which current patterns of growth can continue under the current legislative frameworks, offers a second potential arena for future research.

From the responses of the microbreweries, it can be deduced that the statistical analysis shows that many people, especially the youth, spend significantly more money on beer monthly – despite having much lower household incomes before taxes. Furthermore, they rated craft beers as much more appealing. It appears that the youth focus less on their beer being packaged in a bottle and care more about other features, such as being recommended by friends, being made by a craft brewer, high alcohol content, being locally produced, and creative labels. Results from questionnaires provided much insight into how both age groups (Youth and Old) perceive craft beers, when comparing cans versus bottles. Consumers rated

bottles higher for all categories except drinking convenience, being more environmentally friendly, and being a cheaper product.

Both age groups rated bottles much higher for overall appeal and embodying the idea of a craft beer. Contrary to previous belief, the data analysis shows that perception has a minimal impact on one's openness to purchasing craft beer in a can – especially for millennials. Further insight into this will be discussed in the upcoming conclusion.

As hypothesized, the data analysis shows that the youth are more willing and open to purchasing craft beers compared to the rest of the age demographic based on the brewers live experience . However it is still advised that creating further consumer awareness about the beneficial aspects of cans over bottles would increase both age groups willingness to purchase craft beers. Therefore one can conclude that creating further consumer awareness about the beneficial aspects of canned craft beer versus bottles would further increase the purchasing likelihood of both millennials and older age groups. Recommendations based on the responses ; it appears that craft brewers should shift some of their marketing approach towards the younger demographic (21-33). They should focus on the concept that their canned beer is a high alcohol, convenient, and environmentally friendly product at an affordable price. The consumer wants to be assured that craft beer can be guaranteed all these qualities without having a compromise of taste and maintaining its individuality. Although craft brewers should clearly focus more of their attention on the millennial age demographic, by no means should they abandon older demographic consumers. The data received from respondents demonstrates that effectively advertising the benefits of craft beer versus bottles could positively skew one's purchasing behaviour. This concept applies to all age groups. Brewers would be best off if they were able to effectively distinguish their canned beer as a more on-the-go and outdoor friendly product than bottled beer.

One of the main areas in this research where doubt might be found is in the data collection and specifically, for sustainability reports, as well as with survey results. In the sustainability report section of the data collection was limited in the number of reports that we could gather. This was due to the fact that many craft breweries either do not have the time and/or resources to put out a report or simply do not have the knowledge to issue such a report. This fact could be seen as a weakness because we are then only able to gather information on those few companies who have the resources to put these sustainability reports out. This could also be a weakness because those companies who have sustainability reports are

already working with sustainability and might have their own unique understanding of sustainability and craft breweries. It can be argued that these facts might have produced some bias in our data tending to lean towards the issues/challenges that these few craft breweries believe in. Another part of our paper that could be a weakness and could cause questions on our validity is the issues around our survey. We were limited in the number of respondents to our survey, gathering only eight in total. This is a very low response rate (less than 10%) which does not give a good representation of the whole craft beer industry. In addition, these few respondents did not take very long to answer our survey and might not have fully understood our questions. Another weakness of our survey is the fact that some of the respondents also produced a sustainability report. We believe that this fact could produce some degree of bias in their responses since we determined some of the challenges with help from their sustainability reports. A final weakness that we have seen is the fact that we only gathered information from North America and Europe and not from anywhere else. That was viewed as a weakness because it does not represent the view of the whole craft beer industry, only a part of it (although the majority of craft breweries are located in North America and Europe), and it also only represents the views of the western developed world and not the developing world's views.

A possible follow up to the research would be to see if the challenges and positive impacts hold true in other parts of the world – e.g. developing countries. In addition to examining the rest of the craft beer industry, another follow-up question could be the further development and refinement of the tool. In addition, performing a specific case study on a craft brewery with the prototyped tool could be done, to see if it could actually be helpful or applicable to the real world and to see if it helped move craft breweries toward sustainability.

As the nature of the craft brewing industry changes, and as more and more home brewers see home brewing as a way to gain entry into the for-profit craft brewing industry, a new examination of the nature of home brewers – expanding on Murray and O'Neill's (2012) work – is necessary. In particular, it would be helpful to define the differences between the casual home brewer and someone intent upon making brewing a career. While it is known that a significant portion of craft brewers start as home brewers, less is known about how many home brewers attempt to make the leap to commercial craft brewing and what their success and failure rates are. Therefore, research into those success/failure rates is warranted – as well as an examination of the critical success factors in microbrewery development. The quantifying of economic risk involves not only knowledge of the amount of money

placed at risk, but the likelihood of success and the expected return on investment. As it stands, prospective entrants into the craft brewing marketplace cannot be certain of the risks they are running, nor are there any studies providing them with a blueprint of documented success factors.

More studies should be conducted regarding the economic impact of craft breweries on their local communities. Economic impact research would give a clearer picture of the associated benefits to be derived from the growth of the craft brewing industry. There has been much research documenting the rise of microbreweries that looks at a host of regional factors, but none have attempted to identify commonalities among successful microbreweries that transcend regions. Furthermore, while it has been shown that there is a link between increased campaign contributions in South Africa, the exact nature of these contributions is undetermined.

It would be very informative to investigate whether the beer industry itself is working to restrict competition, and therefore whether it could be artificially depressing the economic impact craft brewing could be making. Craft beer tourism unparalleled by the wine industry, and wine tourism has exploded as a phenomenon over the past few decades; entire academic journals have been devoted to the phenomenon. While the beer tourism market will likely never approach the size and scope of wine tourism, it is a significant market and is growing larger. Still, very few studies have been devoted to exploring the subject, and the few that have, are devoted to particular markets. Much more research needs to be conducted on craft beer tourism, especially research that ties together the factors that draw people to particular markets – into a model that describes the larger phenomenon. More research also needs to be done regarding craft beer tourism as a subset of food and agritourism.

Some of the important points that one gathered upon conversing with brewers, is the issue of not having independent farmers that grow and offer barley and hops to brewers as they are some of the main ingredients that are needed to make beer. Kwazulu natal is perceived to not have good soil to offer good and quality grains due to climate however Farming technology, teamed with plant science, has potential to expand the numbers of species of grains that will grow and thrive in harsh climates where ordinarily they would have been difficult to grow. “This is true in East Tennessee and Southwest Virginia as new species of barley have been trialed in the last 10 years with promising results” (Evans:2016).

With the rise of numerous regional microbreweries a local demand barley and hops is a reality. Most of the breweries interviewed are getting their raw materials from regional supply houses but the raw grain itself originates from the Northwest U.S., Canada, or Europe (Evans:2016,45). As farming is a business, yield and quality must command more revenue from the harvest and not exceed the costs of growing the crops. New types of seeds and plants are developed to withstand the humidity and rainfall in this area thus increasing the chances for successful crops. If the malting barley crop turns out well (i.e., of sufficient quality for brewing beer) it will capture a good return. If the crop does not result in the desired quality it can still be sold as animal feed but at a much reduced price. Grown malting barley is somewhat of a gamble causing a number of farmers to turn to other cash crops.

It is recommended that for the microbrewery sector to strive to its full potential and for it to benefit from government initiative like Black industrialists, RASET and operation vula effectively, intensive studies like such are done to further understand its potentials to boot not only the economy of the province but also the one of the country so to compete with the world's top brewing countries. The technologies in the methods (old and new), machinery, and knowledge base are readily available for those who venture into this business. It takes substantial capital from investors to get this sort of business started and coordination between local county governments, farmers' co-ops, local brewers associations, and local breweries to establish a network to support an operation of this kind.

If raw materials like Barley and hop were to be grown in KZN it can become a cash crop for farmers, but it will obviously take an investment in time, education, and farming technology to make it work. Furthermore, it makes good economic sense. Local grain, hop farms would promote a positive economic impact on the farmer, the brewer, distributors, local businesses, and employment in this region. Finally, people like to take pride in their community and, as part of this sentiment, it is characteristic to support and buy locally produced goods.

5.4 Conclusion

As the beer market consolidates, large international brewers are devoting resources to buying local craft breweries. Research is needed to determine how craft breweries change after having been acquired by large conglomerates. There is little research examining how craft beer, like wine, has come to be seen as a complement to food and not a standalone

beverage. It would be very helpful for operators to know which sorts of beers pair best with which sorts of cuisine – both from a culinary and commercial standpoint. To that end, sensory studies evaluating consumer preferences when pairing craft beers with various foods would be informative. Operators would also benefit from research examining what differences exist between consumers of craft beers as opposed to consumers of mass market beers. Furthermore, as beer offerings become more varied, beer service standards need to expand and improve. An examination of increased physical requirements for operators (like keg rooms and increased tap capacity) as well as increased training standards for servers, is warranted. As craft beer sales replace wine it will also be of importance to operators to better understand the profitability structures of beer versus wine. In conclusion, the craft beer industry is a growing segment of the beverage industry, which, because its audience is typically younger, will only increase with time as population demographics change. As an industry it warrants much greater exploration. There is a wealth of opportunity for practitioners and researchers alike.

It is crucial that in the final analysis, there needs to be a promotion of black industrialists through microbreweries that will advance radical economic transformation in KZN. The microbrewery industry has come to prominence at an opportune time, since the Department of Trade and Industry has already announced a R1 billion incentive scheme directed at creating more than 100 large and competitive black industrialists (BI) in key sectors identified in the Industrial Action Plan – particularly those sectors with potential to significantly drive economic growth. As such, the Black Industrialists Fund is expected to attract R10 billion to R20 billion from other developmental sources like the Industrial Development Corporation, the Development Bank of Southern Africa, the National Empowerment Fund and the Public Investment Corporation – so it is crucial for the microbrewers to make use of this opportunity.

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