

The Rise of Mikkeller

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Abstract

Mikkeller is a young craft beer company which has been on the rise since its start-up in the early 2000s. With the current 21st century trends, other beer companies have evolved their products, in order to remain competitive towards the fast-rising craft beer company Mikkeller. The purpose of this study is to investigate where Mikkeller is currently positioned in the beer market and to study whether the position has changed or not over the last five years. With the study of the relationship between business and trends and the fundamental understanding of the way Mikkeller is able to challenge the larger beer companies, the position of Mikkeller in the beer market is achieved. With the current trends in society, Mikkeller is both able to influence their consumer behaviour, by strengthening their customer relationship and strategically challenge the industrial beer companies. Thereby the marketing and production strategies of the industrial beer companies such as Carlsberg and Royal Unibrew, are changing accordingly to the trends, causing them to produce products similar to Mikkeller. Conclusively, the position of Mikkeller has changed drastically over the five years, wherein they have a more significant role in the beer market, yet they are in a more challenging position than ever.

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1. Introduction

Beer is one of the oldest beverages in the world, dating as far back in history as to the ancient Mesopotamian and ancient Egyptian times. The recipe was recorded by the ancient Mesopotamians and is considered to be the oldest currently known standard recipe of beer (Bannerjee, 2017). The beverage was consumed daily by the Mesopotamian people and was considered the Mesopotamians favourite beverage, as well as having a religious meaning as “...the drink of the gods” (Mark, 2011) as they were consumed “...in great quantities at religious festivals and celebrations” (Mark, 2011). However, the ancients did not have an evolved amount of knowledge on brewing beer. The recipe first began to see development when it was later spread to the rest of the world. The recipe improved as well as the techniques regarding brewing the beer. However, the love for beer has not changed, as beer has proven to be a beverage, which has been a very popular pick throughout history.

The importance of beer cannot be taken for granted. There is no doubt that beer is one of the most popular and most consumed drinks right after water and tea. Especially in Denmark where beer again has proven to have a cultural significance, like in the earlier mentioned ancient Mesopotamia. For the Danes, instead of having a religious significance, drinking beer has rather become a cultural phenomenon and is associated heavily with a certain fellowship feeling. This could be something as simple as having a beer with an old friend or strengthening new or established relations. It is not solely because of light drunkenness that Danes are inclined to drinking but some people do find it simpler to enjoy life and put the closeness and etiquette aside for a little while by the consumption of beer.

The cultural importance for the Danes can be seen on the different unofficial ‘holidays’ and events for drinking beers, for example ‘J-dag’, which translates to J-day, which is the day the Danes go out and celebrate that the annual Christmas beer is being launched again, which is supplied by the large beer company Tuborg. These kinds of cultural phenomena can exemplify the importance of beer for the Danish culture, as well as how the Danes have upheld these kinds of traditions for quite some time, which have not changed the slightest. However, even though the traditions have been upheld this way for many years, there has been some important changes in the recent years. The changes are not so much regarding the cultural aspect, but rather the market for beer.

2. Problem Area

In recent years there has been a significant shift in the different varieties of beer products in the beer market. This ranges from lager and stout beers, to India pale ales and different kinds of specialty beer. If you look at the availability of different variety of beer just 30 years ago, you would notice that the diversity was much less than what is seen today. Back then, the general consumer would mainly have access to beer from the large brewing companies Tuborg and Carlsberg, which were dominating companies in the beer market and only a few sub-brands to contest them. However, as the years has gone by and as the consumer logic has had some changes, so has the beer market. Microbreweries have become as popular as ever. These microbreweries have today a much better competitiveness than 30 years ago. A main factor behind this is that the consumers have changed how they behave in the way they value products. People care a lot more about how products are created and also the quality of the taste and smell of it. These past years a trend has developed, not just in Denmark, but worldwide, a trend of specialty beers, which satisfy the consumers newly developed need for quality beer. This new trend has changed how the market behaves, and evolved into a more diverse market, where microbreweries have a better chance of surviving the early stages of their company's life and have in general better opportunities for business compared to before. This can be demonstrated by merely looking at a supermarkets collection of beers. 30 years ago, the majority of beers on the shelves would be supplied from the standard companies, Tuborg and Carlsberg, and only a few sub-brands. The same can be said about bars, where earlier bars would have a very limited variety of beers, where most bars would only sell Carlsberg, Tuborg, and a few other very similar types of beer. However today, the variety has increased a lot more, whereas now one can find a larger variety of sub-brands, local, national, and global beers, and where the different beers are brewed in various manners or/and with new interesting flavour to it.

One particular microbrewery which has gained a lot of success and has worked the market to its own favour is Mikkeller. The company Mikkeller has developed the brand into a lot more than merely a brewery that brews quality beer. The company have their own chain of bars and restaurants which are located internationally, which serve beers brewed by their own company, side by side with beers from similar companies. It should be noted that Mikkeller also

is proud of their running club with over 12,000 runners, with the base premise that the runner gathers together, run together, and after the workout enjoy a beer together (Bernot, 2017).

What makes Mikkeller a particularly interesting microbrewery is how it has developed over the years into something much more than just a generic brewery, and gained quite a large following, in a market, which has changed a lot in favour of companies like Mikkeller. However, it should be noted that the giants still reign and Mikkeller's accomplishment should not be dismissed. This research is interested in investigating further into this market and try to understand how Mikkeller has had such a great start in a beer market, which is still to this day dominated by giants like Carlsberg.

2.1. Research Formulation

As mentioned in the section before, this project wishes to investigate the current beer market and determine and gain more knowledge on how Mikkeller has gained such large success and a large following, in a market which is still to this day dominated by giant corporations. The purpose of this research is to determine how Mikkeller challenge the larger companies. The research will fold out by researching different concepts crucial to the beer market and the rise of the microbreweries. The following research questions and working questions will help achieve the desired purpose.

2.1.1. Research Question

How has the position of the microbrewery Mikkeller changed within the beer market in Denmark over the last five years?

2.1.2. Working Questions

1. What is the relationship between business and trends and how does it influence the concepts of customer relationship and consumer behaviour?
2. In what ways is Mikkeller able to challenge large beer companies, like Carlsberg?
3. How have the microbreweries “changed” or affected the marketing strategy of Carlsberg?
E.g. How business take advantage of trends?

3. Research Paradigm

The research paradigm goes in depth with the ontological and epistemological considerations we have made and applied onto our project. The research paradigm has been a special highlight during this semester and thus is the reason for making this chapter, outlining our thoughts.

3.1. Ontological Considerations

The positions of ontology (the nature of reality) consists of either the constructivist or objectivist position (Egholm, 2014, p. 14). The difference is the way they consider reality. The constructivist position perceives the world as being different depending on the person collecting knowledge and a result of this then reality becomes depended on individual realities (Bryman, 2016, p. 30). The objectivist approach is more concerned with the ultimate truths, believing that reality is something that exist external of the individual and it is therefore possible to obtain the ultimate truth (Bryman, 2016, p. 29). Our position in philosophy of social science is critical realism. Critical realism has the ontological position of objectivism. Furthermore, it's important to state that despite our ontological position of objectivism we do acknowledge that truth is interpreted through human reality and therefore we can only get so close to the truth without truly having the ultimate truth.

The ontological perspective within critical realism is that the world further consists of multiple levels and out of these levels the ontological aspects of the levels are the real and the actual. These levels exist outside the influence of human research, analysis and discussions, meaning that they are considered ultimate truths (Egholm, 2014, pp. 123-124). It is further important to understand that in accordance with this perspective human agency are submitted to the structures in society and does therefore not act as independent agents and can be affected by social mechanisms (Enghom, 2014, p. 228).

3.2. Epistemological Considerations

Epistemology is the theory of knowledge. It shapes what should be regarded as acceptable knowledge (Egholm, 2014, p. 690). Epistemology distinguish between gaining knowledge through objectivity or subjectivity. Subjectivity and objectivity consist of questioning if we as humans can obtain knowledge as a purely external and influential factor way if we will always influence the results as researchers (Egholm, 2014, p. 28). Many does not disagree with the goal

of complete objectivity yet there are some connections between researcher and subject that cannot be removed and so it is argued that it is near impossible to obtain methodological objectivity. When looking at the methodological subjectivity, that we will be drawing on, there are critiques such as replication of the research and the dependence of the connection between researcher and subject is a fundamental part of the research (Egholm, 2014, p. 29, 124). We draw on the epistemological position of subjectivity, meaning that we have a combination of ontological realism and epistemological subjectivity, creating implications towards our process of acquiring knowledge. In the next paragraph we write about how the reproduction process will fit into these ontological/epistemological implications (Egholm, 2014, p. 125). The philosophical position we have chosen for the project is critical realism and so the epistemological perspective consists of recognising the structures within the situations that are being investigated in order to create change (Bryman, 2016, p. 25). It is understood that the methods and categories used in critical realism could be temporary and depended on the time they were used and created. It is further understood that the understood reality is perceived through the reality of the researcher and is one perception. An epistemological consideration is further that the sign, words, pictures and et cetera is not understood in the same way despite showing the same thing. This is a position drawn from the structuralist philosophy. (Egholm, 2014, pp. 30-31). The transitive/empirical level within critical realism is the level we cannot observe, develop theories and analysis from and it is considered to be under the epistemological perspective for that reason.

3.3. Abductive Reasoning

Abduction in its process to be confused with induction, when you go from individual cases and from that create a conclusive generalising rule. The distinction between induction and abduction is the within abduction the focus is more on the perspective of the individuals and try to do the project from the perspective of the participant (Egholm, 2014, p. 31; Bryman, 2016, p. 394). In our project we do not have more than one participant, our interviewee, but we do try to look at the beer market with the lens of the microbrewery. In order to, have abductive reasoning you start with observations and then from that or those observations you reach the conclusion that is the most logical and simple conclusion (Bryman, 2016, p 401).

4. History of the Beer Market

When wanting to understand the beer market in its current state, it is important to also look back in time, in order to explain what has led the beer market to be what it is today. Throughout time the demand for certain types of beer has increased and decreased, the beer market has been quick to respond to the changing demand from consumers, however, the response has not always been to just increase supply or, in particular, variety. "Later in the twentieth century, new types of beer were developed in response to a growing demand for low calorie foods and drinks [...]. Many beer producers discontinued the production of dark beer and started producing 'diet' or 'light' beers" (Poelmans and Swinnen, 2011, p. 29). Rather than simply introducing new types of beers to satisfy the demand for lighter beers, many breweries simply did away with their previous style of brewing, which would have given darker beers and ales, in order to fully ingulf themselves in the newly emerged trend.

Not only was the variety in available beers not growing as much as the consumer could have hoped for, the amount and variety in breweries did not grow either, in fact, it shrunk significantly. This was despite an increase in demand for beer and a resulting increase in supply, and thus an increase in the production of beer. "Between 1950 and 1980, the number of UK breweries decreased from 567 breweries in 1950 to 142 in 1980. The average size increased accordingly, from 7.4 million litres in 1950 to 48.1 million litres in 1980" (Poelmans and Swinnen, 2011, p. 27). The same development was seen in the United States, however, here it was seen on a much more drastic scale. "As in Europe, consolidation in the US beer industry continued in the second half of the twentieth century. The number of US breweries decreased sharply, from 407 in 1950 to only 101 in 1980. The average size of US breweries grew from 25.6 million litres in 1950 to 219.2 million litres in 1980" (Poelmans and Swinnen, 2011, p. 27). This is interesting as it clearly shows how the production of beer was not in decline, yet the amount of breweries decreased rapidly in these years. Which would have resulted in a much less diverse market, while still remaining equally as a big and important as a market. With this came a massive increase in power held by the larger breweries. As they ramped up their production and got rid of their smaller competitors their market share would also increase drastically. "The five largest American breweries' share in total USA beer production rose from 19 per cent in 1947 to 75 per cent in 1981" (Poelmans and Swinnen, 2011, p. 27).

This change in the beer market was not necessarily satisfying to the needs and demands of consumers, in particular the consumer who wished for diversity and variety within the market, which was not largely dominated by a few, massive breweries. This led to a counter-movement, which aimed to bring much more diversity and amount of choice to the market. "However, the growing domination of increasingly standardized lager and light beers produced by increasingly fewer brewing companies has led to a counter-movement in the past 25 years. This reaction against consolidation and lack of variety started in the USA. During the 1980s, people started to [...] show a renewed interest in 'older' beer styles, such as porter, pale ales and brown cask ales, stout, and bitters. At the beginning of the 1990s, this trend of (re-)appreciating and brewing 'special beers' and 'older' style beer was labelled the 'microbrewery movement' because of the small scale of the new breweries that started to brew different types of beer" (Poelmans and Swinnen, 2011, p. 29). This explains how microbreweries came to be, as a response to a market that was becoming increasingly dominated and controlled by large breweries. Although the movement began in the United States it would soon move on to become a global movement, which would have a significant influence on beer markets around the world. "Although this process first started in the USA, similar developments can now be observed in many traditional beer-consuming countries. While the share of the 'microbreweries' in total global beer production is still relatively small, these breweries have influenced the beer markets significantly and in various ways" (Poelmans and Swinnen, 2011, p. 29). This is far from the end of the development of the beer market. With the success of microbreweries, "the number of 'craft brewers' grew from two to over 1,700 enterprises from 1977 to 2009. Craft brewers include microbreweries, brewpubs, and regional craft brewers." (Tremblay and Tremblay, 2011, p. 2).

The larger, older breweries are now taking notice and attempting to counteract the movement. "In recent years, many large beer brewers have tried to 'copy' the taste of the 'microbrews' or have bought (shares in) microbreweries or abbey-type beers" (Poelmans and Swinnen, 2011, p. 30), which is where we are today. A market that has been controlled by large breweries that is now being challenged by new, small breweries offering variety and choice to the consumer, meanwhile the larger breweries seek to fight the disruption that microbreweries are creating.

5. Literature Review

The purpose of this literature review is to showcase the thoughts and reflections made during the gathering of different data from read literature related to the field of study. This research takes in the perspective of a business angle to this issue, so it is therefore important to look into research, which has been done in that the field of beer and consumer behaviour. The literature review will supply an appropriate general view of the field of study and in the end, it can be determined how the current research applies and fits to the field of study.

5.1. Consumer Demand

As mentioned before in the history of the market chapter, the recent success of microbreweries exemplifies a pattern of increasing consumer demand over the years, which have had a great effect on the market. The development of the consumer demand creates a certain flexibility for smaller business structures, and companies take advantage of that development and effectively adapt to the increased consumer concern. In order to meet the increased consumer concern and demand, the companies took in regard to sustainability, the local economy, and the environment (Sahs, 2014). There has been executed quite a lot of different research within these areas of the market and on consumer awareness regarding the area. A research study by Geoffrey W. Sahs (2014) tackles the phenomenon of consumers having a significant awareness of social concerns regarding products and being more important than the actual cost. People would like to pay an extra amount than usual for a product which satisfy their social concerns. Together with the study of consumer culture, Sahs (2014) studies whether the hypothesis of consumers being influenced into purchasing goods by commercialisation is true or not. Sahs (2014) concludes in the end of his research that microbreweries and large beer companies do not believe they are utilising the ways of increasing their sales optimally but acknowledge that they have a certain influence when promoting a very popular drink with a message (Sahs, 2014). This goes to show; the phenomenon indicate that the mindset of consumers tends to be focused on being local and green. In other words, narcissistic consumerism; what products focus on the ethical and sustainable harvesting and which products make the consumers look good (Sahs, 2014). This literature provides background knowledge on why consumers are more attracted to the green and eco-friendly beer products rather than the regional and larger classic beer in America.

Similar to the research by Sahs (2014), the research by Donandini, et al. (2016) focuses on the “consumer interest in specialty beers in three European markets”. The researchers investigate the consumer buying behaviour of Italians, Spaniards, and Poles and how their drinking habits have evolved in the recent years. According to research, the larger breweries are now noticing a current consumer trend, in which the breweries in the previously mentioned countries are more than willing to generate a new branch of special beers in order to maintain their loyal consumers (Donandini et al., 2016). The same phenomenon can be applied to Denmark. Even though there has been a decrease in the sale and consumption of beer the last couple of years, there has been and growing interest in beer, which includes the awareness of beer quality and the different contexts for appropriateness of beer (Mejlholm and Martens, 2006).

5.2. Consumer Culture and Behaviour

Further research has been done on consumer culture with a cultural perspective. Mejlholm and Martens' (2006) research is studying the cultural context with beer and beer “identity”. Identity is understood as the affiliation with “others that we respect or admire” (Mejlholm and Martens, 2006, p. 109). The article claims that the beer identity may not solely be the actual products properties, but rather on “how these properties interact with human memories and cultural factors in different contexts” (Mejlholm and Martens, 2006, p. 109). The research continues to further illustrate how the identity aspect is an important factor to increase sale and consumption of beer in Denmark. When the companies introduce more variety in products, the beer identity becomes strengthened. At the same time, “the image of this being ‘our’ (i.e., Danish) typical beer” (Mejlholm and Martens, 2006, p. 109) is being kept intact. Mejlholm and Martens (2006) went on to explain and describe the beer market and how the annual intake of beer per inhabitant has declined with approximately 22 percent. The research assume that this decline could be explained by the increased consumption of wine and the general healthy change in food habits (Mejlholm and Martens, 2006).

Related to the wine market, a research by Santos and Ribeiro (2012) studies how port wine is considered a niche in the Portuguese wine market. With the study of a Portuguese online wine shop in 2009, the research investigates the buying habits, motivations and socio-demographics of the consumers. With empirical data, the Santos and Ribeiro (2012) demonstrate

that the main consumers of niche product, such as port wine, is mainly being composed and purchased by rich and well-educated young males. This was studied by utilising the buying behaviour analysis. These previously mentioned consumers are driven by the motivation of most convenient purchasing method such as the online platform. Through the online platform an increase in variation of wine selection and availability becomes thus larger (Santos and Rebeiro, 2012). This research concludes that in order to understand the wine market and how to target their consumers, one must make an analysis which will provide the understanding of how consumer select their purchases. Since the port wine is a niche in the wine market in Portugal, the relevance of this study relies on the microbreweries, such as Mikkeller in Denmark being the niche of the beer market.

5.3. Market Dynamics

One particular research by Kjeldgaard et al. (2017) has shown that consumers can alter market dynamics through organised activities in a particular market. It is well known that consumers can have an influence on the market formation, change and maintenance (Kjeldgaard et al., 2017). The study was done on the basis of the Danish beer market and the significant role that organisations has played in that market. The research's purpose is to analyse what significance the organisation Danske Ølentusiaster, which is translated to the Danish Beer Enthusiasts in English, has had on the Danish beer market. The study discover that Danish Beer Enthusiasts have had a "significant role in altering the logics of competition in the market, but also played a significant institutionalised role within the field itself" (Kjeldgaard et al., 2017, p. 52). Kjeldgaard et al. (2017) theorised this concept as the consumers' collective action.

According to the research, consumers have shown that they are interested in actively participate in the formation and dynamism of markets, which is exemplified in different cases of research of how participation from consumers can range from "being active market users to being active market shapers and makers" (Kjeldgaard et al., 2017, p. 52). This is a method of altering the market dynamics through organised activities, which the consumers can use to challenge and contest the way markets function and to shape it in a different way than previously. The market then compromises to the consumers. This phenomenon is theorised as the marketplace evolution and can be seen in the form of a "continuous struggle between opposing groups of consumers" (Kjeldgaard et al., 2017, p. 52).

5.4. The Gap

The literature proved to show what kind of research has already been done in the field of study which this research is interested in. To date there has been a lot of investigations on the issue of beer being a part of an economic growth within specific countries and on the beer, being a part of consumer culture. On top of the consumer culture, research have further investigated the cultural significance beer has currently in Denmark. Moreover, most studies have been investigated on other countries or other types of products, like wine or craft beer. Studies have examined the beer market in Denmark, and on how the consumers can influence the market by organising activity within organisations, which led to a marketplace evolution. Therefore, by adding the researches by Sahs (2014), Donandini, et al., (2012), Kjeldgaard et al. (2017) and the rest of the previously mentioned researches, the literature gathered paints a picture of the current research done within that field.

The gap in the literature is the absent research on the beer market in Denmark, which investigates the consumer behaviour and the effect consumer behaviour has had on the market, looking at a particular microbrewery, which has asserted dominance in the niche market in Denmark. The study by Kjeldgaard et al. (2017) looks similar to this research's desired goal of researching the effect of the changed consumer behaviour on the beer market, however, they only explain how the consumer behaviour affect the market by utilising organisations like the Danish Beer Enthusiasts. This study therefore fills in that gap, by looking into the phenomenon of the relatively new microbrewery Mikkeller and what kind of factors have affected their growth taking in the consideration of the concept of marketplace evolution.

6. Microeconomics

Microeconomics have been applied onto this project because of the meaningful link between individuals, businesses, and the amount and distribution of resources available in society, within the beer market. It is important to include aspects of supply and demand, since neither the individual nor the business has all resources available within the market. It important to note that supply and demand will determine the market price of a product, but that it is also important to examine how actors interact with each other.

The purpose of utilising microeconomics will be seen in the upcoming sub-chapters, where the focus will be on the categorisation of products, the aspect of the consumer, and pricing of products and how the market affects the price. This information will help in order to analyse and examine the beer market, which will help paint a picture of the market.

6.1. Types of Goods

Types of goods can be viewed as a categorisation of goods which can aid in the desired research and analysis of beer as a commodity and the beer market in this project. There are multiple ways of defining goods and placing them into different categories. One example of categorising could be in accordance to how the goods are consumed. This is in regard to whether the goods can be consumed by merely one person individually, or whether some can be consumed collectively, and how the state of the commodity is after it being consumed.

There are 4 different kinds of categories. The first category is the private good which applies to commodities which can be described as excludable and rival. This illustrates commodities like ice-cream, cheese, cars, etc. The term excludable describes that some people are excluded from the commodity, for example, if they do not have the required amount to purchase that commodity. Rival describes that whenever the commodity is consumed, it cannot be consumed by another individual, therefore the individual can be prevented from consuming the good (Biede, 2016; Quickonomics, 2016).

The second category is public good which describes commodities which are non-excludable and non-rival. Non-excludable means that everyone can consume that particular good, and nonrival means that the consumption of the good will not prevent others from consuming same product, examples of this can be air, knowledge, street lights, etc. (Biede, 2016; Quickonomics, 2016).

Common resource is the third category which applies to goods which can be consumed by anyone, in other words non-excludable, however, also rival because whenever the product is consumed, it cannot be consumed by a different individual. An example of this would be fresh water, fish, timber (Biede, 2016; Quickonomics, 2016).

The fourth and last category is club goods which are commodities that are excludable to people who cannot afford the commodity, but non-rival in that the good can be consumed by

more than one individual, for example cinemas, cable television, internet, football event, and so on (Biede, 2016; Quickonomics, 2016).

In context of this project, beer can then be defined as a private good, with the reasoning of that you cannot share the exact same sip of a beer. Even though individuals are able to divide the sips among each other, it does not change the fact that only one person can swallow that one sip. This categorisation helps in determining that standard tools will be drawn from within microeconomics.

The type of goods can further be categorised by whether the good can be regarded as an inferior, normal or a luxury good. This helps in explaining the demand for goods in the event of a crisis or an economic boom, whenever there is an increase or decrease of money available within the economy. During either event, there will be a noticeable change in the purchases of different goods in different markets. An example of this is during the crisis of 2008, it is to be assumed that there happened an increase in the purchase of inferior and normal goods compared to a decrease of luxury goods, for the simple reason that people had less money in their hands due to the crisis. Despite this being a common and well used theory in different literatures, the investigation conducted within this research have gathered contradictory data of how the luxury commodity of craft beer did not decrease during the crisis and so this shows us there is a difference between the luxury beer market and the general luxury commodity market (Biede, 2016, p. 37).

6.2. The Consumer Aspect

The consumer aspect draws on the notion that a company needs to understand the sales potential and the potential consumer base. In order to understand the sales potential of commodity the people economically invested in the company or entity producing the commodity will start a process investigating the potential consumer base that is willing to purchase said commodity. This is done by doing research about the individual buying patterns, so that later on it can be utilised to making predictions for the market (Biede, 2016, p. 31). First of all, when it comes to consuming any products an interesting theory to be aware of is so called theory of the marginal utility. Shortly, it is about the fact that even though the consumer utility increases, the marginal utility does not - in fact, it actually decreases. So, the consumer gets the most satisfaction from the first product the person consumes, and while one is buying the same product over and over

again the amount of satisfaction the product gives to the person decreases (Biede, 2016, pp. 31-33). When it comes to consumer demand, the simple way to see it is that if the price of a good is relatively high, the demand for that good is low. However, there might be other factors to keep the demand low, such as income effects or substitution effects. An example of an income effect could be for example that another good's price goes higher, which in turn makes the consumer's purchasing power lower and therefore affects the consumer's ability to purchase other goods. A substitution effect happens when the price of a specific good goes up and therefore increases the demand for the alternative products (Biede, 2016, p. 36).

6.3. Price Formation

Pricing is an important component in every business, since this is fundamental in selling a commodity, the importance of pricing is high, the reason for this is that if the price is too high the customer will not desire to buy the commodity and if the price too low it will have a bad economic effect on the business, as they will in that case not make the most profit possible and in some cases they will even lose money, if the price is set too low. This does of course also apply to the microbreweries. In order to start looking at the price formation we start with categorisation of the market form.

First, we look at the suppliers since they are a defining factor in the categorisation process. We want to explore if the market is homogeneous or heterogeneous. In a homogenous market there is only one kind of supply, an example of this could be a farmer, he will naturally only sell one kind of thing to the butcher, meat. In a homogenous market the consumer does not really prefer one kind of commodity over another. In a heterogeneous market the supplier has more than one commodity to sell, an example of this is the beer market where there is a lot of variation in taste, colour and companies. Consumers tends to prefer one commodity over another in the heterogeneous market. In addition to the categorisation of the market form one can further define it by competition, meaning that if the demand for specific a commodity is high compared to the supply of said commodity then the market is easier to enter for new companies. In the opposite case there will be too little demand compared to the supply, in which case the acces the market for new companies is low (Biede, 2016, pp. 95-96). When defining the market by competition, it is possible for the market to be under perfect competition, although it is quite rare that this actualises. Perfect competition includes many different suppliers and buyers and the

information about supply and demand is available to everyone. There is no so-called consumer preferences or standard goods and if a new company was to enter the market, it is able to do so - in other words, there are no restrictions when it comes to accessing to market. When it comes to suppliers, none of them should have that significant influence when considering the total volume. Same rule goes to the buyers - none of them should have that big of an influence on total demand compared to other buyers. The market price forms from the balance between supply and demand. When the competition is considered as perfect competition, as mentioned earlier, there are several suppliers and they can sell as much as they are willing to at the market price (Biede, 2016, pp. 97-98).

There are several examples of markets that are not under the perfect competition and the most extreme example is known as a monopoly. In the case of monopoly there is only one company supplying a good to the consumers and these conditions the market cannot be defined as homogeneous or heterogeneous. In a monopolistic market only one company responds to the market demand (Biede, 2016, p. 107-108).

When looking into the beer industry in Denmark today, there are many factors why it would make sense to consider the market being under perfect competition - for example, if one wants to start a microbrewery business, it is possible. Then it could be stated, that the market is rather heterogeneous. The goods (the beer options) differ from each other and the consumers have different types and tastes of beer that they prefer, and they have the possibility to choose between them. The beer market is however an example of a so-called monopolistic competition, which does not have that big of a difference compared to a perfect competition. If the competition is monopolistic, it has differentiated goods with substitution options, but the substitution is not perfect. Even though the beers can be replaced with a similar product, the types of beers are not uniform when they are compared to each other. What makes monopolistic competition similar to perfect one is also the easy access to enter the market (Biede, 2016, pp. 116-117).

7. Conceptual Framework

In order to analyse how Mikkeller has arrived at their current position in the beer market over the last five years, it was necessary to apply a conceptual framework to the investigation to avoid gathering unnecessary information. Therefore, in this project certain concepts are being utilised

as the framework for the analysis. Together with the empirical data, these concepts will provide aid when analysing the position of Mikkeller and what effects Mikkeller has had on other larger beer companies in the beer market. On another note, the concepts serve as an aid when analysing how business of a beer company utilises the current trend in the beverage society.

7.1. Customer Relationship

Customer relationship is a concept utilised when referring to the relationship that a company has with their consumers (Peppers and Rogers, 2011). Since most of the earnings of a company derives from consumers, the consumer base is considered to be one of the most valuable assets of a company (Pepper and Rogers, 2011). In order to develop a strong customer relationship, a company needs to increase their brand value towards their customers (Anon., 2018a). This is done by generating good marketing communications, sales support, technical assistance, and providing customer service to the consumers (Anon., 2018a). The result of increasing the brand of a company derives from the experience that customers have when purchasing from the company (Pepper and Rogers, 2011). If the purchasing or service results to be a bad experience, the likelihood of consumer returning to purchase henceforth, is rather low (Anon., 2018a). Since customers are one of the main sources for the earnings of a company, the customers are thus also the one of the main reasons for the long-term growth of a company (Pepper and Rogers, 2011). Therefore, in order to remain competitive, it is necessary for the company to manage their customer relationship effectively, in ways that generate brand values (Pepper and Rogers, 2011). Pepper and Rogers (2011, p. 3) understand the importance of customers and therefore state, "... No company can succeed without customers. If you don't have customers, you don't have a business. You have a hobby...". According to Pepper and Rogers (2011), one of the sole goals of a company is to get, keep and grow customers. This is regarding all types of companies, whether they be private, public, small, large, non-profit, or for-profit, they all need customers (Pepper and Rogers, 2011). In the 21st century for a company to strengthen their value in the market, they result to utilising new strategies which have the focus on strategically growing their value of consumer base (Pepper and Rogers, 2011). The reason behind the implementation of this concept, is to understand what the relation is between consumers and trend. Furthermore, with the study customer relationship, it is possible to study which outcomes derive if the consumer behaviour is ignored. Therefore, this concept of customer relationship will together

with the *consumer behaviour* and *consumer buying behaviour*, serve as aid to the analysis and will be covered later in section 10.1. This concept will be exemplified in regard to understanding how and what the relation is between business and trend, and if Mikkeller is able to benefit from the current trend.

7.2. Consumer Behaviour

The first concept that will be defined is the *consumer behaviour*. This is a concept about how consumers decide whether to purchase a good or not. In other words, it is a process wherein a consumer determines how to maximise utility within their economical means (Doyle, 2017). According to economists (Black et al., 2017), consumers are often viewed as bounded rational, whereas they aim for utility maximisation or to maximise their preferences (Black, et al., 2017; Doyle, 2016). With this concept one is to study the importance of consumer buying behaviour (Kotler and Keller, 2011). If this is understood and utilised by companies, it will have provided aid when determining the market position (Kotler and Keller, 2011). Since this concept focus on the behaviour of a consumer the company is able to take advantage of the study of consumers and strategise the selling of products according to the outcome of their consumer behaviour studies (Kotler and Keller, 2011). In order to implement this concept this investigation, studies have been gathered on how other researchers have investigated the relationship between a company and their consumers. By investigating that relationship, the findings serve as an aid in the investigations on how the companies are able to influence the decision making of which product to purchase.

7.3. Consumer Buying Behaviour

By incorporating the concept of consumer behaviour together with the concept *consumer buying behaviour* a clearer analysis can be conducted. Consumer buying behaviour is a concept that function as a supporting factor in analysing how the microbreweries are attempting to maintain their position in the beer market. Moreover, this concept will assist with the analysis in section 10.1.

Consumer buying behaviour is a business and marketing term for how individuals decide which consumer goods they plan on choosing (Law, 2016.; Black et al., 2017.). In other words, this concept concerns individuals and households, wherein they purchase either goods or services

for their own personal consumption (Kotler and Keller, 2011). According to Jonathan Law and Grahame Dowling (2016; 2004), research has identified five different roles of decision-making when concerning purchases. These roles consist of an initiator, influencer, decider, buyer, and user (Law, 2016). The initiator refers to the individual who is first to suggest an idea of purchasing a certain good or service (Law, 2016). The influencer refers to an individual who has influenced or advised the buying decision (Law, 2016). Moreover, the buyer factor is the individual that makes the actual purchase (Law, 2016). Lastly, the user concerns the individual that makes use of the consumer good or service. The five roles, otherwise known as the buying roles, provides the consumer with information before placing the purchase of a good (Dowling 2004; Law, 2016). These roles help determine whether an individual is willing to purchase a certain good or not. Together with the buying roles another model of five decision-making stages serves as aid in determining whether the consumer is willing to repeat a similar purchase at a different time (Dowling, 2004; Law, 2016). According to Dowling and Law (2004; 2016). This model consists of a sequential stage of consumer buying behaviour. The first four stages are the decision-making phase of a consumer, the problem recognition, information search, evaluation of alternatives and lastly the choice, where the actual purchasing occurs (Dowling, 2004; Law, 2016). Following the stage decision-making, is subsequent to the purchase, post purchase experience. The post purchase experience, it the actual experience of using the newly purchase good. However, the determination of whether the consumer is willing to repeat similar purchases or not, relies on whether the experience was positive or negative (Dowling, 2004; Law, 2016).

7.4. Consumer Migration

With the fundamental understanding of the customer relationship and consumer behaviour it is necessary to shed light on what types of outcomes derive if the customer relationship is weak and the consumer behaviour is low. The concept of *consumer migration* is an important concept as it gives insight into what could cause consumers to move to different options in a market, which as a consequence could affect companies within the market and companies who are trying to enter the market in different ways. Maintaining and increasing the value of the overall firm is the company's dominant ambition as the firm wants their value to look good, in order to make the company as attractive as possible as an investment option. Therefore, it is important for a company to know how its value is affected and what factors could help in increasing its value.

The result of the value of the company is based on the amount of revenue and profit the company acquires, which is affected by changes in demand (Czarniewski, 2014). Therefore, it is important for companies to know how to keep the consumers buying their product. “The process of customer migration may be an opportunity for some enterprises but also a danger for others” (Czarniewski, 2014, p. 61), especially under strong competition, where it can get tough and expensive for a company to acquire new customers. Therefore, it cannot be stressed enough that it is important for a company to reduce the migration of consumers.

Consumer migration happens on two different levels; the macroeconomic level and the microeconomic level. The first mentioned level has different determinant of consumer migration than the microeconomic level has. At this level, it is necessary to look at what ways the demographic has changed. This could be for example an increase in average age, which has created a higher demand for products purchased by an elder generation. Globalisation of culture and ethnic diversity in the world has also caused companies to differentiate their products (Czarniewski, 2014). However, since this research does not dwell in the macroeconomics perspective, it is more relevant to look into the microeconomic perspective and the determinants of consumer migration. The basic reason behind consumer migration on a microeconomic level from the company’s point of view is the “...conflict between the priorities of customers and activities of companies” (Czarniewski, 2014, p. 63). This conflict and the phenomenon of consumer migrating is not unique nor new, as there have always been cases where consumers have previously migrated “...from old outdated industries to new ones, from mass produced products to customized ones, and from obsolete products to innovative ones” (Czarniewski, 2014, p. 63).

It should be noted that the modern consumer today may have changed in regard to what it may have looked like a couple years ago. This can be seen by how the consumer lifestyle has spread out today to countless of different societies, which have made buying products and services some sort of activity for many people. Companies have of course taken advantage of this change, as it is seen on how they do not only represent themselves as the provider of a certain product or service, but also as acts like a representative “...of certain beliefs and values, and as creators of culture” (Czarniewski, 2014, p. 64). This way the consumers attention changes, by removing the consumption aspect, and leave the idea of the consumer choosing a brand which fits into the consumers lifestyle (Czarniewski, 2014).

The change of lifestyle is necessary to have a general understanding of, because the companies can make some drastic mistakes in not taking into consideration that many consumers have certain beliefs, value and norms, which the consumer is aware of when shopping. It is therefore important for a company to have fundamental knowledge about their consumers, the market and about the possible opportunities within that market. The consumers' needs can be satisfied by having improved and diversified products and prices in the market compared to the competitors (Czarniewski, 2014). These kinds of factors have to be taken into consideration in a competitive environment, as it can lead to the demise of companies and shape the market in different ways.

7.5. Marketplace Evolution

The different outcomes from the consumer migration have certain effects on the market, which can result into a *marketplace evolution*. The Marketplace evolution is an established concept within the field of economics, which has its roots based on the Darwinian theory of evolution. The Darwinian theory of evolution is associated mainly within the biological field, however the theory has also influenced and been applied to different fields other than the biological field, for example areas like "...socially transmitted beliefs, knowledge, technology, languages, social institutions" (Mesoudi, 2011, p. viii), including the field of economics, and so on.

The Darwinian theory of evolution has three basic but important principles to it. The first principle of the theory is that in an area where individuals exist, so does the variation between those individuals. The second principle is that there are only limited resources available, therefore only room for the strongest to thrive, resulting in that not every individual has an equal chance of surviving. This leads on to the last principle which is specific characteristics are inherited to the upcoming generation, which will help in increasing the chance of surviving and reproducing (Mesoudi, 2011; Eldredge, 1997). These principles lead onto the consequence of "natural selection": those characteristics that increase an individual's chances of surviving and reproducing are more likely to be inherited by the next generation, and such characteristics will increase in frequency within a population" (Mesoudi, 2011, p. viii). A suitable analogy for this phenomenon is the "...recipe for success (Eldredge, 1997, p. 386), which is key for the survival of an entity. However, it should be noted that "times change, thus changing the criteria of 'success'" (Eldredge, 1997, p. 386), which is a core assumption in this theory.

As mentioned before at the start of this subchapter, the Darwinian theory of evolution can be applied to the area of economics. This can only be in areas where it proves its relevance by illustrating how the ongoing competition in a market affects companies who are currently in that market, who tries to enter that market, and who have failed and went bankrupt due to the change in that market. In order to apply this theory, it is important to look at the companies as organisms, which go through complex adaptations and through those adaptations have a possibility of increasing their chances of survival. It should be noted that one of the differences between biological evolution approach and the economic approach is that the biological one has taken millions of years for a species to develop in a certain way, while the argument of economic approach is a much more rapid process of evolution.

The basic principles of the theory still apply, with the example of the first principle being based on variation. There is a lot of different markets in the world, with each of the markets having a large variation of companies, where some examples of companies look rather similar, while others may have only a slight or extensive difference. The second principle is based on limited resources which is demonstrated on that in a market, there is only a certain amount of demand, so there is bound to be competition in a market. The importance of marketing is significant in order for a company to survive, by marketing their products in order to reach their desired target group. However, it should be noted that a significant amount of companies may not have the necessary resources to reach their desired target group in order to survive and are therefore in risk of getting eliminated by the strong competition from the stable companies in the market. The third principle and last principle is based on that strong companies have a certain tactic which have secured them a stable position in the market, which could be referred to as their “recipe of success”. In order for other companies to ascertain a similar stable position in the market, they can try to duplicate the recipe of success in order to maximise their chances of survival in an ever-evolving market.

As a result, the consequences from marketplace evolution may result in different options for a consumer which is bound to result in some changes in of the consumer behaviour, which may affect the evolution of the market even more (Powers, 2012). Another consequence is how the existing retailers respond (Powers, 2012). They can look at what direction market changes to and try to adapt to it, however, for an existing company this can cost a decent amount of money, which new retailers who want to enter the market is not bound to do. This is an advantage for the

new companies who tries to enter a market, because no money goes into changing the structure in any way for the company, unlike how it does for already existing companies within that market, which as a result make the new companies a respectable threat against the existing companies.

As mentioned earlier, the statements that “as the times change, so do the requirements” is still applicable to the market. The requirements in this case is related to the consumer demand in a market and the consumer demand changes over time. It is therefore important that companies can adjust to these kinds of changes in order for them to survive. Innovation is important, as the innovation could be the key for companies to remain relevant in the market due to shift in trends.

7.6. Neophilia

From the marketplace evolution and consumer migration one of the reasons for their outcome is because of the concept of *neophilia*. According to the Merriam-Webster dictionary, the term Neophilia is described as “Love of or enthusiasm for what is new or novel” (Merriam-Webster, n.d.). This merely described a neophiliac, as someone who takes a liking to something that is new. Looking at the definition given by the Oxford Dictionary, although being very similar, it might be somewhat more, interesting as it adds another layer to the concept. The Oxford Dictionary defines neophilia by “Love of, preference for, or great interest in what is new” (Oxford Dictionary, n.d.).

Particularly that a neophiliac is someone who takes a preference for what is new, allows for a better understanding of why neophilia might be something that a business would want to keep in mind when planning what and, in particular, how many, products to release. In other words, neophilia is a trait that a person or a group of people can have, which results in them being more so attracted to an object or an event simply due to it being new. In other words, it described being new or novel as a quality that a product can hold. This concept can also serve as an explanation for the current state of continuous renewal and release of new types of products within the beer market. Particularly in regard to strategy of Mikkeller when it comes to the introduction of new beer types.

7.7. Outsourcing

Since Mikkeller is a global brand and does not directly brew beers themselves, but rather sells their recipes, the concept of outsourcing becomes known. The way that goods are produced and especially the price at which goods are able to be produced in big industry is only doable due to outsourcing. *Outsourcing* is the act of hiring an outside entity, this being an individual contractor or even a larger company to do a specific job for you. This is an act that can both be committed by individuals who hire people to provide services and fulfil tasks for them, an example of this being hiring a painter to paint the walls of one's home "As consumers we are continuously engaged in outsourcing. We hire painters, plumbers, gardeners, and mechanics" (Burkholder, 2006, p. 3), as well as by companies who hire other companies or individuals, who are not directly employed by the company itself, to fulfil specialised tasks that aid the company itself in their business ventures. "In order to stay competitive in today's global marketplace, companies of all sizes are realizing that outsourcing must be an option for them. They recognize the potential benefits of turning certain operations over to outside parties, whether the work ends up being done down the hall, up the street, or across the ocean" (Burkholder, 2006, p. 19). An example of this kind of outsourcing could be a company, let us say an internet shop that sells computer parts, that hires an external company, who perhaps already has a fully functional call-centre, to take care of their customer support. "According to the Outsourcing Institute, more than 30 percent of companies today are engaged in some form of outsourcing" (Burkholder, 2006, p. 4).

The type of outsourcing that there will be focused on the most is the outsourcing of production to companies both within the country of the outsourcing company, and perhaps also abroad, that have factories and employees that are able to produce large amount of products in a cost-efficient manner. Through outsourcing of industry to less developed countries big companies are able to produce goods at a much cheaper price, largely due to the much lower wages given to employees in lesser developed nations. This is seen quite often with big companies placing their main factories and other means of production in countries such as China, where labor comes at a much lower price than in most western countries. "Motivated by a sharp rise in imports to high-wage countries from low-wage countries between the 1990s and the 2000s, a growing number of empirical studies examine the relationship between import competition and labour market outcomes in advanced economies" (Foliano and Riley, 2017, p.

1), however, in the case of micro- and craft breweries such as Mikkeller, the decision of where to outsource certain steps of production to is often not made based on where cheaper labor is available, but rather where certain types and levels of expertise can be acquired. Both in the form of skilled employees but also equipment within the factories to which the production while be outsourced.

Outsourcing as a concept is relevant to the project, as it is an integral part of how companies produce goods in the world of today. It also allows us to understand how companies are able to manufacture goods in large scale productions at a low cost. It allows us to understand how companies are able to achieve much larger production of goods, than seen in the past at a drastically lower cost. And thus, also explaining how it has become much more beneficial for companies to produce goods in larger scale production rather than in the kind of small-scale production that was the only way goods were produced in the past. In terms of the beer market outsourcing is a strategy often employed by microbreweries, as they are often not big enough to companies to have their own breweries. This method of brewing where one outsources the actual brewing of the beer is known as gypsy-brewing.

8. Methods

Within this chapter, the methods that have been utilised throughout the time of conducting the research will be elaborated on. This is ranges from what methods of data collection have been utilised and what limitations arise when investigating this the chosen field of study.

8.1. Data Collections

The main sources that are drawn upon are the primary and secondary data which are mainly gathered through the library. Whilst doing so, the literature that have mainly been utilised in the English theoretical output are Danish and English literature. Concerning the mechanisms of management in the economy and business, in the context of customer migration. The use of foreign literature was necessary because of the dearth of Polish publications. It enriched arguments and reflections on new aspects. It allowed to show the research problem in a broader perspective.

8.1.1. Findings

We started the interviews with an opening question such as “How has the beer market changed over the last five years” (Appendix 3, 2018), in order to gain an in-depth view. Depending on the response one would in this manner get our hypothesis confirmed or falsified and we could ask following direct question questions to go deeper into some of the relevant aspect that was brought up by the interviewee (Brinkmann and Tanggaard, 2010 p. 41). It was further aimed to gain a confirmation of surprising information that did not go in accordance with the standard assumption, such as how luxury commodities are the first to decrease in sales during a crisis and so this was emphasised on to get a confirmation on (Brinkmann and Tanggaard, 2010 p. 42). Collecting the data in the interviews has been done through transcription and are thereby able to do a thorough cross reference of the information provided by our expert interviewee, to ensure that the information provided is correct.

8.2. Interview

Our expert interview is based on an interview guide (Appendix 1, 2018). The interview guide is created within the frames of a semi-structured interview that will allow both researcher and interviewee to take the interview in the direction that seems relevant. The interview guide covers trends, Carlsberg as a challenge of the microbreweries and supply and demand perspectives which allowed us to gain a overall view of the market from the perspective of the an expert. The data that was given by the interviewee was cross referenced in order to support the claims that were made concerning the market and thereby ensured the validity and reliability of the claims made by the interviewee.

According to Brinkmann and Tanggaard, (2010) an interview is based on the interaction between the researcher and the interviewee, and within this interaction what is being said is being formulated and created on the spot. In other words, this means that the interviewer and interviewee create the interview together and it can therefore never be a 100 percent correct. Because the researcher is half of the conversation and this is unavoidable. This is important to remember doing the analytical part of the project when using the interview. Cross referencing is a method that ensures what has been said has not been compromised by the researcher or the wish, of the interviewee, to present themselves as more than what they are.

Performing a semi-structured interview can create a conversation that leads the researcher and the interviewee to talk about non-relevant topic and the researcher risks ending up with many interviews not addressing the same relevant issues the researcher wishes to investigate (Brinkmann and Tanggaard, 2010 p. 35). On one hand, this is seen in our expert interview, where the interviewee mentions something of interest and then continues on that track despite it is not following our main problem. On the other hand, it allowed the possibility to dig into aspects of the beer market that had not yet been considered and therefore some of the information became relevant and further investigated. Another limitation is that the interviewee is able to divert the question asked, since, we interviewed a journalist, and, in this case, there is a high risk of the interviewee knowing how to advert a question, due to his experience within the field of interviews. The reasoning behind conducting an expert interview was to gain an in-depth knowledge of the beer market from an outside source that is not biased by employment of a beer company but a person who gained an understanding of the market though a personal interest. We conducted the interview early on in the project process and that caused us to not have enough background knowledge of the beer market and so the expert interview served as an eye opener to the possibilities of directions the project could take. It is further a limitation to have conducted both interviews so early. Since the overall knowledge of the field had not been fully developed it resulted in us, not being sceptical and direct enough to aim the conversation more towards the main problem of the project hence.

8.3. Reliability and Validity

This section is going to go into depth about the reason behind the necessity of the research being valid, reliable, and replicable. Reliability looks at how consistent and stable our measurement are and in order to do this we look at the stability of the statistics we have gathered and we look at them in accordance with in the statements made by our expert in the interview and what we have found is that the interviewee is in accordance with the statics within the market (Bryman, 2016, p. 48; p. 168). An example of this is the uncommon knowledge that the microbreweries was not that affected by the crisis in 2008 and in accordance with the standard measures of microeconomics this is not the general assumption, yet the reliability of this statement is ensured by both the expert and statistics

Validity looks at the conclusions drawn from our analytical finding and more importantly looks at how much integrity the conclusion has. In other words, we look at the concepts that are claimed to be investigating and the looking at the coherence between the analysis and the conclusion (Bryman, 2016, p. 48; pp. 170-171). According to this the main concepts, consumer behaviour, consumer buying behaviour, marketplace evolution and consumer relationship, our external validity was put to use. The mentioned concepts are general and fundamental in the research process within economics and so by using these we are sure that other economical papers have gone by the same model and by this there is an external validity. The reason for this is that the concepts are used generally and so when the project was constructed around this it also became generalised (Bryman, 2016, p. 47-48).

We have defined microbreweries depended on the limited produced quantity of one kind of beer. Craft beer is not only produced by microbreweries since we define it as a special beer that not necessarily is a limited addition but is made with a special care and with a flair to it that seems in some way more nurtured by the brewer.

Finally, replicability looks at the project with the lens of the possibility of doing the same project and being able to reach the same conclusions. This is the reason for applying the interview guide and the interview as appendixes and a more explicit writing of the conduction and furthermore the considerations made concerning the interview pre/conduction.

In our project we have unintentionally used the method called triangulation. It is a method where you use different data collection approaches normally used within different fields of study, in our case we have utilised interview and statistics in order to ensure a cross referenced and research platform (Bryman, 2016, p. 353). We see that to a large extend they correspond to each other, yet with the limited amount of interviews we will not presume that there is a perfect match. This statement is based on the lack of data and statements collected through interviews.

8.4. Limitations

The choice of only having one interview could be seen as a limitation to our project since we do not have supporting claims made by, for example, a bar owner, a bartender or a brewer who went bankrupt. This limited our in depth understanding of several claims made by our expert. A bar owner could confirm the statement the expert makes about money to be saved and security in choosing Carlsberg or Tuborg as a supplier since there is delivery guarantee and furthermore a

profitable package by choosing a large company. These packages are said to include kegs, glasses and other beneficial supplements to a bar. The brewer who went bankrupt could have provided a perspective on the challenges created by being in a market with Carlsberg and the specific reasons for a bankruptcy. This perspective would have been beneficial to the project no matter if the answer had been Carlsberg or not. We conducted the pilot interview with a bartender and it proved us beneficial in the way we structured our interview guide yet to have an interview with a bartender that was not a pilot would have given us insight in the trends among the consumers through the direct connection the bartender has and further how the bartenders are instructed to sell the craft beer from their superiors. Knowing how beer is being sold would hypothetically show the most economically beneficial choice. This means that our lack of interviewees should be seen as a limitation because it is connected to the lack of perspective from individuals in the beer market.

The available information regarding the microbrewery market does not go that far back and the comeback of microbreweries is relatively new, this is to be considered a limitation in regard to the lack of data. We do not have comparable data in regard to, for example, the lack of decrease during a crisis meaning that we cannot investigate the structures, also considered the invisible layer, behind microbreweries.

9. Introduction to Mikkeller

In this project the main focus lies on how the research question and working questions interplay with the relatively new craft beer company in Denmark. Mikkeller is a Danish craft beer company, which was started in 2006 by Mikkel Borg Bjergsø. “In 2006 he was a math and physics teacher that started experimenting with hops, malt and yeast back home in his kitchen in Copenhagen. Today Bjergsø exports his micro brewed beer to 40 different countries and is internationally acclaimed as one of the most innovative and cutting-edge brewers in the world” (Mikkeller ApS, 2018). Despite Mikkeller being a beer company, and all the beers they sell being made on recipes invented by Mikkeller, the beer production itself is outsourced to various contract-breweries, “Unlike most brewers, Mikkel doesn’t own a brewery. A typical Mikkeller beer originates in his brain as a far-fetched question: What quality of fattiness would a beer obtain if you sprinkled popcorn into the mash? What would happen if you dumped in a load of mouth-numbing Sichuan peppercorns during the brewing? How much fresh seaweed would lend

a beer the right umami jolt? He then finds his answers by proxy, outsourcing the actual brewing to facilities, like de Proef, owned and operated by other people” (The New York Times Magazine, 2014). Not only does Mikkeller make beers, he also serves them in his many restaurants and bars, something which has now also spread to all around the world, after first starting out as a single bar in Vesterbro in Copenhagen. Mikkeller is a brewery with a clear vision of what beer can be and they aspire to innovate and evolve the beer culture, on their website they list one of their aims as being to: “...make quality beers a serious alternative to wine and champagne when having gourmet food” (Mikkeller ApS, 2018).

9.1. The Competitors

When discussing the position of micro- and craft breweries there is of course a need for something to compare them to, something that can embody the established market, which Mikkeller is currently challenging in order to attain as large a market share as possible. For this intend Carlsberg and Royal Unibrew will be used as the example of main competitors for Mikkeller, as they are two big companies and, in many ways, the ones to beat when wanting to enter and succeed in the Danish beer market. The Carlsberg group has since being established in 1847 grown to be the largest Danish beer company, and also the fourth largest beer company in the entire world, according to Carlsberg themselves they are the leading producer and supplier of beer in Denmark, “Carlsberg Denmark is the country’s leading producer and supplier of beer and soft drinks. Carlsberg, Tuborg and Coca-Cola are among the strongest brands in Denmark, giving Carlsberg a 63% share of the beer market and 50% of the soft drinks market” (The Carlsberg Group, 2018b). 63% market share within beer shows that they are, undoubtedly, the main competitor in the market. Carlsberg has 140 brands of beer and soft drinks, which can serve as the explanation of their impressive market share within both markets. Among these 140 brands are Carlsberg and Tuborg, which are some of the largest beer brands in the world. “Carlsberg – is one of the best-known beer brands in the world and the Baltika, Carlsberg and Tuborg brands are among the eight biggest brands in Europe” (The Carlsberg Group, 2018a).

Royal Unibrew is, similarly, also a big and well established Danish beer company, which has been around for many years and shares a lot of similarities to Carlsberg, “Formed in 1989 through the merger of Jyske Bryggerier and Faxe Bryggeri, Royal Unibrew (then, Danish Brewery Group) is one of the largest beer makers in the Nordics and Baltics, with brands such as

Royal Beer, Ceres, and Lapin Kulta. The company, which sells throughout Europe, Africa, Central America, and the Caribbean, also produces soft drinks and malt beverages.” (Boston Consulting Group, 2018) As they are one of the largest beer makers in the Nordics, they are a strong competitor to Mikkeller, just like Carlsberg.

10. Analysis

In this chapter, an analysis is conducted which will help generate the answer to the overall research question. To execute this, the working questions together with the interview and conceptual framework are utilised to analyse the problem in the field of study. Following this the chapter will draw specifically on what Mikkeller actually is and how the brewery is placed in the chosen market. Henceforth providing as an in-depth view for the further discussion.

10.1. The Influence of Craft Beers on Consumer Behaviour

As earlier mentioned in section 7.2., the consumer behaviour refers to how consumers decide whether they will or will not purchase a good. To positively influence consumer behaviour, it naturally leads to the need of positive customer relationship, in other words the need of consumers having a good relationship with the chosen company (Pepper and Roger, 2011). Thus, if a company does not have a good customer relationship it would result to a decline in consumers. This will thereby lead to a negative influence on the consumer behaviour, meaning some consumers would be less likely to continually purchase goods from the same company.

Whilst studying Mikkeller with the view of the consumer behaviour and the customer relationship concepts, it becomes clear that Mikkeller is attempting to strengthen their consumer base. Consumer base refers to groups that are made up of those who purchase goods (Hsu, 2018), therefore, consumer relationship thereby positively influences consumer behaviour. According to Pepper and Rogers (2011), without consumers, the company would not survive, since the main revenue derives from consumers. This naturally leads to the question of how Mikkeller increases their consumer base? To date a trend has allegedly been amongst individuals wherein some prefer unique goods, which the average individual would usually consider unusual or too eccentric (Waggoner, 1986; Royal Unibrew, 2017).

An example of this could be, the current trend wherein individuals would prefer to purchase items which allows the possibility to craft the item themselves (Triggs, 2006). This specific trend is typically known as “Do It Yourself” or as others refer to it “DIY” (Triggs, 2006).

Since Mikkeller only micro brews and furthermore only brews exclusive beers, meaning that they only have a certain amount of each beer (Mikkeller ApS, 2018). Moreover, Mikkeller brews beers that have rather unique tastes which is completely unlike another usual pilsner beer (Mikkeller ApS, 2018). What is also known about this beer company is, that they only brew a certain amount for per beer (Mikkeller ApS, 2018). In this way it goes to show, Mikkeller takes part in portraying the current trend of being unique. According to Bjergsø, one must branch out in order to reach the targeted consumer base (Anon., 2018b). Furthermore, whilst studying what is being done by Mikkeller to increase both sales and consumer relationship, it is clear that the beer company has done so by opening multiple departments all over the world (Anon., 2018d). According to Bjergsø, the consumer base is continually increasing (ritzau, 2016). In 2017, Mikkeller opened a new bar in Shoreditch, London. According to the Press release (2017) by the Mikkeller website it stated, “... project started with a rumor that Rick Astley lived in Amager, Copenhagen. ‘When I heard the news, I immediately thought we should brew a beer with him,’” (Press Release, 2017, p. 1; Spangtoft, 2018). Not only did Mikkeller brew a beer in collaboration with Astley, but together they opened the bar in Shoreditch (Anon., 2017; Spangtoft, 2018). After doing this, it naturally led to British individuals becoming more aware of the Danish micro brewed beers, which thereby influences the consumer behaviour in London. According to the beer expert (Appendix 3, 2018) Mikkeller is continually attempting to increase their consumer base in Denmark, this as well is by multiple ways of branching out (Appendix 3, 2018). In Copenhagen Mikkeller has opened 16 departments. These departments vary from restaurants, bars, shops, running clubs, and they even hosted a festival (Press Release, 2015). By opening various types of departments, it thus allows other types of consumers to be targeted. In other words, not all consumers drink beer, therefore, with Mikkeller opening a ramen restaurant allows them to reach other targeted individuals, leading to an increase of consumers. Some of the newly opened departments by Mikkeller are global. One example of this is the recent opening of the bar at the New York Mets, “... 1st location connected to a professional sports venue anywhere in the world. In these first several months, Mikkell has created over 50 never-before-produced

Mikkeller NYC beer recipes” (Press Release, 2018a, p.1; Stoller, 2018; Krueger, 2018). By doing so, it goes to show that not only does the branching out include increasing consumer base, but also increases the consumer buying behaviour. According to the executive vice president of Mikkeller NYC, “... ‘We saw this as an opportunity to not only reach beer enthusiasts,’ he says, ‘but to offer sports fans, New York locals and the surrounding community a welcoming, memorable experience...’” (Stoller, 2018). Moreover, Bjergsø says in an interview by New York Times (Krueger, 2018) “... ‘I sense there is beer drinking going on, but it’s a different kind of beer drinking,’ Mikkell said in a phone interview. ‘If we can turn Budweiser drinkers into craft-beer drinkers, that would be great...’. With this statement it becomes clear that the founder of Mikkeller intends to increase the consumer base, by targeting all kinds of beer drinkers and not purely beer enthusiasts. To do so, Bjergsø mentions, that Mikkeller NYC will be incorporating unusual local ingredients, to make the beers more local and unique (Krueger, 2018).

Another method of increasing their consumer base, Mikkeller launches a new type of beer, which is alcohol free (Press Release, 2018b). “... ‘Henry and the Science’ is the first beer in a series of a new type of non-alcoholic beers called ‘The Flemish Primitives...’” (Press Release, 2018b, p. 1). By producing an alcohol-free beer, like in the case of the sports people, Mikkeller is able to reach individuals that do not drink beverages with alcohol in it. Henceforth, increasing the consumer base of Mikkeller and thus influencing consumer behaviour. Furthermore, in the case of individuals that may not like the beer, they might like other product, like merchandise, sell them in their Mikkeller physical shop and on their website (Anon., 2018c).

To understand the characteristics of Mikkeller which makes them stand out from industrial beer companies, one must first understand the vision behind Mikkeller. These visions consist of what they aim to achieve with their services and goods (Anon., 2018d). What Mikkeller aims to produce are beers that are brewed in such a way, they challenge the concept of a good beer (Anon., 2018d). To do so what they produce is consistent with unique taste. This ranges from whether they are bitter, spicy, sour, or fruity (Anon., 2018d). The reason why Mikkeller produces such unique beers, is because the beer company prefers to challenge taste buds of their consumers and also prefers to explore the existing beer genres by using the best raw material available (Anon., 2018d). In other words, Mikkeller focuses on the refined products, by using the best raw materials instead of focusing on having low costs (Anon., 2018d).

With the intent support to those in need, Mikkeller has decided to produce a beer that will give all of the profits to the refugee crisis (Press Release, 2016). "...All profits of Mikkeller's 'HELP' beer will go to The Danish Refugee Counsel and the organizations work with Syrian refugee children in Lebanon..." (Press Release, 2016). Together with the exclusivity of beer, Mikkeller adds value to their chain of products, by producing a certain type of beer that focuses on charity (Press Release, 2016). By doing so, the company both increases consumer base and relationship, thus increasing the consumer buying behaviour. In order to execute the charity campaign, Mikkeller has dedicated all the profits from the charity beer, "HELP" to refugee children (Press Release, 2016). Since one of the current social movements to date concerns spreading awareness on all the refugees, Mikkeller is able to establish themselves as concerned with the social environment, this is also seen in their press release, "... The Danish Refugee Aide is deeply thankful for the support we have gotten from Mikkeller. Without this kind of support, we could not help as many children and adults who are forced to flee as we do today..." (Press Release, 2016). Furthermore, this allows Mikkeller to increase their consumer relationship, because of the narcissistic consumerism. The term narcissistic consumerism as mentioned in the conceptual framework, refers to consumers that purchase goods which makes them either feel or look good (Sahs, 2014). Therefore, by taking advantage of the current social movement, Mikkeller creates a strong consumer relationship with those socially aware individuals. This influences the roles of the buying behaviour. Moreover, after applying the consumer buying behaviour, consumers that experience the charity beer, are the initiators. In this case the initiators naturally know of that are individuals concerned with the social movements and environments. Therefore, the initiators would either suggest or further the information to those individuals which are unknown to the beer for charity. An example of this could consist of a hypothetical family; a mother, father, son, and daughter wherein both son and daughter are legally able to drink alcohol. If the father is a consumer of Mikkeller, he would eventually witness the new beer produced. Naturally, if the family has good communication skills, it would lead to the father telling his wife and children about this new beer for charity concept by Mikkeller. This portrays the father being the initiator of the buying behaviour. Thereby, if the daughter is the one mostly intrigued by this new charity concept of Mikkeller, she would either ask or be confronted by the brother about the concept. In this case, the brother is the influencer or decider. However, the actual purchase would be by the mother of the daughter who is a broke university student, or it

would be the actual daughter that would purchase it. Thus, making the daughter the user of the beer for charity. Meaning that the user base of Mikkeller becomes expanded and utilised by a large consumer base that would normally not be affected by the beer market.

10.2. Mikkeller as a Competitor in the Beer market:

As was stated in the History of The Beer Market Chapter the amount of craft breweries has been growing rapidly since they first emerged around the year of 1977, more specifically the number has grown from just two craft breweries in 1977 to 1700 in 2009. When looking specifically at the Danish beer market, the percentage of beers sold that are craft beers has, according to Danish Brewers Association (Danish Brewers Association, 2017b), risen from 6.39 percent in the year 2012 to 9.12 in the year 2017. This is despite the total amount of beer sold in Denmark decreasing from 312.3 million litres in 2012 to 305.4 million litres in 2017 (Danish Brewers Association, 2017c). Thus, showing that interest in and purchases of craft beers is growing even in a time where the overall sales of beer is decreasing.

This of course serves as an explanation as to why the larger, industrial breweries will feel challenged by craft breweries. Looking specifically at Mikkeller you can see that based on their annual, financial reports they have massively increased in terms of revenue. From their annual report from the year of 2012 (BDO Statsautoriseret Revisionsaktieselskab, 2012) it can be seen that they had a revenue of 10.522.562 Danish kroner, whereas in the year of 2017 (Beierholm, 2017) they had a total revenue of 30.215.889 Danish kroner, meaning that they almost tripled the amount of money going into their company, which clearly highlights how they are a very strong competitor that is able to achieve such growth despite existing within a market that is in an overall state of decrease.

The numbers speak their clear language; however, one can't help but wonder what it is that makes Mikkeller able to do what he does and have so much success doing it. Not only does he manage to grow in terms of revenue while the overall beer market in Denmark decreased in sales, he also manages to grow massively in comparison to other craft breweries, which one would otherwise assume to be his most closely related competitors.

When talking about the ability to sell beers and what the main criteria for a successful beer is, one would assume that it would be quality of the beer, in terms of taste and the quality of the ingredients that goes into it. However, more goes into it than just the quality of the good.

According to beer expert, Christian who is a member of the association for Danish beer enthusiasts as well as a beer reviewer at Jyllands Posten, argues that where Mikkeller truly shines and is able to set himself apart from the competition is in entirely different aspects. “what he is best at is PR. And he is the best at hitting the soul of this beer revolution. It’s all about signals, to shape a culture with fun and with new trendy types of hops or new trendy production methods. There he is better than everyone else, when it comes to hitting what will be the next big thing, that he does before anyone else sees it” (Appendix 3, 2018). So Mikkeller is the best in the beer market when it comes to branding himself and creating a culture around his brand, this is largely what has contributed to his success contrasting other, comparable breweries who has not seen the same rapid growth that he has. However, this certainly does not mean that Mikkeller does not produce good beer. Regardless of his PR and marketing abilities he must also produce good beer in order to make it to the top of the beer market, without quality the success would fade quickly. Despite Christian saying that Mikkellers main advantage is in the shape of his PR and marketing abilities, he does agree that Mikkeller also does produce, and serve, quality beers “His PR abilities are extraordinarily strong, but he is also smart. This means that knows how he must play his cards, which means that he knows that he will not achieve success without good beer. Therefore, he is working with a brewery from Belgium called De Proef. They are very good, so he had not picked some random brewery in the middle of nowhere. He has chosen the best contract-brewery” (Appendix 3, 2018). With that being said, the quality alone would not be high enough to explain Mikkellers popularity, so despite Mikkeller having good, high quality beers, they are not good enough to justify the success that Mikkeller has seen in the past many years. “If one were to put equals between quality and popularity, you could not do that in this case. It is his talent for promotion and his ability to hit the soul of the beer revolution,” (Appendix 3, 2018). One of the specific things that Mikkeller does uniquely well compared to his competitors, whether they are also craft breweries or perhaps older, industrial breweries, is that he constantly innovates and produces new types of beer. In fact, he produces a very high amount of new types of beer every single year “he [Mikkeller] makes 120 new beers every year” (Appendix 3, 2018). This can in itself be considered to be a quality of the brand. People usually have an affinity for new things, a new type of beer will always have the edge in terms of appeal that it is new and exciting. One could say that Mikkeller appeals to the neophiliac within the consumer “That’s the thing with the neophilia. That is the quality in itself, to bring out new beers. It is not a quality to

bring back an existing beer because then it's no longer new." (Appendix 3, 2018). This highlights another one of the advantages that Mikkeller is able to give himself compared to larger, industrial breweries who produce much larger quantities of beer based in a single formula.

Another thing that makes Mikkeller impressive and a strong and very diverse competitor is the fact that he also runs his own bars and restaurants, not just that, but he also has his own running club. He is seemingly able to associate his beers with an incredible variety of lifestyles and cultures. "...he has been successful with so many things. I mean, who becomes successful with starting a running club in the middle of everything. I don't know what he is doing, it is completely crazy. I mean, restaurant too. He can do it all, apparently" (appendix 3, 2018). In regard to the restaurants that are run by Mikkeller these in themselves also boast an impressive variety in types, much like the beers themselves. Examples of the restaurants are La Neta, which is a Mexican-style taqueria, Ramen To Biiru, which is a classical Japanese ramen-shop, Warpigs, which is a Texas-style barbecue restaurant as well as many others. Thus, it is not a single chain of restaurants but rather many individual restaurants each with their own unique cuisine and culture, once again proving how Mikkeller has something for seemingly every taste and is able to make himself become associated with different lifestyles and cultures.

Mikkeller can in many ways be said to sell much more than just a beer. He sells an experience, by having his own locations he is able to shape an environment that will become associated with the product itself, the beer. Bloomberg Businessweek magazine (2015), for example, describes going to a Mikkeller location as being an experience very different from going to a, perhaps, more traditional bar "When entering any Mikkeller Bar, one will quickly notice how uncharacteristically well-designed the venues are for beer-centric spots. Instead of featuring the standard dizzying number of flat screen TVs blasting sports, you'll find clean, monochromatic tiles, thoughtfully chosen woodgrains, and flowers. The original Copenhagen location's sleek Scandinavian aesthetic comes courtesy of Danish design".

And thus, it can be concluded that Mikkeller is a strong competitor to the existing beer market, the numbers especially the ones showing the growth of Mikkeller show that he has managed to grow in a market that was already in decline. His recipe for success is also a very strong one, not just does he have the high quality of beer that has contract-breweries, such as de Proef en Belgium, secures. With a constant renewal of the beers offered by Mikkeller and their bars and restaurants, he is continuously able to satisfy the consumer's urge for a new beer to

taste. He also has his own, very successful, way of promoting his brand by opening up restaurants, bars and even a running club, he is managing to make himself relatable to a large variety of people regardless of what type of food or aesthetic they like, because of the large diversity of locations he has, or even what pastime activities they enjoy, in the case of the running club. This makes it so that the only requirement for enjoying Mikkeller beer is that you enjoy beer in itself.

10.3. How Larger Breweries Can Combat the Success of Microbreweries

It has become clear that microbreweries, like Mikkeller, has managed to create a very strong method of taking on the beer market, through innovative marketing and branding strategies and continuous inventing of new and interesting beers. However, this certainly does not mean that market share within the existing market is here for the taking by microbreweries. Larger, older and more established breweries such as Carlsberg and Royal Unibrew still have many strengths that allow them to maintain their position within the market despite the marketplace evolution of these new competitors like Mikkeller. According to Christian, one of the main advantages that the older and larger breweries hold over micro- and craft breweries is there often much broader range of products. This does not mean a wider range of different beers, as was earlier established this is something micro- and craft breweries do very well themselves, however, companies like Carlsberg can offer more than just beers, they can offer sodas, alcopops, hard liquor and more as well. “The other strategy they [Large Breweries] have, that is becoming more and more prevalent, is that they offer restaurants package deals, which are not just beers, it is shots and what they call alcopops, which is breezers and things like that, sodas. They get the full package and they get delivery assurance for a relatively low price” (Appendix 3, 2018). It makes sense that a bar or a restaurant that relies on being able to get consistent deliveries of products would tend to trust a larger, more experienced supplier. Likewise, it would also award them with more assurance if they know, that they get a large amount of the products that they stock from a single supplier rather than relying on many, smaller suppliers. This means that, with these package deals, they in case of delayed delivery or need for an extra delivery they will only have to contact a single supplier, rather than multiple.

Now, with the rise of micro- and craft beers and them becoming more popular (Danish Brewers Association 2017b), one would assume that this type of beer in itself would serve as the

needed appeal for bars and restaurants to stock them rather than beers made by larger, otherwise, seemingly, more reliable companies. However, this is not necessarily the case. Many of the big companies have now started creating their own sub brands that produce micro- and craft beers, in order to satisfy the demand for these. “They [Royal UniBrew] have found out that they need to enter the market with craft beer, so they make brands called Schiøtz and Kissmeyer and Anarchist and probably others. Then they say that they have the entire package. They get beer, they get industrial beer that most still want because it is the cheapest and they are used to it. But then in the package there is also craft beer” (Appendix 3, 2018). And thus, the large companies are able to sell a product that should be equivalent to the product that micro- and craft breweries offer. This explains one of the main ways that older beer companies are able to remain relevant and also take part in the beer revolution that is the rise of micro- and craft beers, by creating their own sub brands emulating microbreweries. This can also be said to share a lot of the same qualities as the strategy that Mikkeller employs. The same way that Mikkeller brings out new beers very often in order to appeal to the neophiliac within the consumer, in this case, Royal Unibrew is bringing out three different sub brands, rather than just a single one with a broader variety of beers. This similarly to Mikkeller, allows them to give the consumer the experience of there always being something new and interesting to try.

The package deals that the larger beer companies are able offer to restaurants and bar is not the only method that is being used to ensure that their products are being sold, they are also able to make similar deals and perhaps even exclusivity deals with supermarkets. Supermarkets are perhaps the most important market when it comes to selling beer in Denmark, according to Danish Brewers association 77% of all beer sales take place in supermarkets, whereas bars, cafes and restaurants share the remaining 23% (Danish Brewers Association, 2017a).

In regard to the strategy that Mikkeller uses by opening up his own locations, in order to allow his beers to exist within an appealing environment and in that sense make the environment in which the beer is consumed a part of the appeal of the product, the larger breweries have also begun to emulate this strategy. For example, Royal Unibrew has opened up a chain of restaurant-bar hybrid location called “The Bird” Which is directly linked to their sub brand of craft beers called Kissmeyer. The same goes for Carlsberg with their newly opened Bar Jakobsen, which is bar that also serves food specifically dedicated to serving the beers produced by their sub brand, Jakobsen. Not only do these companies employ similar strategies they also very closely emulate

Mikkellers choice of locations. For example, if you go to the area in Copenhagen called Kødbyen, you will find a The Bird restaurant neighbouring two different Mikkeller locations, the general store and the texas-style barbeque restaurant, War-Pigs. Similarly, if you visit Copenhagen Airport you will notice that not only is there a Mikkeller bar, there are also a The Bird and a Bar Jakobsen location within the same vicinity.

Another inherent strength that the older, larger breweries has over micro- and craft breweries is the amount of cash they have available to use on advertisements, while micro- and craft breweries are able to promote themselves through creative means such as starting a running club or having their product served at specialty bars, Carlsberg and Royal Unibrew have much larger funds available, meaning that they are able to afford TV-commercials and other similar means of branding. Carlsberg for example is the sponsor of FC København, which gives them massive amounts of attention, something a microbrewery would never be able to afford. Likewise, Royal Unibrew has recently opened a concert venue called Royal Arena, something that not only serves as promotion for their brand but also offers them a venue to serve exclusively their beers at. Similarly, you will also find commercials on television for Jakobsen and Kissmeyer, however, not for the craft beers that are not sub brands owned by big corporations.

It is clear that despite the various innovative approaches to branding and the product itself that micro- and craft beers make use of, the larger, industrial breweries are still able to mimic their strategies, by creating sub brand with unique and distinct art styles and opening up their own locations. Not just that, they also have advantages in terms of being able to offer restaurants and bars package deals including not only beers but a large variety of products.

10.4 The Growth Comes to a Halt

As was stated earlier, it is clear that the overall state of the micro- and craft beer segment within the beer market has seen rapid growth from the year of 2012 to the year of 2017. However, some indicators suggest that this growth might have reached its end. According to our expert, Christian, he believes that the micro- and craft breweries will fall in terms of sales and thus, overall revenue. “they [Micro Breweries] will collectively sell less, there is no doubt about that. Sold a million liters three years ago then you might sell half a million this year.” (Appendix 3, 2018)

This is also implicated by the Mikkeller financial report from 2017, in which they compare the revenue from 2016 to that of 2017. Despite boasting impressive numbers of 32.355.869 DKK and 30.215.889 DKK, it is notable that they have decreased by over 2 million kroner in revenue from 2016 to 2017 (Beierholm, 2017), a worrying indication considering that they have seen an overall growth of 19.693.327 DKK from the 10.522.562 DKK (BDO Statsautoriseret Revisionsaktieselskab, 2012) in 2012 to the 30.215.889 DKK that they now have in 2017. Perhaps this is especially worrying when keeping in mind that throughout the years from 2012 to 2017 Mikkeller has never earlier released a financial report that stated a total revenue that was lower than that of the year before. If nothing else, this certainly shows that the period of rapid growth that Mikkeller has been in has come to a halt. Whether or not his growth will pick up its earlier pace in the coming years only time will tell.

11. Discussion

After looking at the relation between business and trend, it has become clear, in accordance with the the analysis, that Mikkeller has at least considered the current trends in society when creating new products. As elaborated in section 7.2., that Mikkeller did so in order to gain credibility and brand value, which got the company both a broader and stronger customer relationship. This is also seen in the annual reports mentioned in section 10.4. Since Mikkeller aims to create beers that are more or less an alternative to wine and champagne, it goes to show that the trends complement their beers and make them thus more attractive for beer drinkers. Most of the consumers of Mikkeller are beer enthusiasts (Press Release, 2018a), which is more a specified target group, thereby not as large as a general target group of university students. Therefore, Mikkeller is trying to reach other consumers that are not the beer enthusiasts, they are able to benefit and utilise the current trends to do so. According to the visions mentioned in section 10.1, it has become clear that they are aiming towards achieving them. This is seen as Mikkeller branches out to multiple countries. At the same time as branching out, Mikkeller is also able to give support to charity, which generates more brand value. What happens when Mikkeller strengthens their customer relationship, helps Mikkeller to increase their revenue of the year. As mentioned, Mikkeller has clearly had a significant rise, which has increased their consumer base and strengthen their customer relationship.

When looking at the position of micro- and craft breweries throughout the past 5 years it is clear that microbreweries as a whole has come a long way, not only has the overall percentage of total beers sold in Denmark, that are within the segment of craft beers, increased, but the individual brewery, in this case Mikkeller, has also experienced a large increase in revenue and overall presence within the market. However, the question is whether or not the micro- and craft breweries actually find themselves in a more favourable position than the one they were in five years ago. The numbers tell a clear story of a rise to success; however, when taking the competition that these breweries are now facing from the large industrial breweries into account, one might find that the small, microbreweries will be in a more troublesome position than earlier.

Perhaps, the success of the micro- and craft breweries should not merely be contributed to a success for the sake of being a small brewery, but rather a success that can be contributed to the micro- and craft breweries structuring themselves around innovative marketing and offering something new and different from what already exists and is offered by the large breweries. The problem at hand is that these strengths, that the microbreweries have, is relatively easily replicable by the larger breweries. And on top of that, they might even be able to do it better due to more funds and existing brewing infrastructure being available.

The large breweries are creating sub brands and opening up location catered to craft beers at a very fast pace, which is essentially a replication of what led Mikkeller to succeed in the first place. This can also be seen based on latest financial report of Mikkeller, in which it can be seen that the growth that the company experienced in the past few years has come to an abrupt halt. Not just that, they actually saw a decrease in revenue, albeit a relatively small decrease compared to the growth seen in recent years. There should be no question as to whether or not Mikkeller has grown into, what on the outside looks like a more stable position in the market; however, with competition closing in and catching up by mimicking the exact strategies that led Mikkeller to the success in the first place, they might actually find themselves in a more threatened position than ever before.

12. Conclusion

How has the position of the microbrewery Mikkeller changed within the beer market in Denmark over the last five years?

It is clear that the position of Mikkeller within the beer market has changed drastically over the past 5 years. In fact, it is not only for Mikkeller, but rather for the category of micro- and craft breweries as a whole. As suggested by the statistics released by Danish Brewers Association, micro- and craft beers have grown into a position of much higher significance in the year 2017 compared to what they had in 2012 (Danish Brewers Association, 2017b)

When looking specifically at Mikkeller, they have certainly grown in terms of size and thereby also in importance within the market, as mentioned in section 10.2. This is the reason there can be no doubt that Mikkeller has grown into a much more significant role within the beer market over the time from 2012 to now, however, with the added success they have also attracted more attention from the big competitors, as mentioned in section 10.3, this has led to Mikkeller being in a position that is far more threatened by competitors, who despite Mikkellers recent success still have many advantages that allow them to combat the rise of Mikkeller.

On the other hand, Mikkeller continues to expand internationally, suggesting that the company can find its place in the world despite the large resistance from its danish competitors. This is reasoned by its ability to expand their consumer base, so it includes the people who would not necessarily consume beer. Mikkeller is able to find success in a market that is highly contested, thanks to the relationship between Mikkeller and trend. Mikkeller takes part in the current trend of being unique. The examples earlier, such as, the hypothetical family and the different departments opening, it becomes more evident, that Mikkeller mainly strives to challenge their consumers with continually changing their beers. What Mikkeller also portrays to be utilising is the trend, which makes Mikkeller even more unique by having such special beers.

Conclusively, Mikkeller has managed to shift position in the market to a position that holds a much larger significance in terms of size and revenue, however, with this increase there has followed more resistance from the established competitors, which means that Mikkellers business model and their previously unique strategies within the realms of marketing and branding are challenged more than ever before.

13. Further Research

Through this research we have discovered different approaches that would have been possible to have taken and make a completely different project about. The first alternative perspective is to

go into depth with how and why the microbreweries does not decrease during economic recessions and to further understand if this is a one case scenario or if there are other commodities that follow the same pattern, since the trend of microbreweries is quite new it would be an option to find another case to compare the equal and different ways these two manage the economical market.

Secondly, looking into the industrialisation and how it could evolve with the focus on microbreweries since they do not behave as anticipated within the market. This could lead to an understanding of the future of the industrial market, since there is a clear difference in the way microbreweries manage within the market and in competition with the giants, such as Carlsberg and Tuborg. There is, undoubtedly, a heightened interest for micro- and craft beer, and this trend might actually serve as an indication of a change that goes beyond just the beer market. This in itself signifies a removal by the consumer, from the large, industrial, corporations that they are used to, in favour of a much smaller company that also produces its products in a much smaller scale of production.

Thirdly, a research project could look into the political powers displayed when large breweries are in contact with competitors or alliances, in order to undermine or make good deals and this was a note from our interviewee concerning paragraph 11 in the competition law [konkurrenceloven] (Appendix 2, 2018, p. 14). According to this there is a possibility that Carlsberg is in some way being in violation to this or drawing on gravy zones of the law, yet this is a very strong assumption, and it is therefore an interesting perspective to take on the brewery political environment.

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