Another One Bites the Dust: Acquisitions and Identity Shift in the Beer Industry

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Please note that this is a preliminary draft of the paper - we are currently collecting/analysing additional data in order to optimize our process model.

"M&A isn’t a term I use a lot. I think you mean ’selling out.’”
— Greg Koch, Stone Brewing co-founder

A growing body of research explores the importance of collective identity—or a group’s shared understanding of itself—to organizations (Navis and Glynn, 2010). Shared membership and identification with a collective of firms provides organizations with a better understanding of “what we do” and serves as a defining aspect of “who we are” (Ashforth, Harrison, and Corley, 2008). Within new or emerging market categories, collective identities can help firms establish legitimacy (Wry, Lounsbury, and Glynn, 2011), enhance knowledge and skills (Hardy, Lawrence, and Grant, 2005), innovate (Hargrave and Van De Ven, 2006), or coordinate political action (Poletta and Jasper, 2001).

Given the potential benefits of collectives, identity scholars have focused their attention on how organizations adopt, create, and/or sustain a strong and coherent collective identity (Weber, Heinze, and DeSoucey, 2008; Navis and Glynn, 2010). For instance, research examines how new ventures become members of a collective as well as how membership expansion can potentially strengthen and further legitimate the collective identity (Hannan and Freeman, 1989; Wry et al., 2011; Fiol and Romanelli, 2012). Recently, many distinct categories of collectives, known as oppositional markets, have emerged. Oppositional markets refer to market categories that are established in direct ideological opposition to an existing industry, such as the green energy sector (Sine et al., 2005), the grass-fed beef and dairy markets (Weber et al., 2008), or traditional craft whiskey distilleries (McKendrick and Hannan, 2015). These oppositional
markets and their respective ideologies can lead to focused identities that allow the collective to effectively communicate, clearly distinguish itself from existing market players, and ultimately grow (Verhaal, Khessina, and Dobrev, 2015).

However, members of an oppositional market category make strategic decisions that deviate from the oppositional ideology, and some can go so far as to join the incumbent market players to which it was categorically opposed. For example, Ben & Jerry’s, an ice cream company that established itself as a local, organic, and socially responsible organization, prompted a major identity challenge when it sold to the multinational conglomerate Unilever. This sale not only prompted challenges and criticisms to Ben & Jerry’s organizational identity, but it also threatened the identity of the collective of socially responsibility movements and associations in which it had been a central organizational member (Page and Katz, 2012).

In this study, we explore how a collective and its corresponding organizational members respond to identity challenges imposed by member organizations that act in direct conflict with the central, distinctive, and enduring characteristics of the collective. We investigate this idea in the oppositional market of the U.S. craft beer industry (Carroll and Swaminathan, 2000; Verhaal et al., 2015). The oppositional market of craft beer, by emphasizing small-scale production, innovative brewing techniques, and high-quality ingredients, has positioned itself as categorically different from the incumbent market players, such as AB InBev (Budweiser brands) and MillerCoors (Miller and Coors brands). However, numerous craft breweries (e.g., Lagunitas) have recently sold to these mass-producing incumbents (e.g., Heineken), leading the craft breweries to automatically forfeit their ‘formal’ group membership in the craft brewery community.
Although research has examined how collective identities are created and developed, research has not examined how collectives respond when their own members’ actions appear to violate their collective identity. We reveal that although collective members sought to strengthen the craft brewer collective identity by responding to the loss of one its vital members, they took conflicting approaches in doing so. Somewhat counterintuitively, our findings show that members of the oppositional market did not universally denounce craft breweries that violated norms of the collective and ‘joined the opposition.’ Instead, some collective members embraced and praised the actions of the acquiree—continuing to perceive them as members of the in-group. Rather than see their actions as identity violations, they noted how the acquisitions further legitimized the craft beer category, broadened craft beer’s reach, and helped improve and redefine their collective identity. Alternatively, others distanced and condemned the actions of the acquiree—immediately perceiving them as sellouts and members of the out-group.

Ultimately, our paper advances the literature in three important ways. First, we extend work on identity by exploring the understudied and poorly understood phenomenon of identity violations and loss (cf. Pratt, Rockmann, and Kauffman, 2006; Lepisto, Crosina, and Pratt, 2015), particularly as it relates to membership loss among collectives. Second, we broaden our understanding of oppositional markets. By establishing in direct ideological opposition to existing industries, oppositional market categories must respond when their member organizations defect, such as by selling to the opposition. We extend work on oppositional markets and identity elasticity (Kreiner et al., 2015) by finding that when an organization joins the opposition, the collective can accept its actions and broaden its own understanding of “who we are” or the collective can reject its actions and defend its existing collective identity. Third, we contribute to the areas of entrepreneurial growth and strategic dilemmas. Although
organizational and market share growth help validate and legitimize the oppositional market, growth often runs counter to the ideological aims of many oppositional markets (e.g., grass-fed beef, craft beer, artisan products). Thus, rather than unconstrained growth, oppositional markets appear to readily manage how that growth occurs. Together, the theory we develop establishes how collectives, particularly oppositional markets, manage identity violations and losses of their organizational members as they strive to advance their collective identity.

**Oppositional identities and identity tensions**

In 1980, the number of American craft brewers totaled eight (Brewers Association, 2016). This small band of brewers as well as those who joined the craft beer segment in the early 1980’s pioneered the craft beer movement—establishing craft beer as a market category fundamentally distinct from, and ideologically opposed to, the existing mass-producers of that era. These individuals, many of whom had simply been homebrew enthusiasts, espoused a passion for beer and launched their breweries, in part, to offer the American consumer an alternative to the light-adjunct lager that currently dominated the beer landscape. In doing so, these pioneers of the craft beer category, perhaps unknowingly at the time, helped establish the central, distinctive, and enduring characteristics of the oppositional identity of craft beer (Albert and Whetten, 1985). These characteristics—traditionalism, high-quality, innovativeness, independence, authenticity, product passion, artisanal methods, and small-scale production—serve to define what it means to be part of the collective of craft breweries (Brewers Association, 2016). Many of these characteristics are not unique to craft brewing but indicative of oppositional ideologies and artisan-oriented markets in general (Fauchart and Gruber, 2011; Mathias and Smith, 2016; The Economist, 2014; Verhaal et al., 2015).
Oppositional markets emerge through a set of shared beliefs that challenge the status quo (Rao, 2003). It is the adherence to these set of beliefs and the cohesion around a collective identity that gives rise to new market institutions and allows oppositional categories to challenge incumbents (Carroll, 1997; King and Pearce, 2010). Whereas other emergent market categories might offer products that are objectively superior to existing products (e.g., how the DVD market replaced the VHS market), oppositional markets depend on their ideological and identity-based differences to differentiate themselves from the incumbent market (Verhaal et al., 2015, p. 1468).

Accordingly, oppositional market participants work collectively to challenge incumbent firms and grow the category relative to the opposition (cite others; Verhaal et al., 2015). Market category growth represents an important indicator of market category legitimation (Navis and Glynn, 2010). Indeed, a primary goal of the Brewers Association—the trade association of craft brewers whose mission is to promote and protect American craft brewers—is to achieve 20 percent market share by the year 2020 (Brewers Association, 2016). To survive and grow, oppositional market categories largely depend on their member organizations to also survive and grow (cite). Although organizational growth might not represent a central goal of oppositional market participants, if an emergent market category is successful in raising awareness, establishing legitimacy, and conveying its ideological message, then organizational growth of the category’s members will likely be a resultant outcome.

To grow organically, organizations can increase output, enhance efficiency, automate processes, drive down costs, expand their customer base, and scale operations. However, if artisanal methods and small-scale production represent central aspects of the oppositional identity, as they do in many oppositional markets such as grass-fed beef and dairy (Weber et al., 2008), micro radio (Greve, Prozner, and Rao, 2006), whisky distillery (McKendrick and Hannan,
2014), and microbrewery (Carroll and Swaminathan, 2000), then organic growth can raise identity tensions by running counter to the central characteristics of the oppositional category.

As an alternative to organic growth, many smaller ventures can look to be acquired by larger, well-established firms within their industry in order to grow their brands’ consumer reach or as a viable exit strategy. Within many industries, being acquired can enhance the reputation, brand recognition, and legitimacy of the target firm (cite), and thus, represents an important aim within many market categories (e.g., Google’s purchase of a tech start-up). However, for oppositional markets, larger and well-established companies in the industry often represent the incumbents to which oppositional members are ideologically opposed. Therefore, allowing those incumbents to purchase members of the oppositional category, in many ways, directly conflicts with the ideological message of the collective. For instance, by selling to an ideologically opposed incumbent, such as AB InBev (Budweiser), a craft brewery potentially undermines its central identity claims of independence, passion, and authenticity. Accordingly, many attentive audiences (e.g., craft beer enthusiasts) will likely judge the buyouts of the oppositional market member as directly counter to its oppositional identity.

Oppositional markets emerge by drawing powerful identity distinctions between themselves and incumbents along social, economic, and cultural lines (Baron, 2004), but these distinctions become potentially blurred when oppositional market members and incumbents become one entity. If numerous members of the oppositional category engage in actions that deviate from the category’s ideological message, such as by being bought out by incumbent firms, then they may begin to raise doubts among audiences about the central, distinct, and enduring characteristics of the oppositional market as a whole. The collective, as well as its message-adhering members, must navigate how to respond to these identity tensions.
In exploring the identity actions of the Episcopal Church and their response to the Church’s election of an openly gay bishop, Kreiner and colleagues (2015: 982) suggest that when identity conflicts emerge, some “members see their organizations expanding as they adopt new values, reach more markets, develop new products, or merge with other companies.” Alternatively, other “members may perceive these expansions as becoming too extreme, interests becoming too divergent, or economies of scale becoming too redefined” (p. 982). Accordingly, the authors introduce the concept of identity elasticity—or the socially constructed tensions that simultaneously stretch identity while holding it together, similar to the ways a balloon or rubber band expand and contract.

Within oppositional markets, organizational growth and incumbent buyouts represent the helium in the collective identity balloon. While an elastic perspective would expand definitions of the collective and incorporate organizational growth and incumbent buyouts into the collective identity, it could threaten the distinctiveness of the craft beer category—e.g., how does the oppositional category remain distinct from the incumbent category if mass-producers own craft breweries and both categories produce craft beer? On the other hand, while an inelastic perspective would constrict definitions of the collective by placing boundary conditions around organizational growth and buyout activities, it could erode the central characteristics of the craft beer category—e.g., as more craft breweries sell to incumbents, how can the collective adhere to claims that craft breweries are about independence, small-scale production, and authenticity?

Taken together, oppositional markets seek to challenge incumbents by offering an alternative to the status quo (Rao, 2009). Although growth of an oppositional category provides an indicator of success against incumbents, given the ideological meaning and purpose behind oppositional categories, organizational growth and incumbent buyout activities can raise identity
tensions within these collectives. As members defect from the collective identity by allowing
themselves to be purchased by mass-producing incumbents, the collective, as well as its
Corresponding members, must respond to these actions. However, the process through which
collectives navigate these identity challenges remains not well understood. Thus, we sought to
better understand the processes that address the following research question: \textit{How does an
oppositional category respond to and manage collective identity when members deviate from its
ideological message?}

\textbf{Methods}

\textit{Research Context}

A number of important factors drove our decision to focus on the craft beer industry in the
United States as the context for our study. First, the craft beer industry represents an oppositional
market category whose collective identity was established with strong anti-mass-producing (i.e.,
incumbent) sentiments (Carroll and Swaminathan, 2000; Verhaal \textit{et al.}, 2015). Second, craft
beer’s battle against incumbents is an important one in the economy, as the U.S. beer market
represents a more than $100 billion-dollar industry. Third, rather than a small number of firms
challenging incumbents, this oppositional challenge has been a collective one. From only 8 craft
breweries in 1980, the craft beer category has precipitously grown to 4,656 breweries in 2016,
with over 2,200 more breweries in-planning (Brewers Association, 2016). These craft breweries
have elected to compete collectively (Brown, 2015), as none of them are close to usurping the
mass producers. For perspective, together the sales of Yuengling and Boston Beer—each more
than double the size of any other U.S. craft brewery—represent only 1.3\% the sales volume of
AB InBev. Fourth, the U.S. craft beer category has experienced a dramatic rise in market share—
growing from roughly 4\% market share in 2008 to over 12\% in 2015—with market share growth
anticipated to continue (Brewers Association, 2016). At the same time, domestic beer sales have
remained flat, leading the mass-producing incumbents to declining revenues in the U.S. market
(AB InBev, 2015). Ultimately, to combat this market share erosion, mass producers have
pursued a strategy of acquiring craft breweries.

Data Sources

To be added

Data Analysis

To be added

INSERT TABLE 1 ABOUT HERE

Findings

By exploring craft brewery acquisitions by incumbents in the beer industry, we discover how the
oppositional craft beer category and the incumbent market went from ‘us or them’ to ‘us and
them.’ In so doing, we highlight how oppositional markets can go from category emergence to
category convergence and we explore the role of identity in this process. Figure 1 provides an
overview of this process and serves as a roadmap for the following sections.

INSERT FIGURE 1 ABOUT HERE

Us versus them: Oppositional craft beer category emergence (Late 1970s – 2010)

Although the central characteristics of the collective of American craft breweries emerged during
the craft beer renaissance of the 1970s and early 1980s, these characteristics became formalized
when the Brewers Association provided a formal definition for “what a craft brewer is” in 2006
with three central tenets: small, independent, and traditional. In reflecting on the importance of
this definition, Julia Herz—craft beer program director for the Brewers Association—noted that
“when the BA definition was created, a collective group was born” and that the definition offered
a means of differentiation that helped craft breweries “by collectively taking the U.S. beer palate beyond mass-produced American lager.” Similarly, our interviewees emphasized that the Brewers Association definition served to provide craft breweries with a shared understanding of “who we are” that helped create cohesion within the collective. Specifically, many noted that this collective identity - rooted in notions of authenticity - shared by craft breweries was critical to the emergence of the oppositional category in creating an “us/David” versus “them/Goliath” narrative that would serve to differentiate their products from the mass-producing incumbents.

*We learned that start-up companies have some important advantages over large companies. The media and many other businesses are always rooting for David over Goliath. Exploiting these advantages is essential to success.*
—Steve Hindy & Tom Potter, co-founders of Brooklyn Brewery, in *Beer School*

Oh, shit! We’re [microbreweries] dealing against Goliath here. Unfortunately, we haven’t been able to knock Goliath out. We’re still on the field fighting.
—Western Chicago Craft Brewery, Interview

*For us, competition wise, we see it as the big three [Budweiser, Miller, Coors]...I think we realize that we’re not going to do this on our own. It takes all of us craft brewers to convince people that locally handcrafted beer made with care, and not some mega factory is good.* —Colorado Craft Brewery, Interview

Although the tenets of smallness, independence, and traditionalism remained central to the craft brewer collective identity, they did not remain unaltered. In 2010, the Brewers Association changed the *smallness* tenet of the craft brewer definition—allowing annual production to go from two million barrels of production per year to six million barrels. Largely, this change was made to allow the Boston Beer Company, purveyor of Samuel Adams beers and identified by many as one of the “pioneers” of the craft beer industry, to officially remain in the oppositional category of craft breweries as well as to accommodate any future breweries who grew to this size (Notte, 2016). Similarly, in 2014, the Brewers Association once again altered the definition of craft brewers and the tenet of *traditionalism*, which previously barred
companies that used adjuncts like corn in the brewing process. This revised definition allowed breweries like August Schell and D.G. Yuengling, which had been brewing with corn since the mid-1800s, to meet the “traditional” criteria and become formal members of the craft brewer collective. By altering this central definition, the oppositional collective has expanded the notion of what it means to be a craft brewer. Table 3 compares the Brewers Association’s initial craft brewer definition with its current definition.

INSERT TABLE 3 ABOUT HERE

Together, these actions of identity elasticity, or stretching the conception of a collective identity while also holding it together (Kreiner et al., 2015), have allowed new breweries to enter the craft brewer collective and existing members to remain. However, although the collective has exhibited identity elasticity by adapting the definitions of ‘smallness’ and ‘traditionalism’ to fit the times, its stance on ‘independence’ has been less elastic. As Paul Gatza, director of the Brewers Association, proclaimed in a ‘State of the Industry’ presentation at the annual Craft Brewers Conference:

> When a brewer sells to a large brewer, they are no longer craft. In most industries getting to scale and developing and innovating and then selling—that is the goal. But craft is different.

Although the Brewers Association has clearly and consistently maintained that breweries lose their formal ‘craft’ membership once they sell to a mass-producer, the collective association and its corresponding members have varied in the extent to which they agree with this definition and how they have viewed and responded when mass-producers, such as AB InBev, acquire craft breweries. While the formal definition of ‘who we are’ with respect to independence has not changed among craft breweries, and does not appear to be subject to change in the near-term, the collective’s informal responses demonstrate an identity shift—one which indirectly expands
collective identity not only by redefining ‘who we are’ but also by redefining ‘who they are.’ In the following sections, we explore the history of how and why this identity shift has occurred.

The sellout perspective: The honk heard ‘round the world (2011-2012)

Although mass producers acquired a few craft breweries before 2011, most attribute AB InBev’s March 2011 purchase of Chicago’s flagship craft brewery, Goose Island, as the event that issued shock amongst the craft beer collective and served as the catalyst for the group’s embattled response to the wave of future acquisitions that were to come. In fact, alluding to the phrase, “the shot heard round the world,” that initiated the American Revolutionary War, many referred to Goose Island’s purchase as “the honk heard 'round the world” (Schneider, 2012). In the five years since, mass producers have been on a craft brewery buying spree, as illustrated in Table 2.

Largely, the Goose Island sale was met with disbelief and disappointment and sparked a debate among those both inside and outside the collective about the oppositional identity of craft breweries. Among the craft brewer community, Goose Island received an incredible amount of negative public media attention and “still took considerable flack” for the AB InBev purchase years after the acquisition (Nason, 2013; Schneider, 2012). Others agreed that Goose Island, by being the first major craft brewery acquisition in recent history, bore the initial brunt of the acquisition criticism (Notte, 2016). Following the 2011 acquisition, many within the craft beer community quickly classified Goose Island as “sellouts” (Goldfarb, 2016).

Numerous craft breweries—in both our interviews and through media coverage and online responses—stated that being part of the oppositional category of craft breweries meant upholding an implicit “social contract.” The collaborative and tight-knit nature of the craft beer community implied a sense of loyalty and commitment among group members (Mathias et al.,
2016; Verhaal et al., 2015), and selling to Big Beer represented a direct violation of that social contract. Accordingly, craft brewery owners, in addition to countless craft beer consumers, frequently used terms such as “sad,” “depressed,” and “betrayed” to describe how they felt when they heard the news of each acquisition and often equated these transactions as acts of “joining the enemy.” Greg Parker, the owner of Iron Horse Brewery in Washington, claimed that being bought out by Big Beer was like “turning your back on the very movement that allowed your success.”

For oppositional members, the issue was not only that these (former) craft breweries gave up their respective organization’s independence by ‘selling out,’ but in doing so, they also threatened the legitimacy and authenticity of the collective category by contradicting its espoused ideology. Additionally, as mass producers, such as AB InBev, maintained the ‘craft’ branding strategy for acquired breweries, many among the craft beer collective lamented that the acquisitions endangered the distinctiveness of the craft beer category by creating, in the words of a California brewery owner, an “illusion of choice” within the beer industry. In other words, the acquisitions blurred the lines for consumers in distinguishing between a genuine craft brewery and a ‘crafty’ brand owned by a mass-producer. A 2012 press release from the Brewers Association and an article by the Association’s president noted the potentially detrimental impact these allegedly misleading actions could have on the oppositional category of craft beer and called for greater transparency regarding brewery ownership.

*The large brewers have bought or own 100 percent of smaller breweries like Goose Island, Leinenkugel and Henry Weinhard. They own significant equity stakes in Red Hook, Widmer and Kona breweries. They sell these beers through their strong distribution channels, but market these faux-craft beers as if they were from independent, locally owned craft breweries. —Charlie Papazian, Brewers Association President*

*The large, multinational brewers appear to be deliberately attempting to blur the lines between their crafty, craft-like beers and true craft beers from today’s small and*
independent brewers. We call for transparency in brand ownership and for information to be clearly presented in a way that allows beer drinkers to make an informed choice about who brewed the beer they are drinking. —Brewers Association (2012), Website

Together, the craft beer collective largely positioned Goose Island as fundamentally distinct following the sale. According to the Brewers Association, by being owned by a large, multinational brewery, Goose Island’s beer immediately became “faux-craft” or “crafty” rather than a “true craft beer.” John Laffler, a manager at Goose Island who remained at the company following the AB InBev acquisition, admitted that after the sale many craft brewers questioned how “he could work for the devil,” reflecting an opinion of Anheuser Busch that he exclaimed was very widely held:

AB [Anheuser Busch] is historically viewed in our community as a Goliath who comes in and decimates and controls through very aggressive buying and marketing practices, making it very difficult for craft brewers. How true that is, that's an opinion, but it's a very widely held opinion. You grow up in brewing and everyone around you thinks they're the bad guys, and that we're all in this together against them.

Likewise, another manager at Goose Island conceded “the first six months were really bad,” and that “there was a lot of pushback” from the craft beer community. Similarly, AB InBev’s subsequent purchases of craft breweries Blue Point and 10 Barrel—the first set of purchased breweries in the first wave of acquisitions—also provoked similar backlash, as an echo of ‘sellouts’ reverberated among the craft brewer community (Barnard, 2014). Thus, by joining forces with AB InBev, Goose Island, Blue Point, and 10 Barrel immediately moved from part of ‘us (David)’ to ‘them (Goliath).’

About the beer: Redefining who ‘they’ are (2012-2014)

Although popular opinion among the oppositional category was largely negative for these early-stage acquisitions, this sellout sentiment began to be questioned among several craft breweries. Many of our interviewees, several of which were from the Chicago area (home of Goose Island),
gradually showed support for Goose Island. For example, one of our respondents, a craft brewery owner from Chicago, noted that both before and after Goose Island’s purchase by AB InBev, the people there were “very supportive” and “great.”

*I think Goose Island still makes good beer. I think they are still industry leaders in many ways. Even though they are not technically part of the craft segment anymore, they are very supportive of us. Their environmental and safety guy leads a committee of the guild on safety and shares all of their materials trying to help people who are running very small businesses and don’t have the resources to really build a proper program from scratch...They are great.* —Lakeside Chicago Brewery Owner, Interview

Similarly, Solemn Oath Brewery—another Chicago-based craft brewery—published an article stating ten reasons why people should continue to drink Goose Island beer. In the article, the author praised Goose Island’s dedication to innovation while offering a consistent, quality product; he also acknowledged that Goose Island housed many great and talented people who paved the way for younger craft breweries in Chicago.

*If your final assessment of Goose Island comes down to an ironic scoff at 312 being brewed in different area codes around the country, congratulations on being a smug, holier-than-thou knee-jerker with no appreciation for or understanding of the bigger picture.* —Solemn Oath Brewery, Brewery Website

Although these favorable responses among Chicago craft breweries were impacted by unique historical conditions, as they both noted that Goose Island helped establish a vibrant and cooperative craft beer culture in Chicago, these acquisitions raised important questions within the craft beer community. Namely, ‘who are we and what should we be about?’ and ‘how (or does) it differ from what acquired craft breweries, like Goose Island, are trying to accomplish?’

During the emergence and initial growth of the craft beer category, the Brewers Association set forth the tenets of smallness, independence, and traditionalism as the definition for craft brewers, which emphasized the qualities of the *brewers* and their production methods. Thus, the defining features of the oppositional identity focused more on *who* produced the beer
and how the beer was produced, with less definitional attention on what they actually made. However, several members within the collective began suggesting that a core feature of the oppositional identity should be about the quality of the beer. These members did not see qualities of the brewer as unimportant, or peripheral (Kreiner et al., 2015), to the collective identity, but that the quality of the beer also served as an equally significant (if not more significant) aspect of the collective identity. Therefore, rather than pass quick judgment, some members of the craft beer collective, particularly those with the viewpoint that beer quality resided at the center of the collective identity, waited to observe the impact the acquisition had on the acquirees’ product quality. For instance, as the Chicago craft brewery owner above claimed, “Goose Island still makes great beer.” In our interview, he expressed that because they, in his opinion, upheld the craft quality standards after the sale to AB InBev, they still belonged as part of the collective.

Similarly, in an interview we conducted that pre-dated their partial sale to Mahou San Miguel, the co-founder and co-owner of Founders brewery in Michigan conveyed that craft breweries should be about “making good product.” He told us that he welcomed anyone to his facility who shared this passion, regardless if they were a craft brewery (Dogfish Head) or not (Anheuser Busch).

*We have had people from Sierra to our facility and Stone and Dogfish and Anheuser Busch... We welcome anyone that shares a passion for brewing great beer.* —Founders, Interview

The Founders’ owner signaled that he believed the core aspect of craft beer centered on product quality. Although the size, independence, and traditionalist features of the breweries were not unimportant to the Founders’ owner, throughout the interview, he emphasized qualities of the *beer* over qualities of the *brewers/breweries*. Another interviewee, a North Carolina brewery owner, also told us “The focus [of the craft beer category] is more on the beer and less
on the actual brand—who is making it.” Those who shared this perspective felt that as long as the acquisitions allowed the quality of the beer to be upheld (or even improved), then acquisitions should be viewed favorably. Rather than see acquisitions as a craft brewery ‘selling out,’ some craft breweries—seeing that mass-producers did not alter the quality of the beer—began to respond positively, or at least neutrally, to the acquisitions because they allowed higher-quality beer to achieve greater geographic distribution. Additionally, as these individuals held that a core identity feature of the oppositional category of craft beer was high-quality beer and that acquisitions allowed mass producers to be purveyors of high-quality beer, then some began to believe that craft brewers and incumbents shared a central identity feature—producers of high-quality craft beer.

As oppositional market categories rely on their ideological and identity-based differences rather than their objectively superior products to challenge and supplant status quo incumbents (Verhaal et al., 2015), centering the oppositional identity on the product (i.e., the beer) is problematic to the distinctiveness of an oppositional market category. Oppositional markets are sharp and focus on their ideological differences as a means of differentiation (Carroll and Swaminathan, 2000); therefore, by focusing on the product itself rather than the way in which the product is produced or who is producing it, collective members undermine their ideological differences from incumbents (Verhaal et al., 2015). Additionally, if oppositional members acknowledge that mass-producers do not compromise the product quality of their acquirees, the oppositional category expands who ‘they’ are (i.e., purveyors of quality beer), which means the boundary conditions between an oppositional category and the incumbent market can become further blurred. Together, by increasingly emphasizing the end-product of the category rather
than the belief system behind why and how those products are produced, oppositional market categories become less distinct from incumbent markets. Formally:

Proposition 1: As oppositional market categories emphasize qualities of their products rather than their set of beliefs, oppositional markets become less distinctive from incumbent markets, leading toward category convergence.

Tensions arise: The wave of acquisitions and competing identities (2015-2016)

Although accepting views of acquisitions began to emerge, still a limited number of craft breweries—either publicly or privately in our early interviews—spoke out in support of craft brewery acquisitions before 2015. Instead, most craft brewers continued to perceive these acquisitions as identity violations—the actions of a few rogue, ‘sellout’ breweries that deviated from the core features of craft brewers and what they represented. For instance, in an interview we conducted in late 2014, shortly after the Founders sale in December 2014, a craft brewery owner from Michigan voiced his discontent with Founder’s decision to sell a portion of their brewery to Spanish beer conglomerate Mahou San Miguel, thereby forgoing its independence, and accordingly, status as a craft brewery.

*Founders just sold a 30% share to San Miguel, which doesn’t shock me. I saw it coming, like you saw them taking in all these investors and I was like, those guys are going to want to see a ROI sooner or later. That’s the million-dollar question, “If you guys get big, would you sell?” People like to say everybody has a price, I think that’s a bunch of shit... They put you in the ground, in a coffin and you can only fit so many stacks of hundreds in there with you. What the hell does that matter? Who cares, you know? So you made a zillion dollars so what? What’s the difference between making a million dollars and making a hundred? Who fucking cares?* —Michigan Brewery, Interview

The year 2015 saw a wave of acquisitions from many of the major beer conglomerates, including Heineken, MillerCoors, Constellation Brands, and AB InBev, with their purchases of craft breweries Elysian, Lagunitas, Saint Archer, Golden Road, Ballast Point, Four Peaks, and Breckenridge. In their annual review issue, *The New Brewer*—the official trade journal of the Brewers Association—reiterated the collective association’s stance on the issue:
Who’s next? Pundits might well pose that question after a tumultuous 2015 that saw Lagunitas Brewing Co. partner up with Heineken, Constellation Brands dash off a billion-dollar check for Ballast Point Brewing Co., and Anheuser-Busch InBev fill its shopping cart with breweries of varying sizes... In the past year, some of these former craft brewers traded away autonomy, control of their companies and brands, and a sense of “you’re one of us” with core customers and members of the craft community.

—The New Brewer, 2015 Annual Review Issue

Indeed, the Brewers Association’s hard-lined approach to the craft brewer definition made clear that breweries forgo being “one of us” once they sell to a mass producer. However, upon announcement of each sale, the acquirer (e.g., AB InBev) and the acquiree (e.g., Golden Road), through public relations statements, sought to assure the beer community that the identity of the brewery would not change (Tuttle, 2015), while many craft breweries who remained in the collective sought to discount these claims and highlight money as the sole motivating factor behind these transactions. For instance, in response to an article that highlighted the myriad benefits that selling to a mass-producer offered craft breweries, Jacob McKean, the founder and owner of Modern Times Beer in San Diego, wrote a detailed and extensive response refuting each point. Ultimately, his response concluded by noting:

_Selling to a macro-brewer is the fastest, simplest way to turn equity in a craft brewery into cash. That’s the only reason to sell to them. Anyone who claims otherwise is full of shit._ — Jacob McKean, founder of Modern Times Beer, Modern Times Beer Blog

In support, fellow San Diego brewer, Greg Koch, co-founder of Stone Brewing and an outspoken voice against the acquisitions, echoed this perspective by praising McKean’s article and calling out (former) craft breweries for their unjustifiable actions of selling.

_Well-written and well-reasoned piece. No doubt it will be met with some contentious defenders of the sell-out mindset... One thing I’ve noticed that selling out has really allowed (former) craft brewers do...work on their justification skills._ — Greg Koch, Stone Brewing Owner, The Modern Times Beer Blog
In fact, so passionately opposed to the acquisitions, Greg Koch has secured roughly one hundred million dollars to create a craft beer investment company designed to buy out craft breweries looking for equity so they can stay independent and avoid being acquired by Big Beer.

However, the string of acquisitions continued to raise questions, concerns, and debate about the oppositional identity of the craft brewer community. Many craft brewers, including some who had been strongly opposed to the acquisitions initially, began easing in their stance on the issue. The majority viewpoint—that selling automatically moved breweries from ‘us’ to ‘them’—began to be seriously questioned within the craft beer community, creating increased friction within the collective. An article published in *Fortune Magazine* in late 2015 aptly suggested, “You’d be hard-pressed to find a more divisive issue in the craft beer community than Big Beer’s shopping spree of small [craft] brewers.”

As our interviews with craft breweries ranged from 2012 to 2016, we started to observe different identity responses even over this relatively short timeframe. Initially, craft brewers defined themselves relative, or in opposition, to the Big 3 [Budweiser, Miller, Coors]. A Tennessee brewery owner we interviewed early in the data collection process remarked that, “we [craft brewers] are doing things very different from them [Miller, Coors, and Budweiser] …we don’t like what they’ve been doing for the last 30 years, spending millions and billions of dollars convincing people that their beer is the best.” Yet, the same brewery owner, in an interview in 2016, exclaimed “I’m not ‘that’ guy [against acquisitions]. To me, the brewery is a business. It has to make money.” Likewise, a Louisiana craft brewery owner, who the author team became well-acquainted with over the course of the data collection process and who participated in numerous interviews, continually reiterated how he fervently supported the central features of the oppositional craft beer identity and staying true to ‘who we are.’ However, faced with the
stark realities of brewery ownership and the opportunities presented to potential acquirees, he also began to empathize with those craft breweries receiving buyout offers, and suggested that he would likely act similarly if he was in their situation. In reflecting on Ballast Point’s recent acquisition in late 2015, he exclaimed:

*Ballast Point just sold for something like a billion dollars. I’d like to say that I’d be different, but if someone handed me a check for a billion dollars I think I’d have a hard time saying ‘no.’ —Southwest Louisiana Brewery Owner, Interview*

In a seemingly paradoxical statement, another interviewee from Louisiana, commenting on an acquisition in 2016, noted:

“*The entrepreneur, business-side thinks that its fantastic for them. You start this company, you grow it. I personally don’t want to own a job forever, so moving on from the company and selling it for a whole lot more money than it took to start it. I mean, that’s part of being an entrepreneur. So on that front, it is fantastic... From the craft brewing industry side, its selling out. Eventually that’s going to directly [negatively] affect me as Budweiser is going to start selling all these regional breweries’ beer that technically aren’t craft.” —Southeast Louisiana Brewery Owner, Interview*

Similarly, in an interview in 2012, Tony Magee, founder and owner of Lagunitas, “drew a clear line in the sand between what he perceives as ‘us’ (craft brewers) and ‘them’ (AB InBev and MillerCoors)” (Nason, 2012). In online tweets, Magee also criticized those who sold to mass-producers, particularly Goose Island, referring to the act as “selling out” and to the big brewers as “monster companies.” Yet, three years later, Tony Magee, sold 50% of Lagunitas to mass-brewer Heineken, thereby contradicting his former statements. Even Paul Gatza, the director of the Brewers Association, who had been outspokenly opposed to craft beer acquisitions, admitted at the Craft Brewers Conference in May 2016 that, “When a craft brewer sells to a larger brewer, it’s really hard to know what to think and feel,” and also conceded that “he wondered why these deals don’t happen more often.”
Thus, the friction within the oppositional category was not only an external one—i.e., oppositional members debating with other in-group members about the definition of a ‘craft brewer’ and whether acquisitions should be accepted or seen as selling out. Rather, the friction was also internal in nature—i.e., craft brewers wrestling with their own conflicting values and ideology of being an entrepreneur/business-owner and being part of the oppositional collective. Through our interviews, we found that many craft brewers who had initially eschewed growth and “making money” and launched with views consistent with the idealistic notions of the oppositional craft brewer identity, such as being small, authentic, traditional, and independent, still attempted to hold to these central identity features, yet opposing forces, including the practicalities of owning a business in an increasingly competitive market, stretched these core identity features (Kreiner et al., 2015). For many, being a craft brewer was no longer about being an artisan, solely, but also about being a craft brewery owner. As a Colorado brewery owner told us, “I am passionate about beer…and believe in not compromising your values or your beer quality,” but also noted that, “Running a brewery is a business. I think people definitely forget that at times.” These internally-conflicting perspectives led brewery owners to be both for and against brewery acquisitions. As one craft brewery interviewee stated, “It is really easy to sit here at a distance and criticize [acquired breweries], but even the people who have been adamant about not ‘selling out’ are beginning to realize it is getting really hard to compete and that taking on an investor, like AB InBev, makes sense.”

Although craft breweries launched with initial intentions of, in the words of one of our interviewees, “being very different than those soul-sucking corporations,” the growth of the oppositional category—with more beer offerings and more breweries than ever in American history—challenged the values of the collective. Craft breweries, dealing with the growth and
increasing competitiveness of the industry, wrestled with their own, often-competing tensions of being an artisan and a business owner. These competitive struggles offered a newfound empathy, or at least, understanding for why a craft brewery would allow itself to be acquired by a mass producer. Although not all craft breweries altered their negative stance toward craft brewery acquisitions, our findings indicate that craft breweries—themselves dealing with the tensions between maintaining their artisanal ideology and managing a business in a growing and increasingly competitive market—garnered a greater understanding for why these acquisitions might occur, and accordingly, became more accepting of them, thereby extending the boundaries of the oppositional identity. Therefore:

*Proposition 2: As oppositional market categories and their corresponding collective members, particularly those in artisan-oriented industries, grow, they raise tensions that challenge and facilitate expansion of their oppositional identity, leading toward category convergence.*

**Exceptions become acceptations: Achieving a critical mass (2016-Present)**

*We’re bound to see a lot more sales and mergers. We have to come to terms with that… The micro/macro distinction used to be clear and simple. Not so anymore. Alworth, 2015*

While the sale of Goose Island in 2011 shocked many within the collective (Hindy, 2014), only five years later acquisitions had become commonplace in the craft beer industry. Not unlike 2015, the year 2016 ushered in another wave of acquisitions, including eight breweries from Virginia to Texas to California. Although the acquisitions still stirred dissent among many beer enthusiasts, through our interviews and informal interactions, we found craft brewers became less shocked with each subsequent acquisition. Commenting on Revolver Brewing’s 2016 purchase by MillerCoors, an industry reporter for the Chicago Tribune declared, “no one should be surprised anymore.” Similarly, as Aaron Goldfarb, a researcher and writer on the craft beer industry who interviewed several current and former craft brewery owners concluded in a 2016
article, “I'm not sure those people [brewery owners] who were once yelling "Sell outs!!!" have
time to care about the ones that got away.” Certainly not all, but most members of the craft
brewer collective had, in the words of one respondent, “come to terms” with these actions.

With nearly twenty acquisitions since the Goose Island sale, it became more difficult for
oppositional members to claim breweries that sold were engaging in ‘deviant’ behavior. Instead,
craft brewery acquisitions appeared to achieve a critical mass and become an accepted, although
still not ideal, exit strategy for craft brewery owners. Accordingly, acquisitions, which were
initially deemed by our craft brewery respondents as “rouge,” “nefarious,” “deviant” and
“deplorable,” were also referred to recently in our interviews as “understandable,” “accepted,”
“good,” and “fantastic.”

Despite their rigid stance that losing independence meant forgoing ‘craft’ brewer status,
the Brewers Association and numerous state craft brewers’ guilds established that acquired
breweries could become ‘associate members’ of their respective groups, such as Lagunitas and
Goose Island in the Illinois Craft Brewers Guild, Independence, Revolver, and Karbach in the
Texas State Brewers Guild, and all acquirees in the Brewers Association. In most instances,
these associate members were given access to many of the same resources as general members
but lacked certain privileges and status in these trade associations, such as voting rights and
board positions. Thus, this specific membership type served as an interesting categorical middle-
ground—signaling that an acquired brewery was part of ‘us’ (i.e., Brewers Association) but also
not part of ‘us’ (i.e., craft brewers).

Within the oppositional category, breweries initially classified as deviant ‘sellouts,’ such
as Goose Island, had achieved such a critical mass that they now represented their own ‘group.’
In our more recent interviews, craft brewery owners made seemingly confounding identity
claims in reference to how they perceived acquired breweries, such as one interviewee who suggested, “it is interesting, they are part of our group [of craft brewers], but they are also not part of our group.

Proposition 3: As a critical mass of members deviates from the oppositional market category by being acquired by mass-producing incumbents, remaining oppositional members expand their definition of the oppositional identity by shifting their view of those organizations as exceptions of the collective to acceptations of the collective.

Discussion

To be added
While identity elasticity refers to an act of expanding identity, such as stretching identity to include individuals who were previously excluded from a social group (Kreiner et al., 2015), we found evidence of a specific type of elasticity, which we refer to as identity slippage, or the act of stretching an oppositional identity in such a way that the identity becomes less distinct from, and potentially overlaps or converges with, its opposition. Over time, we discovered that oppositional members went from perceiving acquired breweries as distinctive—moving from ‘us’ to ‘them’ upon sale—to distinctive and inclusive, or part of ‘us’ and ‘them.’ (Table on accepting views.)

...after a tumultuous 2015 that saw Lagunitas Brewing Co. partner up with Heineken, Constellation Brands dash off a billion-dollar check for Ballast Point Brewing Co., and Anheuser-Busch InBev fill its shopping cart with breweries of varying sizes. The spate of high-profile deals had several prominent craft brewers circling the wagons and loudly and proudly declaring their independence. The New Brewer, Annual Review Issue, May 2016

Goose Island is and will continue to be an independently operated brewery. I plan on being here a long time, brewing a wider variety of great beers every year. (Look for Bourbon Aged Imperial Brown Goose in 750’s later this year, maybe another Bret beer too). I appreciate all the support we have from the beer community in the face of all the rumors. We will not let you down. As for “lots of extra capacity”, we’ve been growing over 20% the last 2 years eating all the extra cap up. As for “the Halls cashing out”, I have yet to receive my check, but I did buy a new bicycle. Greg Hall, Goose Island, May 20, 2006.

I don’t begrudge John Hall for selling his company, we all do what we have to do. Yap, ProBrewer

One part of me wants Goose to stay the same because I am a big fan of some of their beers; the pragmatic part of me wouldn’t mind them losing some market share since I am also in Illinois. Tryptych, ProBrewer

We have seen the likes of Blue Moon, Pyramid, Magic Hat, Kona, and Anchor Steam give the biggies a larger control of the craft action. With enough bought up craft companies and their power of marketing, and control of distribution is going to close the rest of us out of good distribution opportunities. To me this bodes ill for all of us. What do the rest of you think? Wolfgang, ProBrewer
I’m not supportive of these massive buyouts. I think we’ll see a lot of great names fall as their brands are stretched and diluted into a big company’s portfolio. It just means the small brewers need to revise how they think and react. Sure, we’ll see many fall under the pressure and get lost in the noise, but those will be the ones not prepared to make changes. Isn’t that why most got into the craft beer world? For the flexibility it allows to be different? In a world where marketing is not instant and social media drives change, it’s very easy for even the smallest of companies to carve out a name for themselves while the big guys spend millions kicking and screaming for their piece of the pie. **BrandonH, ProBrewer**

It is just one thing to add to the repertoire of what distinguishes us. **CDangerBrew, ProBrewer**

Who’s next? Pundits might well pose that question after a tumultuous 2015 that saw Lagunitas Brewing Co. partner up with Heineken, Constellation Brands dash off a billion-dollar check for Ballast Point Brewing Co., and Anheuser-Busch InBev fill its shopping cart with breweries of varying sizes. The spate of high-profile deals had several prominent craft brewers circling the wagons and loudly and proudly declaring their independence. **The New Brewer, Annual Review Issue, May 2016**

We are always disappointed when a member of the craft industry becomes part of one of the big two macro-breweries. The craft industry was built on being the antithesis of big beer, and has been competing successfully with the global conglomerates for the last 30 years. **Nikos Ridge, co-founder of Eugene based brewery Ninkasi**

These are wonderful people. They run a great business. It appears that this was their plan (to be acquired). They appear to have executed their plan. So good for them. **Jeff Althouse, owner of Eugene-based Oakshire Brewery, Eugene, commenting on brewery Hop Valley selling to MillerCoors**

In our area in Virginia, Devil’s Backbone, they are getting huge. They helped pave the way. They found a formula that works for them. We kind of try to emulate it using their ideas and practices. We’ve done that with our early style and tried to put those ideas forward. They’re very helpful. They’re aware that this goes on. Of course, they’re trying to help the craft beer industry grow. The more, the merrier. —**Virginia Brewery Owner, Interview**

When you’re a small and independent craft brewery, you don’t have a lot of haters. But when you hook up with a much bigger operation, you end up having access to a lot more people. Some of the people that we were around before become pretty loud in their distaste for that. – **Greg Hall, Goose Island Co-founder**

I think the [craft vs macro paradigm] has already fallen away; to a lot of consumers, it’s just all beer. **AB CEO of Craft Andy Goeler**
We respect the right of any brewer to do what they want with their business, they’ve built it from the ground up with sweat equity. However, the actual act of selling out means they are out – of the Brewers Association. —Bob Pease, President and CEO of the Brewers Association

The craft brewer definition is more important than ever today except for perhaps tomorrow. Paul Gatza, Brewers Association Director, July 2016

We think this definition is more important than ever. For the BA’s purposes, we’re looking to promote and protect small and independent craft brewers so it’s important to tell us who we should be working for. Bart Watson

Proposition 8. The outcome of membership expansion will affect the stories told by a group’s leading members: problematic growth may lead to the reassertion of a more delimited collective identity defining story emphasizing limits to expansion; productive growth may be celebrated, leading to an elaborated collective identity defining story. Wry et al. 2011

The BA, as the sole voice that speaks specifically on behalf of the craft industry, periodically and controversially adapts its definition to fit the times and consistently defends the definition, changes to the definition and the need for a definition in the first place... no-longer-craft brewers helped pioneer the industry, knew the speakers for decades as friends and fellow board members, and heard the speeches firsthand from the audience. Tara Nurin, in Forbes Magazine, 2016

America’s regional craft breweries are big and full of contradictions. While inaugurating mammoth, state-of-the-art plants, they seek to maintain their street cred as small brewers making the edgy, experimental, limited-edition beers that craft consumers love. While focusing on making great beer, they’re exploring other entrepreneurial opportunities, investing in restaurants and hotels and seeking to satisfy a thirst for craft spirits and ciders. While laboring to supply their home markets, they’re eyeing a growing market for American craft beer abroad. Two years ago in this space, I wrote that this was the “age of empire” for craft regionals. Strike that—it’s the age of global empire. Kitsock, in The New Brewer, Review Issue 2015

In the 2015 world of craft brewing, every week seems to bring news of a new acquisition or merger. Given this recent flurry of deals in the craft beer community, I’ve begun to hear a lot of musing about how consolidation of craft brewing is inevitable in the long run. Bart Watson, 2015

Competition in its various markets and increased purchasing power of players in AB InBev’s distribution channels could cause AB InBev to reduce prices of its products, increase capital investment, increase marketing and other expenditures or prevent AB InBev from increasing prices to recover higher cost and thereby cause AB InBev to reduce margins or lose market share. Any dilution of AB InBev’s brands as a result of competitive trends could also lead to a significant erosion of AB InBev’s profitability. Any of the foregoing could have a material adverse effect on AB InBev’s business,
financial condition and results of operations. Also, innovation faces inherent risks, and
the new products AB InBev introduces may not be successful, while competitors may be
able to respond more quickly to the emerging trends, such as the increasing consumer
preference for “craft beers” produced by smaller microbreweries. AB InBev, Annual
Report 2015

As John Hall likes to say, “Come on.” Really, talk to the guy for five minutes and I
guarantee you hear “come on” a dozen times. The only argument I hear that I give a
damn about is that people don’t want their hard-earned dollars enriching a giant
international conglomerate’s shareholders; there’s plenty of fine local beer, the purchase
of which supports small business owners in our city. If that’s your dilemma, fine. If you
like a smaller brewery now but for them to be successful they need to grow, and that
means eventually their owners may sell. Welcome to the economy, folks. What’s the
difference between stuffing a few local wealthy people’s pockets versus some anonymous
shareholders? Solemn Oath Brewery

Indeed, the notion of elasticity might be applied to social movements as well—to what
extent can people engaged in a social movement stretch identity claims without diluting
the message or dissolving impact? (Kreiner et al., 2015, p. 1006)

Many craft breweries have two options: go big, or stay small. And if you stay small, you
have two options: brewpub or microbrewery…We’ve got a handful of powerhouses --
Sierra Nevada, New Belgium, Boston Beer Co. -- and another 100 or so regional craft
brewers. These are the in-betweener, making 40,000-60,000 barrels a year, and they’re
going to be doing the fighting. So for a normal brewery the pressure will always be there
to grow.” Those big-not-huge craft outfits with the war chests to expand already are.
Look at Oskar Blues’ North Carolina outpost, Victory’s massive Parkesburg, PA, facility,
or Stone’s bi-coastal and German expansion. The acquired brewer needs money and
expertise to keep making their beer; the acquirer needs the access to local markets and
another revenue stream to keep growing. And as they grow, by necessity, independence
as we know it will fade and an era will draw to a close. Thrillist, Infante 2015, Quotes
from Bart Watson

During 2014, AB InBev also acquired the Blue Point brewery (Long Island), 10 Barrel
Brewing in the northwest of the United States and two wholesalers in Kentucky and
Oregon. The acquired businesses had an immaterial impact on profit in 2014. The
company is in the process of finalizing the allocation of the purchase price to the
individual assets acquired and liabilities assumed in compliance with IFRS 3…We are
committed to crafting the best beer experience possible. That’s why we have been
carefully expanding our portfolio to include more craft beers, so we can deliver the
artisanal qualities favored by many beer enthusiasts. In the past year, we added 10
Barrel Brewing Co. of Bend, Oregon, and Blue Point Brewing Company of Long Island,
NY, keeping the passionate brewmasters and techniques that make these craft brewers so
unique. Using the same approach we took with Goose Island Brewers, we will strictly
maintain their recipes and brewing processes, while allowing more consumers to enjoy
these exceptional beers. AB Annual Report, 2014
TABLE 1. Data Sources

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<th>Information Provided</th>
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<td>Founders-owners of craft breweries</td>
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<td>Follow-up round</td>
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<td>Founders-owners of craft breweries</td>
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| **Non-participant observation**|          |                                                 |                                                           |
| Craft beer events              | 21       | e.g., Brew at the Zoo, GABF                     |                                                           |
| (~40 hours)                    |          |                                                 |                                                           |
| Guest speaking engagements     | 16 class events (~40 hours) | Hosted craft brewery owners as guest speakers with lunches following |                                                           |

<p>| <strong>Websites and archival documents</strong>|          |                                                 |                                                           |
| Online discussion forums       | Over 100,000 posts | ProBrewer.com, BrewersAssociation.org |                                                           |
| Trade publications             | 100 issues | New Brewer Magazine (official trade journal of US craft beer industry) |                                                           |
| Mass media news articles, columns | Between 200-300 stories | Brewbound, Beeradvocate, WSJ, Fortune, Forbes, Entrepreneur, etc. |                                                           |
| Industry statistics databases/ annual reports |          | Brewers Association |                                                           |</p>
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<tr>
<th>Seller (Craft Brewery)</th>
<th>Buyer (Mega Brewery)</th>
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<th>Equity Stake</th>
<th>Acquisition Size</th>
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<td>32%*</td>
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<td>IBU (Magic Hat/Pyramid/MacTarnahan)</td>
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<td>VT / WA / OR</td>
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<td>Breckenridge Brewery</td>
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<td>Aug-16</td>
<td>&gt;50%</td>
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*Kona, Red Hook, & Widmer Bros. are owned by public company CBA (Craft Brew Alliance), in which AB InBev owns a 32% stake
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<tr>
<th></th>
<th>Initial definition</th>
<th>Current definition</th>
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<tr>
<td><strong>Small:</strong></td>
<td>Annual production of beer less than 2 million barrels. Beer production is attributed to a brewer according to the rules of alternating proprietorships. Flavored malt beverages are not considered beer for purposes of this definition.</td>
<td>Annual production of six million barrels of beer or less (approximately three percent of U.S. annual sales). Beer production is attributed to the rules of alternating proprietorships.</td>
</tr>
<tr>
<td><strong>Independent:</strong></td>
<td>Less than 25 percent of the craft brewery is owned or controlled (or equivalent economic interest) by an alcoholic beverage industry member who is not themselves a craft brewer.</td>
<td>Less than 25 percent of the craft brewery is owned or controlled (or equivalent economic interest) by a beverage alcohol industry member that is not itself a craft brewer.</td>
</tr>
<tr>
<td><strong>Traditional:</strong></td>
<td>A brewer who has either an all malt flagship (the beer which represents the greatest volume among that brewers brands) or has at least 50% of its volume in either all malt beers or in beers which use adjuncts to enhance rather than lighten flavor.</td>
<td>A brewer that has a majority of its total beverage alcohol volume in beers whose flavor derives from traditional or innovative brewing ingredients and their fermentation. Flavored malt beverages (FMBs) are not considered beers.</td>
</tr>
</tbody>
</table>
FIGURE 1. Process of category convergence and identity shift in the beer industry

US VERSUS THEM
The craft beer industry emerges in direct ideological oppositional to mass producers

SELLOUTS!
As initial brewers, such as Goose Island, are acquired, they are labeled ‘deviant’ and move from us to them

ABOUT THE BEER
Craft brewers admit that beer quality, central to their oppositional identity, is largely upheld by mass producers

TENSIONS ARISE
Despite artisanal roots, craft brewers realize they are in a growing but increasingly competitive market and adopt business-oriented perspectives

CRITICAL MASS
As a critical mass joins the opposition, craft brewers no longer claim acquirees as deviant sellouts but as part of us and them

*C Solid-lined circles intended to reflect market share of U.S. beer industry. Dotted-lined circles intended to reflect collective identity domains