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Study analyzes effects of acquisition of craft brewer by ‘Big Beer’

- **The 2011 acquisition of Goose Island by Anheuser-Busch InBev set off a shopping spree of craft breweries by ‘Big Beer’ that some fear stymies the innovation, growth, and independence for which the craft beer movement is known.**
- **If ABI-Goose Island is representative of other such acquisitions, beer drinkers are no worse off, in terms of price and sales of craft beer, under the influence of ‘Big Beer’ in local markets. Additionally, due to marketing and other efforts on the part of large brewers, local craft brewers may benefit from increased levels of exposure to their products.**

There has been an increase in policy interest regarding the acquisition of small startups by large dominant firms. Until now, these have been rarely studied due to data limitations. However, a new study coauthored by ISFE Postdoctoral Researcher Alexander McGlothlin, and University of Virginia Professor of Economics Kenneth Elzinga attempts to shed light on these types of acquisitions in the beer industry by studying the first and most prominent such acquisition: the acquisition of the Goose Island craft brewer by large national brewer Anheuser-Busch InBev (ABI).

Drs Elzinga and McGlothlin analyze the impact of large brewers’ acquisitions of craft brewers on prices and product choice in beer markets using a model based on the difference in market share penetration of large brewers across individual stores

and neighborhoods.

According to their findings, when ABI has a larger market share within a community, the variety of craft beer available decreases, indicating a greater difficulty for craft brewers to gain shelf space in grocery stores, convenience stores, and other retail establishments. However, the acquisition of Goose Island spurred not only an expansion of its brand, but also the sales of other craft brewers that are able to acquire shelf space. In other words, due to increased distribution, marketing, and production of Goose Island beer by ABI, some craft beer brands benefited from positive spillover effects. These results are particularly pronounced in Goose Island's original local market of Illinois.

“These results indicate that beer drinkers are not necessarily worse off due to the loss of local breweries to ‘Big Beer’” said Dr Alexander McGlothlin, co-author of the study and Postdoctoral Researcher at ISFE.

McGlothlin continues, “fortunately in the beer industry, because of relatively low barriers for startups and the possibility of selling beer at on-premise accounts such as bars and restaurants, we see vigorous entry and expansion of the number of craft brewers, despite the increased difficulty in achieving shelf-space in off-premise accounts such as grocery stores. This, coupled with ABI's efforts to expand their own product portfolio, means that more people are now more likely to try out different brewer's products than before, find themselves a new favorite brew and in so doing support a neighborhood brewery.