CALIFORNIA STATE UNIVERSITY SAN MARCOS

PROJECT SIGNATURE PAGE

PROJECT SUBMITTED IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR THE DEGREE

MASTER OF BUSINESS ADMINISTRATION

PROJECT TITLE: History of Craft Beer

AUTHORS: Michael Pascua, Scott Guehne, Mdsadaf Mondal

PRESENTATION DATE: December 14, 2016

THE PROJECT HAS BEEN ACCEPTED BY THE PROJECT COMMITTEE IN
PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF
MASTER OF BUSINESS ADMINISTRATION.

Name of Project Advisor

[Signature]

DAVID GURWASS
PROJECT ADVISOR

Name of Second Reader

[Signature]

GLEN H. BODESTY
PROJECT SECOND READER

12/8/16

DATE
History of Craft Beer

Prepared for:
California State University San Marcos
San Diego Brewer's Guild
San Diego Tourism Authority

Prepared by:
Scott Guehne, Mdsadaf Mondal, Michael Pascua
Students, California State University San Marcos
FEMBA Program

Project Advisor:
Professor David Grooms
Contents

1 Executive Summary ............................................................................................................................ 3
2 Methodology ...................................................................................................................................... 3
3 Beer Definitions .................................................................................................................................. 4
  3.1 Beer.............................................................................................................................................. 4
  3.2 IPA ................................................................................................................................................ 4
  3.3 IPA Today ..................................................................................................................................... 5
  3.4 Craft Beer..................................................................................................................................... 5
4 Wine in America ................................................................................................................................. 6
  4.1 Introduction ................................................................................................................................. 6
  4.2 History of Wine in America .......................................................................................................... 6
  4.3 Distribution Change ..................................................................................................................... 7
  4.4 Demise of Wine, 1990s ................................................................................................................ 8
5 Coffee in America ............................................................................................................................... 8
  5.1 Introduction ................................................................................................................................. 8
  5.2 History of Coffee in America ........................................................................................................ 9
  5.3 Distribution Change ................................................................................................................... 10
  5.4 1990s Rise of Specialty Coffee ................................................................................................... 10
6 Beer in America ................................................................................................................................ 11
  6.1 Introduction ............................................................................................................................... 11
  6.2 History of Beer in America ......................................................................................................... 11
  6.3 Craft Beer in the 1980’s ............................................................................................................. 13
  6.4 Distribution Change ................................................................................................................... 14
  6.5 1990’s Rise of Craft Beer ........................................................................................................... 15
7 Product Comparisons ....................................................................................................................... 16
  7.1 Introduction ............................................................................................................................... 16
  7.2 Historical Comparisons ............................................................................................................. 16
  7.3 Distribution Comparisons .......................................................................................................... 17
  7.4 Evolution Comparisons ............................................................................................................. 18
8 Current Status of Beer, Wine, and Coffee ........................................................................................ 19
9 Conclusion ........................................................................................................................................ 19
Appendix A: References ....................................................................................................................... 20
Appendix B: Timeline............................................................................................................................ 22
1 Executive Summary

The craft beer industry has provided a significant boost to Southern California’s rising economy. With a diverse and sophisticated selection of craft brews, Southern California has generated billions in revenue directly from the sales of craft beer. In this thesis, we set out to examine how craft breweries developed over the last several decades and how craft beer has impacted the beer industry. We set the focus on the revolution of craft beer while comparing the demise of wine industry and the contrasting development of the coffee industry. We determined a set of criteria for benchmarking purposes across the board for beer, wine, and coffee. The criteria included early history in America, the distribution change that each of these commodities have gone through in the last few decades, and the rise and fall of these beverages during the 1990s. Our analysis has brought to life some of the major inflection points for each of these industries as well as some of the economic and cultural changes that have been affected by beer, wine or coffee. The goal is to shed light on the significance of craft beer, its history, its rise in today's economy, and how this beverage of the common has become every bit as sophisticated as its rivals such as coffee and wine.

2 Methodology

Data was gathered based on historical significance and lasting trends. The trends were based on inflection points which were major economic changes, historic events, cultural shifts in perception, and generational changes. First the histories of all three beverages were examined. Then, based on a historical timeline, we determined what time periods were relevant to huge shifts in demand and supply. We then analyzed the historical
significance of these events and changes. These events, the 1990s, the Millennial generation, and the rise of internet have been very significant in the evolution of beer, wine, and coffee. We have concluded that these chains of events and cultural shifts have helped evolve beer and coffee and led to the decline of wine.

3 Beer Definitions

3.1 Beer
Beer is an alcoholic beverage that is made by the fermentation of grain. The brewing process begins with malt, which consists of malted barley or other grains such as wheat or maize. It is cracked between huge rollers that increase the surface area of the grain and is then treated to hot water in a huge tub called the "mash tun". Most of the flavor from the grain is extracted in the mash tun, resulting in a sweet liquid known as wort. The wort is then drained and the sediment, "spent grain", is removed. The spent grain is sold to other industries as an ingredient in animal feed. The wort is transported to a large tank where it is combined with HOPS and boiled. The result is an addition of aroma and bitterness to the wort. After boiling, the liquid is cooled and yeast is added to begin the fermentation process. After the fermentation process is complete, the liquid, now called “young beer”, is distributed to tanks for maturing.11

3.2 IPA
IPA stands for India Pale Ale. IPA was invented by the British during their colonization of India. The beer they sent their troops failed to endure the sea voyage all the way around the cape of Africa. Extreme temperatures and prolonged storage without the benefits of refrigeration were less than ideal conditions for transporting beer. As a result,
it kept spoiling on the trip. The British had two tools to work with: alcohol and hops. Both of these work as preservatives. George Hodgson of East London’s Bow Brewery created the first IPA. It was bitter and highly alcoholic, but it could make the long ocean trip. After the advent of refrigeration, the need for IPAs dwindled. Despite no longer being a necessity, IPAs remain in existence today due to their popularity. IPA fans love the bitter flavors the beer brings to the table.12

3.3 IPA Today
The IPAs we encounter today are characterized by an abundance of hops. Several varieties of hops may be used at different times throughout the brewing process. Hops affect flavor, aroma, and bitterness. IPAs often smell like citrus, pine, or flowers. There are three main styles of IPA produced today. They are American-style, English-style, and Double or Imperial. There are also plenty of sub-styles, including Black, Hybrid, Wheat, and Belgian White IPAs. Each style and sub-style has its own characteristics. In addition, many craft breweries have created their own unique twists on the classic. This proliferation means there is plenty of variety in what falls under the IPA label today.12

3.4 Craft Beer
To define craft beer, it is beer that must be “small, independent, and traditional.” Previously craft beer was called microbrewery, which was a legal term used back then in order to specify low # of barrels of beer produced.7 “Small” refers to distribution. Distribution has to be no more than 6 million barrels of beer per year. “Independent” means that no more than 25% of the brewery is owned by an alcohol industry member outside the brewery. “Traditional” means that the brewery has to have its own mix of
ingredients and the majority of these should be for the production of beer. The term Craft Brewery was eventually used to rename “Micro Brewery” as a way to get away from the original law restrictive name and appease small brewers who favored craftsmanship rather than large scale manufacturing.

4 Wine in America

4.1 Introduction
Wine had historically been perceived as a highly sophisticated commodity. The drink was reserved for special occasions, toasts, and banquets. It was drinking for pleasure, a symbol of relaxation. Wine was also considered to be a highly refined beverage crafted in the sunny slopes of South France. Over time, wine has become a much more common beverage, no longer reserved for the highest classes and most expensive tastes. Smaller wineries have opened across the country, providing a variety of wine flavors and qualities.

4.2 History of Wine in America
Wine was introduced to California by Spanish missionaries on a quest to spread their religious doctrines across Baja California. Since then wine has come a long way in its evolution here in the Americas. From the Gold rush of the 1880s, when wine flourished with the influx of population shifting to California in search of gold, to the prohibition of early 1900s where wine was banned along with other alcoholic beverages, wine has seen huge volatility in its sales and production. California became a winemaking giant in 1976 when the wines from the Golden State beat French wines in the famous Judgement of Paris wine tasting competition. The California wines won in both the red
and white wine categories. With such major publicity, California wine production and consumption exploded. Over the last forty years, vineyard acreage has grown five hundred percent. The number of wineries increased by over one thousand percent, from just 227 wineries in 1966 to over 3400 in 2010.

### 4.3 Distribution Change

California wine production was booming in the 1970s until the adoption of the Franchise Laws. The Franchise laws had a major impact on the distribution of wine. The laws protected the wholesalers from being overpowered by the larger producers by ensuring equal bargaining power. There is one characteristic in franchise laws that made it extremely difficult for a producer to terminate a state wholesaler. This characteristic has forced suppliers to be careful in entering into any agreement because of the provisions included in the franchise laws. These provisions include verbal and “implied in fact” agreements that can only be broken by “good cause” for a producer or supplier to get out of a distribution relationship. However, “good cause” has been narrowly defined which leaves a lot of room for interpretation leaving wine producers with hefty financial penalty and as a consequence, in some cases, faced suspension or revocation of their permit to sell or distribute wine in certain states. Despite an increase in wineries since 1970, the quantity of wholesalers has dropped significantly due to restrictive contracts with their distributors which lead to a monopoly by the distributors. With restrictions on the possible distribution channels, it has become very difficult for small and upcoming wineries to create a branding for themselves especially since the distribution price tag is so high. The number of wholesalers has also seen significant decline due to the fact that most producers could not get out of contract with the more established distributors.
leading to distributor monopoly which in turn leads to saturation of market distributors because new entrants tend to not enter into this unfavorable market. As a result many wineries that were not producing premium wines have shut down leaving a narrow variety of wines in the market which is regarded as an unfavorable trait for any industry in the eyes of the millennials.\textsuperscript{18}

4.4 Demise of Wine, 1990s
Despite California’s dominance in wine competitions since the 1970s, the expectations surrounding the wine industry were greatly reduced throughout the 1990s. The success experienced by California vineyards was not felt by the majority of other vineyards across the US. Only the premium wine segment has experienced growth through the 1990s. The general wine industry growth was stunted by limited distribution channels. The sophistication of wine has also been lost on the Millennial generation. Another beverage has caught the next generation’s eyes.

5 Coffee in America

5.1 Introduction
Coffee had existed in America since the Colonial days, but it wasn’t until the latter part of the 1900’s that coffee grew into what it is today. Coffee has certainly had its share of ups and downs. With humble beginnings as the working man’s utilitarian daybreaker, coffee was black. Over time however, coffee became as complex and varietal as any other drink and was no longer reserved for morning jump starts.
5.2 History of Coffee in America

Coffee made its modern debut in America in 1966, when Alfred Peet opened the first Peet’s Coffee in Berkeley, CA. Peet, originally from Holland, brought with him his family’s traditions of deep roasting coffee beans for bolder coffee flavors. Peet’s innovations in coffee roasting earned him the title of being the grandfather of the specialty coffee industry. Peet was generous and passed on his methods of roasting beans to three friends, Jerry Baldwin, Zev Siegl, and Gordon Bowker. The three friends worked together over Christmas in 1971 to learn Peet’s methods. The trio opened their own store later that year using Peet’s store design as a base and his roasting methods as their own. The store was named Starbucks.

Coffee was brought into more homes than ever in 1972 with the advent of the first automatic drip home coffee maker, the Mr. Coffee, invented by Vincent Marotta. This was one of the most significant advances in coffee brewing in history. The design is still in use today. Simplistic and effective, the drip percolation system has yet to be beat for the average coffee brewer.

In 1984, the trio that started Starbucks purchased Peet’s Coffee. Howard Schultz, a previous drip coffee maker salesman and ex-Starbucks marketing director, returns to Starbucks in 1987 to purchase the Starbucks franchise for just under four million dollars. As their Director of Marketing, Schultz attempted to steer Starbucks’ owners towards selling brewed coffee in addition to the roasted beans. The trio of Starbucks owners balked at the idea. Schultz believed in his strategy so he started his own company and became wildly successful. He brought his success back to Starbucks in 1987 when he made the purchase.
In the 1990s, Starbucks opened a new store every business day. The Starbucks mantra was “2000 stores by 2000”, and they obliterated their goal. The growth continued into the 2000s.

5.3 Distribution Change
Coffee didn’t experience the same trials and tribulations associated with distribution that many other products do. When sealed properly, coffee beans have a substantial shelf life. The beans are simply bagged and shipped. No critical handling processes. No fragile containers. Just sacks of beans. No, the issue with specialty coffee distribution wasn’t in shipping, it was having the stores available for distribution and the right products to draw consumers to the stores. Specialty coffee’s upward momentum in distribution paralleled the increase in stores after Schultz commandeered Starbucks, which also paralleled the increased variety in products offered at the stores, namely the brewed coffees. More product offerings, more consumers, more stores, stronger distribution.

5.4 1990s Rise of Specialty Coffee
Specialty coffee sales grew exponentially in the 1990s. When Schultz brought brewed coffee to Starbucks in 1987, growth occurred immediately. But something else prominent happened in the 1990s, the internet. By bringing the internet into their stores, Starbucks created a new experience for the consumer. Now Starbucks had an additional service that had a negligible cost per customer but had a significant value to the customer. Internet service has had a historical cost of twenty to forty dollars per month. A customer could walk into Starbucks, buy a three-dollar latte, and use the free internet. The internet expense to Starbucks was less than pennies per customer, yet
each customer spent an average of five dollars on their goods. Both the consumer and store benefitted from this relationship. Schultz was wildly successful with his implementation of beverages in his stores and growth was linear. Once the internet became available in stores however, growth became exponential. The millennial generation was born during the rise of specialty coffee. Specialty coffees, WiFi, and the Starbucks logo go hand in hand. Coffee is a medium for conducting meetings, meeting new people, and doing late night homework. For the older generation, it was more of a morning tradition.

6 Beer in America

6.1 Introduction
Historically, beer has been considered the drink of the common man. The early perceptions of beer were that it was a medium for alcohol and served a purpose rather than being crafted and drank for taste and pleasure. The air of sophistication has always belonged to wine. Over the last few decades however, that perception has changed dramatically. Beer has morphed into a highly diversified product. No longer do the mega brewers such as Anheuser Busch own the market; production has shifted to smaller more innovative brewers such as Stone and Ballast Point.

6.2 History of Beer in America
Beginning with the most significant change for beer in America was the Prohibition, the 18th Amendment, which prohibited the sale of alcohol from 1919 to 1933. Shortly after the prohibition in 1942, the Small Brewers Committee and The Brewer’s Association of America began to assist in handling raw materials and supplies for brewers. It was
during this time, that American perception of beer had changed. During this time, the
majority of Americans who followed the law found alternatives to taste on. While smaller
population of Americans enjoyed drinking alcohol illegally, thru the use of speakeasies.
Craft beer from the 1950s-1970s was almost nonexistent due to the still established
local law restrictions for brewers, high barriers of entry due to cost, and distribution
constraints. In 1976, The Brewer’s Association helped create a tax differential for any
small breweries that brewed between 60,000 and 2,000,000 barrels per year. The
American Homebrewer’s Association was eventually founded in Boulder, CO in 1978.
This association helped contributed to craft beer industry by eliminating any local laws
still standing that prevented any brewers from starting their own business. The
legalization of home brewing was the spark that started the craft beer fire. With home
brewing now legal, homebrewers could begin to experiment with ingredients and
processes. This led to the first National Homebrew Competition, where home brewers
from all corners of the US came to showcase their unique recipes.
There were other notable changes in the American beer industry’s history. Some of
these events have been so significant it changed the perception of beer. One such
event was the post prohibition. Beer production was illegal due to the Volstead Act.¹
Even when the Volstead Act was repealed in 1933, there were still local prohibition laws
in effect and the overall perception of beer had become negative, deterring many home
brewers. From 1930 to 1950, only the largest brewers that mass produced were able to
adapt and grow, including Jos Schlitz and Anheuser Busch. Around 1950, Americans
were becoming more health conscious, leading to a drop in overall beer consumption.¹
Only the large brewers with economies of scale were able to survive this time,
producing mediocre products with zero innovation. Beer was essentially dead at this point, being viewed as a common product with no panache, and it was accepted as such. Consumer tastes favored the lifeless bland brew. And due to the prohibition and post end era of the prohibition, the majority of Americans preferred different tastes in drinks under common consumption, creating very difficult entry channels for small craft brewers. This is further supported in 1973, with the introduction of Miller’s new product, Miller Lite, containing less calories and less alcohol content than any other larger macro brewers at the time. The product proved to be a success because it matched American consumer preferences, and the other larger beer companies soon followed with their own liter beer products. Although this created a successful light beer market segment in the industry, this also paved the way for micro craft brewers in the country to create new premium brands such as ale and darker beer. As time moved on, American taste preferences began to gradually change allowing American brewers in 1980s to stand out among larger beer companies.

6.3 Craft Beer in the 1980’s
By the 1980s, saw the first notable changes in early craft beer pioneers. Early 1980s beer in America was “mass-produced commodity with little or no character, tradition or culture.” The early pioneers sought to change that. Early pioneers looked to create new differentiated products that would allow Americans to embrace a change from the lite beer market segment the larger beer companies had established. This proved to be very hard at the time as different tasting beer products could not overtake the much larger beer companies in the market. Advertising and marketing these products were also difficult due to local breweries being restricted due to their limitations in cost and
distribution. Although craft brewers mostly struggled during the 1980’s, it helped opened the market potential craft industries could have and later shown to be correct by the 2000’s.

The Great American Beer Festival was also launched at the Harvest House in Boulder, CO in 1982. The festival brought brewers from all over the country together for the first time. The festival also sparked a competition among domestic craft brewers bringing in new rivalries, but also different tastes. This healthy rivalry and competition only spurred on the diversification of the beer scene and also identify a culture in the United States for craft brewery. These craft brewers focused their products using Europeans traditions to blend their own American culture for beer. The festival is still continued annually and due to high demand and attendance, the festival was moved to the Colorado Convention Center by 2000 in order to meet the growing ticket sales.4 For those in attendance year after year, the evolution of beer styles and preferences can be readily witnessed.

As time went on, the perception of beer changed. Beer drinkers were becoming more interested in the unique flavors produced by smaller craft breweries and less interested in the ‘mega brewer’ offerings. In 2009, 595 American craft brewers had produced 9.1 million barrels of beer, representing 4.3% of the total US beer production by volume.

### 6.4 Distribution Change

Another significant change to the beer industry was the increasing methods of beer distribution. During the 50’s, 60’s, and 70’s, only the largest brewers could afford to ship their product anywhere beyond their own local doors.1 With an inability to ship, craft brewers were confined to their local distribution channels, stunting the growth of craft
beer. In order to reach more diverse product offerings, consumers would have to travel to the city of the brewery’s origin. However, this limitation on distribution was short lived. Transportation was being greatly improved via the construction of larger number of highways available. With more highways came more trucks. With more trucks came cheaper shipping costs. With cheaper shipping costs came more efficient distribution capabilities. Advances were also made to brewery’s storage facilities in the way of large scale refrigerators. The advances in refrigeration allowed breweries to store their beer longer until the distributors were ready to accept delivery, keeping the beer fresher for longer periods of time. With eases in distribution came leaps in beer variety available to the consumer. Improved distribution paved the way for the rise of craft beer in the 1990s.

6.5 1990’s Rise of Craft Beer
Craft beer was at its lowest in the 1980s, with only a handful of brewers crafting. The US was dominated by two beer segments, national and regional brewers. That changed in the 1990s when craft beer began to skyrocket. Steam Beer Brewery of San Francisco, CA was a regional brewer that facilitated the change towards craft beer. Steam initially marketed a poor tasting, poor selling beer. Out of necessity, Steam shifted its product offering to new flavors of beer using new ingredients such as European barley and whole hops. In order to maintain profits and competitiveness, Steam marketed their new product in the premium beer segment. Sales of the new beer took off exponentially, with other brewers taking notice and following suit. Ales, stouts, IPAs, and porters suddenly became the consumer preference. This change in preference was driven by the now educated ‘baby boomer’ generation. This
generation’s preferences in common goods was shifted more towards higher quality and enjoyment. The millennial generation grew up in the time that craft beer was making its rise. This generation also appreciated the innovations that craft beer showcased.

Even wine was affected by craft beer growth. Consumers were now more educated and demonstrated appreciation for both wine and beer as sophisticated beverages.

Currently for craft beer, a craft brewery in the United States opens on average 1 per day. The Association of Brewers and The Brewer’s Association of America eventually unified in 2005 to become the Brewer’s Association, representing the interest of all craft brewers in America. Today, there is a consistent increase in craft brewers guided by the Brewer’s Association. As more craft brewers opened, distribution has also changed.

Becoming a distribution partner for craft brewers now requires a much lowered cost to entry. Anyone knowledgeable and familiar with craft beer can find entering the beer market easier without experiencing past history constraints.

7 Product Comparisons

7.1 Introduction
Beer, wine, and coffee have all undergone significant changes throughout their respective histories. Each of these beverages has faced common issues such as distribution barriers as well as general perception of the product.

7.2 Historical Comparisons
Beer, wine, and coffee all have varying histories that influenced their evolution. For coffee and wine, legal issues posed the greatest threat to the industries. For wine the issue was heavy restrictions on distribution. For beer it was the age of prohibition and
non-legalization of brewing beer. Coffee faced no legal battles throughout its history, only a slow improvement in innovation of the roasting process.

Beer and wine also had major competitive events that spurred their evolutions. For beer it was the Great American Beer Festival. For wine it was the Judgement of Paris. Coffee isn’t a beverage that can simply be made at home, leading to fewer innovations. Coffee only has one ingredient, coffee beans. The lack of ingredients in coffee leads to fewer innovations, which doesn’t lend itself well to a competitive and differentiated environment.

7.3 Distribution Comparisons
Coffee, beer, and wine faced their respective distribution challenges. Specialty coffee was only carried in specialty coffee stores, which there weren’t many of until Schultz took a gamble and started selling brewed coffee in Starbucks stores. Once Starbucks began selling brewed coffee in stores, store growth boomed, putting a stop to the specialty coffee distribution issue. Wine faced franchising laws that restricted the distribution from wholesalers and locked wholesalers and distributors into contracts. These franchise laws eliminated some of the competitiveness to be had in the wine industry, slowing the growth of the industry and even causing a decline. Beer’s major distribution issue was that it was costly to ship goods from one place to another. Distribution was so costly that brewers simply couldn’t afford to ship their goods. Consumers had to travel to the city of the brewer to find their desired beers. Advances in highway systems and storage methods helped alleviate these distribution issues.
7.4 Evolution Comparisons
Wine, beer, and coffee evolved throughout history. Beer and coffee were historically perceived as more utilitarian drinks, crafted to serve a purpose. Wine was originally a drink of sophistication, enjoyment, and relaxation. Over history however, the perception of these beverages shifted. Where coffee and beer were once viewed as common man drinks, they evolved into highly diversified beverages that catered to much more refined tastes and preferences. Wine on the other hand devolved into a simpler commodity, with cheaper and less refined product offerings. An aspect of these changes in perception is the change in generations. From the Baby Boomers, Generation X, and Millennials, people have changed. Their tastes, perceptions, attitudes, and ideas have changed. As humans evolve, so will the commodities they consume. The younger generations are less about tradition and more about tangible benefit. Greater tangible benefit is perceived through greater selection of products. Coffee and beer have evolved along with the generations to become products offering high differentiation. The high differentiation allows individuals to select products that are more closely aligned with their preferences. Wine on the other hand still exists in two shades, red and white. A seasoned wine drinker would likely be quick to speak on the endless variety of wines, but it would take years to develop the ability to distinguish between the subtleties of each wine. Beer and coffee have easily discernable varieties that take zero experience to recognize. This also fits in with the expectations of instant gratification of the younger generations. In summary, the beverages have evolved with the consumers.
8 Current Status of Beer, Wine, and Coffee

Craft breweries generate over $4 billion in revenue across the US and many states are evaluating the economic impact craft breweries have. Many states are amending laws to eliminate any prohibition area restrictions that are still in effect and are also issuing grants to up and coming breweries. By 2015, Overall Beer market is totaled at $105.9 billion, while craft beer market has $22.3 billion. Craft beer has an increased dollars sales growth by 16%.\(^{10}\)

Wine is seeing significant decreases in bulk imports due to shrinking consumer demand for cheaper wines. Premium wines are seeing modest increases in sales despite an eight percent reduction in crop production. Overall wine sales growth in 2016 was around ten percent, down six percent from 2015. The overall interest in wine appears to be decreasing.\(^{19}\)

Coffee’s presence remains strong in the beverage industry, accounting for $12 billion in annual sales from independent specialty coffee shops alone. Specialty coffee sales are increasing by an average of twenty percent per year. With only a handful of cities beyond what is considered the National Saturation Line for coffee shops, about three coffee shops per 100000 residents, there is a lot of room for coffee to continue to grow across the US.\(^{22}\)

9 Conclusion

Craft beer has developed tremendously over the past several decades and is evidently revolutionizing the beer industry. We found that there are several factors that led to booming of craft beer industry over its rivals wine and coffee. Throughout the historical events we can see that there are major inflection points such as internet age as well as
cultural and economic shifts that have led to significant distribution changes which is the ultimate make or break for any industry. We determined our analysis based on set criteria that included early American history, distribution change, rise and fall of the industry during 1990s and used this information to compare and contrast the three beverage industries. We conclude that craft beer is on the rise and plays a major role in today’s economy by contributing billions in revenue directly from brewing and sales of craft beer and it has become every bit as sophisticated as its rivals coffee and wine.

Appendix A: References


# Appendix B: Timeline

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1933</td>
<td>End of the Alcohol Prohibition</td>
</tr>
<tr>
<td>1942</td>
<td>Small Brewers Committee and The Brewers Association assist with craft beer supply management.</td>
</tr>
<tr>
<td>1966</td>
<td>Peet's Coffee Founded</td>
</tr>
<tr>
<td>1970</td>
<td>Wine Franchise Laws Implemented</td>
</tr>
<tr>
<td>1971</td>
<td>First Starbucks Opened</td>
</tr>
<tr>
<td>1972</td>
<td>Automatic Drip Coffee Maker</td>
</tr>
<tr>
<td>1973</td>
<td>Miller introduces new product with less calories and alcohol, Miller Lite</td>
</tr>
<tr>
<td>1978</td>
<td>The Homebrewer's Association Founded In Boulder, CO, Pushed The Legalization Of Home Brewing</td>
</tr>
<tr>
<td>1982</td>
<td>The Great American Beer Festival Launched</td>
</tr>
<tr>
<td>1987</td>
<td>Schultz Purchases Starbucks, Starbucks Sells Beverages</td>
</tr>
<tr>
<td>1990</td>
<td>Wine Begins Downfall</td>
</tr>
<tr>
<td>1995</td>
<td>Internet Evolves. Coffee Shops Boom</td>
</tr>
<tr>
<td>2005</td>
<td>The Association of Brewers merges with The Brewer's Association</td>
</tr>
<tr>
<td>2009</td>
<td>595 American craft brewers represented 4.3% of the total US beer production by volume</td>
</tr>
<tr>
<td>2015</td>
<td>Craft beer market at $22.3 billion</td>
</tr>
<tr>
<td>2016</td>
<td>Specialty Coffee Continues To Grow by 20% Annually, Craft Beer Represents Over $4 Billion In Revenue, Wine Sales Still Growing, But At Decreasing Rate</td>
</tr>
</tbody>
</table>