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**An exploratory investigation of the effects of craft beers and
the impact of the Kraft movement on beer consumption in Hungary**

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I Akos Borza declare it, that the dissertation hereby submitted in partial fulfilment of the requirements for the degree of Bachelor of Arts in Catering and Hotel Management at the Budapest Business School has not previously been submitted by me for a degree at this or any other institution. This thesis and the work presented in it are my own and have been generated by me as the result of my own original research; it is my work in design and in execution, and that all material contained therein has been duly acknowledged. I understand that my thesis may be made available to the public.

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1. Introduction

1.1. Topic

In recent years, there has been an increasing interest in craft beer brewing in Hungary, as well as globally. A new generation of beer drinkers emerged with time, who are more focused on characteristics of a given beverage, such as uniqueness, flavor and high-quality ingredients (Carvalho, Minim, Nascimento, Ferreira, and Minim, 2018). Smaller craft breweries and micro-breweries are managing to utilize these new trends and preferences so well, that the success of craft beer is a worldwide phenomenon, however with relatively few factual data from different pieces of research. Hungary was traditionally never considered a country famous for its beer, or brewing history. Recent studies show that three large-scale breweries have been dominating the Hungarian beer industry in the last decades, relatively without competition due to high entry costs of the market. As a result of new regulations, and the end of the economic crisis, the number of entries to the market regarding small-scale and microbreweries have been growing steadily, meanwhile, the exits have been decreasing. The new-wave of craft breweries effectively exploit the latest trends in beer consumption, mainly targeting the younger generation of beer consumers through different events and social media advertising (Fertő, Fogarasi, Major, and Podruzsik, 2018). In 2016, a few like-minded microbreweries agreed that the Hungarian synonym for artisan products have become so trivial and worn-out, that it does not offer enough orientation for the customers. They decided to create and register the trademark: “kraft sör” – kraft beer in Hungarian. The purpose of the Kraft Association is to provide a guarantee of quality through the trademark for the consumers. The usage of the “kraft” marking is allowed solely to the members of the association, which is possible only through passing a strict qualification system.

1.2. Aim

The aim of the dissertation is to investigate the impact of the popularity of craft beers and the Kraft Movement within that, on beer drinking habits in Hungary. The success of craft beers is observable both in terms of commercial distribution and catering, especially in the capital, Budapest. More and more pubs and bars are opened whose main focus is exclusively on craft beer, furthermore already established catering units are adding the different products of the Hungarian microbreweries to their permanent menu. One after the other, stores and web shops are also opened, who elect to sell uniquely craft beer, concentrating on the Hungarian brewery scene. They are managing to exploit an unexpectedly immense layer of consumers with noticeable progress. The purpose of this study is to determine the key factors behind the motivation to consume more expensive and less known and less trusted brews, instead of well-established companies' habitual and familiar, moreover considerably cheaper products. The objectives of the research are to detect concrete and definable elements that lead to generating demand for new types of brewing methods, unique ingredients, and extravagant unexplored and exotic flavors. Within the topic of the Hungarian craft beer scene, the paper also wishes to identify the desire for high quality, in relation to production standards and techniques, in the aspect of the Kraft Association and their members' supply. The research question of the dissertation is: "Which are the major factors that generate demand for craft beer as opposed to commercial beer consumption in the case investigated?" The proposed hypotheses are the following:

- H1: The popularity of craft beers are growing because they generally have better taste.
- H2: The demand for more special and uniquely flavored beer can be originated to the change of the new generation of beer drinkers' ideology, comprehension, and personal values.
- H3: Beer consumers have more disposable income to spend or they prefer spending a larger proportion of their income on beer.

In the following sections of the dissertation, earlier, relevant studies and data will be analyzed. The data collection methods will be described in details. The results of the research will be presented in both written and graphic form. Implications and

analogies will be drawn based on the results. In the end, the dissertation will be summarized and limitations and possibilities for future research will be examined.

1.3. Literature review

According to earlier research (Cabras, Higgins, and Preece, 2016), a country, where the population's most consumed alcoholic beverage makes up at least 50%, can be labeled as, for example in case if it is beer, a "beer drinking nation". From 1960-2007, data was collected to create the global picture of preferred alcohol consumption. Generally, Countries of North, Middle and the northern half of South America, the northern half of Western Europe and Central Africa could be considered "beer drinking nations" meanwhile the rest of the World could be recognized as either wine or spirit drinking nations. By 2007, it was diagnosed, that overall beer consumption had increased, however in case of "heavy beer drinking nations", where beer consumption was above 90% compared to other types of alcoholic drinks, it decreased due to the diversification of consumption. This phenomenon can be spotted throughout the whole world, as each region's dominant drink is losing from its relative popularity or have even lost its lead already.

As reported by statistics, absolute consumption had increased in all kinds of alcoholic beverage, and in case of beer, per capita consumption had doubled, total consumption had nearly quadrupled. The success of beer can further be stated with data indicating several spirits and wine drinking nations becoming beer drinking nations, yet all the original beer drinking nations remained so. Examining this topic further, they found three important changes: firstly, in each region of the globe, absolute beer consumption had increased, Asia Pacific becoming the largest consumer. Secondly, regarding per capita consumption, all numbers had moved upwards, except Australasia's. Thirdly, there is a possible convergence in the patterns of consumption. If we split the proportional alcoholic beverage consumption in half at 50% with the data from 1960, by 2007 both of the two groups' members had moved closer to each other, signaling the growing interest in other types of alcoholic drinks.

Data indicate a rise in total alcoholic beverage expenditure between 1990 and 2011. As an explanation, they mention inflation, a sudden surge in import, an increase in the amount consumed or a combination of these factors. A characteristic of mature markets is that they will most probably stagnate in regard to the volume of consumption, moreover, consumers tend to choose quality over quantity resulting in a trend called “premiumization”, which means altogether people will pay more and drink less. In an emerging market “economization” is the prevalent event, which means the opposite as premiumization. Consumers want the largest amount possible for the least amount of money. The two trends, however, can possibly appear, parallel to each other on the same market at the same time, as they are not mutually exclusive. A feasible scenario for this example would be a market with multiple notably different consumer groups. On the occurrence of decline in the economy, consumers tend to spend less leading to increased polarization between segments. Consumers choose low-cost beers for frequent consumption, and choose expensive premium beers on special occasions, skipping the middle section. In addition, the maturity of the market seems to affect consumption patterns also. In case of increased disposable income, spirits are substituted for beer, and beer is partially swapped for wine. Even though total consumer expenditure has increased in the time investigated, proportionally consumers spend a smaller amount of their disposable income on these beverages.

The location of beer consumption depends on two main legislative restrictions, based on consumption and distribution which vary among countries. As a result, different countries have different preferences about the spot to consume beer. Among other factors, such as urbanization, disposable income, or climate condition, the point of sale seems to be the deciding variable. Between on-trade and off-trade sales, data indicates considerable deviation, more precisely, off-trade purchased beer will either be consumed later in a private area or at a public event, on-trade purchased beer will be consumed on the spot, in the given catering unit. Statistics show, that off-trade sales between 1997 and 2007, are above 50% at all regions researched. In Western Europe, where on-site consumption is the most popular among the examined regions, the proportion increased from 50% to 60%. This effect is thought to be caused by several reasons, for instance: government regulations and campaigns, social trends, and

downturns in the economy. The low-density of the population, in countries such as Australia or New Zealand, might explain the fact that these areas possess some of the highest percentages of off-trade sales, with 80% and 70% respectively. Although citizens in these countries mostly live in urban areas, the source of these numbers might be related to other location affecting factors, including cultural preferences, lack of pub culture, and price differentials between on-trade and off-trade consumption.

The investigation of preference related to the types of beer was concluded by establishing four categories: “lagers, dark beers, stouts and low/non-alcoholic beers”. Lagers are differentiated by place of production whether being imported or domestic and by price segment, in which they can be categorized “premium, standard or economy”. Within dark beers, they include, “ales, bitters, wheat, and sorghum beers”. Stouts which also contain porters are the darkest beers. The final group is the low/non-alcoholic beers, which could involve both lagers, ales and wheat beers as long as their alcohol content is below 1.2% ABV. As reported by the study, from 1997 to 2015 the off-trade beer consumption figures are dominated by lagers throughout all regions examined, and this status is expected to be kept in the near future as well. On the other hand, in case of the rest of the beer categories, signs of diversification have started to show, and it is expected to continue in different regions of the world, to varying extent. Tastes tend to fluctuate in regions such as Western Europe, Australasia, Africa or the Middle East compared to the average of other regions. Data indicate, that proportional consumption of dark beers, stouts, and low/non-alcoholic beers are quite significant. In Western Europe, the Middle East and Africa, the popularity of dark beer is unquestionable. In spite of the success of lagers from the 19th century, historically Western European countries have always been famous for their traditional dark beer breweries, for example, Belgium or the United Kingdom, which clarifies the reason behind the demand for a broader range of beers. The renaissance of beers from microbreweries and abbeys also enriches the palette of available choices for the consumers. The vogue of dark beer in the Middle East and Africa is attributed to the popularity of sorghum. Low/non-alcoholic beer consumption is also on the rise in the Middle East, Africa, and Australia, which is explained by religious constraints and health risk issues among other concerns. Due to numerous reasons, lagers have always

been the favorite type of beer in regions such as the American continents and Eastern Europe. The legacy of anti-alcohol intoxication movements and the alcohol prohibition in North America led the population to be accustomed to sweet, non-alcoholic soft drinks. Breweries leaned towards producing lighter and sweeter beers due to the lack of appetite for bitter tastes from consumers. However, from the 1970s, the craft beer movement along with the rising popularity of low/non-alcoholic beers caused a significant decrease in lager consumption. Starting from the end of the 1990s the trend became more and more apparent. Although the popularity growth of different types of brews, including craft beer, compared to lagers may be obvious in the cases of Western Europe or North America, on a global scale, lager is still absolutely the most popular beer, moreover with an increasing margin, thanks to its success in the single most immensely populated region, Asia Pacific. In the case of Eastern Europe and Hungary within that, to which this paper focuses on, the same case of diversification can be observed as in the aforementioned western regions. Joining the European Union, international market mergers and “premiumization” after the financial crisis are all suspected to be causes behind the open-mindedness and interest about new types of beer, along with craft beers in a traditionally “lager-drinking region”, in the last decade. This investigation seeks to elaborate further on the motivation behind consuming new types of craft beer in Hungary.

Between 1990 and 2000 the number of small-scale breweries had significantly increased (Fertő, Major, Podruzsik and Fogarasi, 2016). The privatization of the beer industry, along with unfavorable market conditions, led to the conquest of multinational firms, which influenced the small-scale breweries’ chances of survival negatively. The number of small-scale breweries has further decreased until the economic crisis. The Hungarian beer industry remained strongly concentrated sector, which is dominated by the three largest companies in the country. In recent years, after the crisis and after new regulations in the industry, the number of small-scale and microbreweries has started to grow once again. Econometric analysis suggests that the size of a firm has a non-linear effect on the breweries’ chances of survival, while other business-specific characteristics, such as the age of the firm and exporting have no influence on survival probability. From features of the sector, industry growth,

concentration and intensity of entries seem to take part in the survival of the smaller breweries. Somewhat surprisingly, the economic crisis had no effect on these breweries' survival. The study claims, that further investigation is necessary to understand the motivation and behavior of the small-scale and microbreweries. This investigation aims to elaborate on this topic as well.

The growth of the craft beer market and the trend of the large brewing companies producing new, various types of beers signals an increase in interest towards craft beers (Murray and O'Neill, 2012). The fact of targeting a niche market offers equal ground to small-scale independent breweries compared to multinational companies with far greater resources, presence, advertisement, and overall budget. The typical answer to large-scale economic standardization and consolidation is the need for differentiation and specialized, interesting products. The increasing presence and market share of artisan products, for example, cheese, pastry, or coffee prove that the concept of customization is widespread and in demand.

In regards to craft beer, alongside uniqueness, expertise in brewing, product quality, and reputation are recognized as key resources (Duarte Alonso, Bressan and Sakellarios, 2016). Interest and demand are growing for craft brews, and the possibility of export is another advantage. On the contrary, barriers, for instance, the lack of financial resources or marketing tools might diminish the increase which is achievable. The beer industry's saturation and competition caused by that would be an additional threat. Recognition of key resources is vital to reach sustainability for a longer time period. The results implied are both critical in relation to the market and consumers as well as the circumstances of governmental rules and regulations.

Breweries seem to appreciate access to distribution greatly, as there is a correlation between the absolute number of craft breweries, and both on-trade sales and self-distribution (Malone and Lusk, 2016). Data suggests, that the operation of large-scale breweries are more restricted with governmental legislation and tax burdens, meanwhile the small-scale and microbreweries' concern is access to distribution, also consumer protection policies might also restrict craft beer entrepreneurial activities. Allowing small-scale breweries to sell their products directly to the consumers is crucial for the spread of craft brews. Geographically, an undeniable fact is, that

generally not beer-drinking nations experience a more intense surge in their respective domestic craft beer scene, caused by various reasons and motivation, which will be addressed later in the study. In countries, such as Italy or Spain the process of change has been very similar to the Hungarian patterns.

Diving deeper into the geographical aspect of the craft beer revolution, as mentioned before, Italy experienced the appearance of a new sector within an old beer industry, the growth of microbreweries (Esposti, Fastigi and Viganò, 2017). The aggregations of small and microbreweries with distinctive specialization areas led to an emphasis on the geographical situation. Yet, spatial factors, according to data, are widely overemphasized, subject to craft beers. Other than the very creation of a craft brewery, local factors have no influence on its functioning. A few exceptions would be, for example, regions with high turnover rates due to over-congestion of competing breweries, or areas where undeveloped “beer culture” guarantees a disadvantageous market condition. Unexpectedly, in a growing market, idiosyncrasy and features of the microbreweries are the major influences. Product diversification is the key to success in the case of microbreweries, proved by high entry and low exit rates. The recent legislation further aided the craft beer scene with favorable operating conditions. The difference in beer types produced compared to industrial brews is the greatest virtue of microbreweries. A potential cause of a downfall could be the small scale of production capability, while large-scale breweries create their own “specialty beers” to compete or purchase already established craft breweries for themselves, as in case of the craft beer market of the USA or the UK. Areas to develop should include, the size and efficiency of microbreweries as well as the price of craft beer compared to the European standards.

Patterns of mutual preferences and interests on a cross-cultural scale have been confirmed, however, certain particular trends are attributed to a single country or region, which need to be managed locally (Donadini, Fumi, Kordialik-Bogacka, Maggi, Lambri and Sckokai, 2016). Sensory perception across countries, for specialty beers is also affected by gender-specific preferences to a varying degree. These characteristics need to be accommodated to reach international and domestic success simultaneously. Choosing between specialization to craft beer or standardization seems

to be a flexible choice in the current, globalized European beer market. Based on territorial distinctions and differences in the specific target markets, breweries should utilize combinations of approaches to maximize their potential sales.

From the consumers' point of view, the probability of trying craft beer is influenced by consumption habits, demographic features and attributes related to beer (Aquilani, Laureti, Poponi and Secondi, 2015). Consumers who experiment with craft beer are generally frequent beer drinkers, who opposed to draft beer, prefer draft beer from the tap and also consume industrial beer often. The demand for higher priced, premium products in both industrial beer and small-scale brewed beer might indicate the emergence of a new generation of conscious consumers. The differences between consumers who have tasted craft beer already and consumers who only have drunk commercial beer before are certainly apparent. Consumers who had experiences with craft beer, appreciate and search for tastes, quality, and materials more than consumers who only drink products from large-scale breweries. The additional features in craft beer compared to traditional beer results in an impression of superiority in terms of quality, owned by the small-scale brews.

Additional research also confirmed that craft beer consumers prefer craft beer, for the reason of exploring new, specially flavored, high-quality brews (Carvalho, Minim, Nascimento, Ferreira, and Minim, 2018). The change of consumer customs is suspected to be connected to the aforementioned preferences. Given, that craft beer has a higher consumer price than traditional beer, consumers with higher income, schooling, and age are considerably more attractive part of the market. Newly founded breweries should take into consideration elements, such as important attributes upon the purchase of craft beer, consumption motivation factors, hindering factors related to craft beer consumption, location, and frequency of consumption. To increase the popularity, breweries should create new types of beer and use diverse advertising tools, such as active communication to generate consumer curiosity.

To elaborate further on the topic of drinking experience, previous research has examined dimensions, such as cognitive, affective and sensory (Gómez-Corona, Chollet, Escalona-Buendía, Valentin, 2017). Upon tasting different beer, the differences can be expressed through the mix of the three main dimensions to better

understand the base of consumer preference. A correlation is found to exist between the comprehension of both food and beverages. Taking these data into account might help beer producers to create brews that satisfy consumers.

The perceived value of certain consumer interest influencing attributes is found to be substantially important (Donadini and Porretta, 2017). The technology used by breweries and the type of container is highly important according to consumers. On the contrary, the least important factors for consumers are the brewery location and the equipment of the brewhouse. Consumers seem to prefer craft beer from a glass bottle, or kegs made of stainless steel, whereas PET Kegs and aluminum can dissuade customers. The attributed level of importance in case of craft beer features are also found to be correlating between males and females. Based on preferences like these, craft beer brewers are able to produce the best possible brews in a short period of time, furthermore, they are able to identify preferred marketing channels and ideal consumers prices. The change of approach made by craft breweries unequivocally reformed the standards, and altered the consumers demands, compelling large-scale breweries to reimagine and reorganize their strategies in order to keep pace with craft beer. The production of industrial, specialty beer that resembles craft beer, might be a feasible solution in the competition. In times where large-scale breweries purchase the small-scale breweries in order to maintain their market share, it is doubtful whether craft beer will be identically attractive for consumers without actually being produced by small, local craft breweries. The importance of factors, such as age, residence or financial status is also emphasized by this study as well. The paper indicates the necessity for further research regarding, gender-specific preferences and the comparison of age groups such as Generation X and the Millennials, which the dissertation aims to find relevant data.

2. Methods

2.1. Data collection

To realize the investigation, two kinds of primary research techniques were used. The base of the study is the qualitative research. This type of research was chosen, because of its advantages compared to a quantitative research method in the case of this paper. Qualitative research allows grasping more detailed and nuanced pieces of relevant information, also it enables to deduct more precise data, which is quintessential in finding personal reasons for motivation, and demand to consume different types of beer. Moreover, rather being restrained in an already-set, inflexible data collection method, the flow of the research can be altered and shifted based on the circumstances to ensure the most prosperous outcome possible. Since the study is focusing on human perception and preference, it is logical to utilize the same approach to collect data. Human experience can be described by other human experiences the best, instead of preset options to choose from. The concept of instinctual decision can be described well this way. Qualitative research also makes it possible analyze different kinds perceptions from different people to the same question, resulting in a unique, human value added to the gathered data. The possibility of receiving an emotional response, other than superficial and generic variants is another benefit of the method, resulting in a more personal outcome. Through the given opportunity to creatively express an opinion, data become more authentic and accurate. Two in-depth interviews were arranged, with significant deliberation behind them to select the best available interviewees possible. The thought process behind the selection was first, the interview subjects have to be working in a field which is directly connected to craft beer. Secondly, their job and position in the beer market have to be different in certain ways but comparable to each other in other ways. This is important because the low number of interviewees might offer limited information to collect if their features and position on the market are the same. However, they all had to have a common denominator, which in this case is the sales of Hungarian craft beer. The most plausible source of information are the craft breweries themselves. The chosen brewery was Horizont Brewing. It was essential for the study, to question a representative from a brewery like

this, considering their successful operation in the past years, and the fact of them being one of the founders of the Kraft Association. Horizont was contacted by phone, and an interview was organized with the Co-founder and General Manager of the company, Mr. m Dudok. There was a plan to also interview a representative of the Kraft Association, however, it was unnecessary to approach another person since Mr. Dudok is the contact for them also. As mentioned previously, it was essential to receive relevant information from a different source and point of view, outside of the circles of manufacture. To accomplish this goal, one of the biggest on/offline beer shops in Hungary, Beerselction Ltd. was asked and agreed about the conduction of an interview. Beerselction also provides the possibility to consume the purchased products within their store, in a designated “pub area” with an addition of a small number of available taps to provide draft beers too, making them a pseudo-pub in a good sense. This feature might shade further the importance of differences between on-trade and off-trade beer consumption (Cabras, Higgins, and Preece, 2016). The interview was implemented with the founder and owner of the firm, Mr. Gbor Szll.

The heart of the qualitative research and the interviews are its questions. The questions were fabricated with the help of the information derived from the literature review, and the objectives of this investigation. The majority of the questions focus on the different aspects of the study’s research question: “*Which are the major factors that generate demand for craft beer as opposed to commercial beer consumption in the case investigated?*” Supporting questions were adopted as well to help to establish the ground for the focus of the research, and to evaluate their meaning and consequences for the future. One of the aforementioned advantages of the qualitative research is the opportunity to react and reflect in real-time to the answers given, this chance was exploited too. A sound-recording was made of both interviews, with the consent of both interviewees, in order to preserve their whole, unchanged and unaltered responses.

2.2. Interview 1 – Horizont Brewing

The first interview was recorded on the 10th of April, 2018., with Mr. Dudok of Horizont Brewing. It took place at, 1106 Budapest, Maglódi út 47., in the Főzdepark – “Brewery Park” in Hungarian – the home of other prevalent, Budapest based craft breweries and members of the Kraft Association, such as Monyo Brewing Co., HopTop Brewery, and Mad Scientist.

The first question was: “When and how was the brewery established?” This question serves an appropriate initiation to the interview and sets the base for the topic by information about the start of the brewery. The next question inquires about the purposes upon establishment. The study wants to know more behind the motivation of creating a craft brewery. To understand the consumers’ motivation, we have to understand the manufacturers’ motivation first. The purpose of entering a new, niche market is the opportunity to exploit newer demands. Since the topic of this research is about the demand for craft beers, the given answer might provide a useful impression. Thirdly, the interviewee was asked about initial hardships. The expected main problems were financial and legal related, as they were diagnosed as primary obstacles in several previous studies, both in the Hungarian scene and globally as well (Fertő, Major, Podruzsik and Fogarasi, 2016) (Duarte Alonso, Bressan, and Sakellarios, 2016) (Malone and Lusk, 2016) (Esposti, Fastigi, and Viganò, 2017). The next query, somewhat similar to the second one, would like to find out about the specific motivation behind brewing craft beer. The expectation is that here, the love for artisan products, advantages, and personal preferences from the producer are stated. Passing on, the investigation is curious about the philosophy of the brewery. As the basic pieces of information and motivations were settled, the general vision is hoped to be heard about. This may range from, the intention to solely make the maximum amount of money, through experimenting with the newest technologies of beer brewing, to fulfill a dream of revamping the beer industry with the appliance of craft beer standards. Naturally, the premised examples are exaggerated and presume one, exclusive focus point, however, in reality, the truth is suspected to contain multiple elements, resulting

in a variable mixture of purposes. Next up, Mr. Dudok is asked about his thoughts on the Hungarian beer scene, and the degree of its recent change. These joint questions are the first ones that wish to oppose the industrially produced beer, with brews from small-scale and microbreweries. As from a representative a small craft brewery, it is expected to hear about the spread of craft beer in the Hungarian market. The consumers' point of view might also be mentioned, as of course, they are the primary influencers of market changes. Diving deeper, into the field of craft beer, circumstances of the creation of the Kraft Association were asked as well. Besides the extended purposes, previously mentioned in the introduction, the paper would like to offer a detailed reasoning behind the necessity of separation from general artisan products, including beer. From the results, it is expected to be found out how influential is the Kraft movement in the mind of a regular beer consumer, and also a craft beer consumer. The following question would like to recognize the target market of Horizont Brewing. The dissertation wishes to present data which is applicable to most of the craft breweries, yet this data might be skewed, due to the fact of only receiving information from one source and the diverse supplies from other craft breweries, who might have similar amount of sales, but directed to a partially different layer of consumers. On the contrary, Horizont Brewing does not belong to the group of breweries with extremist and strange supply which might only appeal to a narrow part of consumers, they strive to be well-rounded, so the acquired data will probably be useful in a broader sense, examining craft beer. The common expectation regarding the target market is, that they are mainly the younger generation of beer drinkers, predominantly people between the age of 21-30 (Carvalho, Minim, Nascimento, Ferreira, and Minim, 2018). The next question asked, was about the reason behind the relatively high consumer prices compared to industrial beer products, which is the first instance of learning information correlated to Hypothesis 3 (regarding the financial ability of craft beer consumption) as opposed to the prior questions, which were mostly concentrating on Hypothesis 1 (taste perception) and Hypothesis 2 (the individual perception and comprehension of the newer generation of beer drinkers and its change). The price is an absolutely critical part of any product in a given market, craft beer is no different. Furthermore, craft beer is universally more expensive for various reasons. This part of the interview planned

to shed light on the causes of this fact. Going on, the General Manager was asked about the relationship between the consumers and the brewery. In case of small-scale, micro or even gypsy breweries (guerilla brewery in the Hungarian beer industry jargon) we might assume that they can maintain a more intimate connection to the consumers counter to large-scale breweries, however they do not have the same financial resources to be able to advertise on an international or even nation-wide level. Here, the true nature of the relationship is desired to be heard from. The following query is connected to the previous three questions and would like to know about the possible methods of introduction and advertisement of the produced beer to the consumers. With limited resources available for craft beer breweries, (Fertő, Major, Podruzsik and Fogarasi, 2016) (Duarte Alonso, Bressan and Sakellarios, 2016) are utilizing alternative ways of generating popularity (Fertő, Fogarasi, Major and Podruzsik, 2018). The exact methods were determined by the interview. The next question took a direct approach related to Hypothesis 1 and Hypothesis 2, inquiring about, what makes a brew successful. In this part, in the same fashion as in the whole study, the aim is to find the personal, intrinsic reasons that consumers may possess. The importance of this question is immense as the reply might correspond, with fundamental elements of the case investigated. Creating new brews based on trends or on the success of the types of older products are suspected to be essential. Moving on, Mr. Dudok is asked about another comparison, herewith the advantages of a craft beer brewery in contrast to industrial brewing from the consumers point of view. The emergence of craft beers certainly indicate the existence of advantages, which are responsible for the significant number of consumer switching their preference towards craft beer. Earlier studies suggest that higher prices are associated with higher quality perception, (Aquilani, Laureti, Poconi and Secondi, 2015) and uniqueness is searched for, characterized by positive emotions in case of complex craft beer. (Cardello, Pineau, Paisley, Roigard, Chheang, Guo, Hedderley, and Jaeger, 2016). The exclusive characteristics of the Hungarian market are to be determined in this section. The upcoming query is nearly identical to the research question, namely the reason behind the increased demand for specialty and craft beer, capitalizing the benefit of the qualitative research method. Answers are expected to be in a narrowed down sense but indicative about the alteration of demands.

Hypothesis 2 is suspected to be either strongly supported or countered here. Considering the fact, that large-scale breweries are introducing their own new wave, specialty beers, reacting to the on-going beer revolution it is possible that they will own a similarly broad range of product palette. The Manager is asked whether it will be possible to coexist if this eventually happens. The implementation of specialty beers has already started within the circles of dominating, large-scale breweries of the Hungarian beer industry. In the case of a traditionally price-sensitive nation's consumers, the outcome is difficult to foresee. The insight of a professional is definitely required. The following question is loosely connected to the previous one, asking, how demand can be maintained for craft beer, slightly implying the possibility of a temporal fashion being the cause of the popularity in recent times. However the craft beer revolution has been on and growing ever since its start in the 1970s, in the United States, (Cabras, Higgins, and Preece, 2016) it might be safe to assume that global trends are applicable to Hungary too. The next query is wonders about the future, as how does it look like for small-scale and microbreweries in Hungary. Legal changes after the financial crisis created a market situation more optimal than ever for the smaller breweries in the country (Fertő, Major, Podruzsik and Fogarasi, 2016). The uncertainty of this phenomenon lies in the likelihood of sustainability or even enhancement of the current state of craft beer in Hungary. Certain actions, for instance the establishment of the Kraft Association may suggest a positive vision of the future. To conclude the interview about Horizont Brewing, the last question asked about areas the brewery wishes to improve on, following up on the prior question, but in more direct way, inquiring in the specific case of a craft brewery. Naturally the most obvious area to improve on is suspected to be the spread of craft beer nationwide. The manner of spreading and other ways of progressing is to be determined by Mr. Dudok.

2.3. Interview 1 – Kraft Association

The original plan for research through the interviews was to discuss with a representative of the Kraft Association as well. The contact for the association, however, was the same as for Horizont Brewing. Mr. Dudok is also responsible for the operations of the Kraft Association, which is no surprise, given that he is the General Manager of one of the founding four breweries. The second part of the interview was held right after the first one, this time about the operation of the association. Since the inception of establishing the movement was already discussed earlier, the first question was about the aim of the association. This time the purpose was, to introduce the idea from a collective point of view instead of only one brewery. The second question was about the reason it was necessary to separate from the “artisan” attribute. The popularity of artisan products such as coffee, cheese or pastry, increased recently proving that the concept of customization is demanded (Murray and O'Neill, 2012). Although, now members of the association chose to separate themselves. These are the areas expected to be answered in this section. The next query is curious about the significance of the “Kraft” marking from both vocational and the consumers’ point of view. The paper would like to know more about the meaning of the brand within the craft beer industry and about what it represents for participants of the business, moreover, what are its implications towards customers. Moving on, the next question is for to find out, whether, craft beer equipped with the Kraft emblem has larger demand because of that. Following up on the previous thought, data is sought around the already achieved degree of success. The existence and nature of this success are to be described in the results. The following query would like to find out about the possible methods to propagate the Kraft approach more extensively. To further elaborate, ways to spread and advertise are expected to appear here, furthermore the possible changes required for the continuing growth. The next question asks the manager about his remarks of the Kraft Association, in regards to its fulfillment of hopes and aims expected. A few thoughts are expected about the movement, which might be significant in the direction necessary to take to further develop the Hungarian craft beer culture and consumers’ demand for quality. The final question of the interview is looking to the plans for the future of Kraft beer in either Hungary or on a global scale. The answer is expected to

be a personal belief based on trends, for both domestic consumption and also international as several craft breweries already started to export their supply.

2.4. Interview 2 – Beersélection Ltd.

The second interview was recorded on the 12th of April, 2018., with Mr. Széll of Beersélection Ltd. It took place in downtown Budapest, József krt. 22-24, 1085, in the shop of Beersélection. This area of the capital is somewhat famous for its craft beer related establishments, for example, other than Beersélection, there are two other pubs in the near proximity, focusing on specialty and craft beer, namely Krak'n Town and Rizmajer Beerhouse. Starting from the beginnings, The first question was asked about when and how was the store created. As a general initiation, the owner is asked about the circumstances upon creating Beersélection, and the first steps taken in the Hungarian beer market. Following up, the next question is about the purpose of the shop. As Beersélection is one of the biggest beer shops in Hungary, the research is eager to find out more about the motivation to start retailing. Here it would be appreciated to hear about the aims prior to creating the firm. Next up, it was asked, why are the quality, small-scale produced, craft beer is the focus of the shop. There is very little competition of stores, exclusively focusing on the resale of specialty and craft beer. This might be caused by relatively low demand, however, new craft beer shops are opening one after the other, which may indicate that the low number of already existing shops is only a temporary condition, given the youth of the craft beer revolution. The answer is expected to be along the lines of these aforementioned thoughts. The following pair of questions are in direct correlation with all of the hypotheses, but particularly with hypothesis 2. These two questions ask about Mr. Széll's opinion about the Hungarian beer scene and its change in recent times. This exact question was already asked from the representative of Horizont Brewing, and another answer from a different point of view and participant of the beer market will provide notably useful, additional information, which can be directly compared in the results section of the dissertation. The next question is also returning from the Horizont discussion nearly identically, inquiring about the reason for high demand for specialty

and craft beer. Again, the opinion of a second professional from the craft beer industry is greatly appreciated and analogies are attainable. The next query is similar to the previous question, however this time it was put in a financial aspect to facilitate the research finding relevant data for Hypothesis 3 also. It asked about what makes craft beer successful, despite the relatively high consumer prices. There is a reason or several, that allows craft beer to be desirable counter to its price, and the paper seeks to find it here. Moving on, The CEO is asked about his opinion of the Kraft movement, with an addition of a couple of follow-up questions asking how important or progressive does he think the movement is and how does it influence the Hungarian craft beer culture. It is expected to be of significant value to collect reflections from one of the interviewees about the other ones work, especially in the current case where one's work directly influences the other. The next query is curious about the consumer trends that can be noticed on craft beer market. This is an ideal question to ask a craft beer market participant, who is concerned with as many brands and type of brews as possible. They have direct access to consumer preferences, which they are able to profit from. For these reasons, Beersselection is expected to be a reliable source to investigate meaningful trends. Following up on the thought from the previous question, it was asked, what makes a certain craft beer successful on the Hungarian market. Based on trends noticed, characteristics of a given brew is searched for, what makes the difference for consumers upon the decision of the product purchased. To conclude the interview, Mr. Széll was asked to share his thoughts about what might the future hold for the domestic beer scene. The data found is expected to correlate with the data acquired from Horizont Brewing, but might be presented in a different manner caused by the discrepancy of their market position.

2.5. Projective technique

After the completion of the interviews, there were a significant amount of relevant and useful data available to analyze from within the craft beer industry, however, there was a lack consumer-generated data, which could prove useful to compare with the professionals' opinion. For this reason, the other primary research

technique utilized was a projective research technique. The projective technique was implemented with the help of a mini-survey. The projective technique's advantage is that it proves to be remarkably helpful in cases of personal issues or related to social norms, both of which is relevant for this study. The principal element of the paper is to learn about the motivations and demand generating factors regarding craft beer. The projective technique also excels in this area, as it is extremely helpful when underlying motivations, beliefs, and attitudes operating at a subconscious level are investigated. The unbound approach for possible answers can wonderfully enhance the variety and expression of personality resulting in a more relevant, meaningful and precise measurement. This short projective research will serve as an excellent expansion and reflection to the qualitative research.

A miniature, online, anonymous questionnaire consisting of two main questions was created. 107 participants completed the questionnaire during the research. Before the queries, participants were asked to provide some of their personal data, more precisely: Their gender, age, residence and the highest level of education. The information gathered from the participants here are important because earlier studies found a significant correlation between craft beer preference and personal features (Aquilani, Laureti, Poponi and Secondi, 2015) (Carvalho, Minim, Nascimento, Ferreira, and Minim, 2018) (Donadini, Fumi, Kordialik-Bogacka, Maggi, Lambri and Sckokai, 2016). The first question of the survey was elective to answer to and asked the participants to write down the first three things they associate to when hearing or reading the term: "craft beer". This is a classic example of the projective technique, which allows the results to be representative and personal and still maintaining the opportunity to draw parallels between answers given. The question is also ideal for the reason, that traditional beer-drinkers are also able to provide a meaningful response. Answers are expected to be reasonably diverse. The collected data will be analyzed accordance with the provided personal information, it will be segmented by age, gender, residence, and education, and the will be compared with each other. Collection data for Hypotheses 1 and 2 are also expected to be profitable in this section.

After the first question, a page break was added in order to avoid influencing the reflexive answers by spoiling the second question, which asked the participants to

decide between traditional beer and craft beer according to their preference. The responses provided here are not expected to be analogous to statistics displaying the market share of the traditional beer and craft beer. There were no restrictions added to the question contrary to a real-life situation, where mainly the price and other factors including ease of access and familiarity result in the dominance of traditional beer (Cabras, Higgins, and Preece, 2016). In the second part of this question, participants were asked to explain why did they choose either traditional or craft beer in 1-2 sentences. This is the absolutely essential segment of the survey, as the responses granted here can directly answer the dissertation's research question. Answers are expected to be fairly detailed and diverse fashion caused by personal experiences, similarly to the case of the first question. Participants' responses which will express their preference towards traditional beer with an added explanation, could also be certainly useful as it may indicate discouraging attributes related to craft beers. The data collected will also be analyzed in relation to personal information, to find patterns of consumer preferences in as many social segments as possible. After the data collection is finished, results from both the interviews and the survey will be compared with each other in order to find the most relevant aspects that motivate people to consume craft beer and factors that generate demand for the brews.

3. Results

In this section, the following data reports the answers of the interviewees translated from Hungarian. They were formulated in an appropriate format, with the addition of word by word quotes, which are italicized and quotation marked. The interview questions are grouped into sections and will be discussed thematically.

3.1. *Horizont Brewing*

3.1.1. *Establishment of the brewery*

Questions 1, 2 and 3 obtained information about the foundation and beginnings of Horizont Brewing. The brewery started operating in autumn of 2016., but the brand itself was founded much earlier, in spring of 2014. The creation of recipes and the building of the brand happened while operating in a tenancy. With the help of market knowledge gained in this time, their own brewery was established. Around 2012, in a Belgian pub, the founders were discussing that „*why do we have to drink Belgian beers if we want to drink special beers?*”, wondering about the reasons for the lack of quality Hungarian beers despite the other types of alcoholic beverages, such as” *wines and spirits all had quality and specialty products on the market.*” In the beginning, they only promoted and sold products of other breweries in various events. They noticed that the different brews they merchandised, had inconsistent quality. Despite offering premium products „*the breweries’ services often were not satisfactory.*” Upon seeing the market demand and services offered by the other breweries they decided that they can execute better and to create a respective beer brand. „*The aim was to offer a high quality, clear-out, not overcomplicated, refined product, that might resemble mainstream beers but in a much higher standard and design.*” The biggest initial hardships were present while operating in tenancy, finding and co-operating with the partners was the most problematic issue. „*We were operating in about 6-7 breweries, and we had different problems but plenty, with all of them.*” The main issue was, that in a situation like this, every brewery favors its own product the most, in cases of capacity problems, the will only brew their own beer, which occurred in every summer,

„...and here we are in the middle of the peak season and we do not have beer.” Time and money were invested in these co-operations and a situation like this resulted in immediate termination from events where they wanted to sell beer. There were several other issues as well, for instance: finding customers or the acquisition of ingredients appropriate for the brew recipes. These events led to the decision to establish their own brewery. *„Working together with numerous breweries was a great experience, we saw how the breweries are operating, what processes are worth to adapt and what are not.”*

This section covered the foundation of the brand and the brewery, the motivations behind operating in the sector, and the adversities experienced after the establishment.

3.1.2. Philosophy of the brewery

Question 4 and 5 deducted information about the philosophy of the brewery and their connection to craft beer. *„Our fundamental faith and vision are to show, that beer has a place among the most premium consumables, in fine dining, and to change the stereotype of beer, is the drink of the Blue-collar society and is only to consume en masse. „We want to improve on the image of beer, we organize „beer-dinners” and are having discussions with fine-dining and Michelin starred restaurants about co-operation. It used to be inconvenient to ask for a beer in an elegant restaurant instead of wine, now this is a significant progress by comparison.”* They would like to continue their presence in the top gastronomy, but without an elitist viewpoint of only providing for these areas of the market. The demand for craft beer from the premium segments signals that the direction taken is correct.

By following their belief, Horizont aims to show, that beer also belongs to the premium segments of catering and beer-related stereotypes are false.

3.1.3. Consumer demands

Question 6, 7, 14 and Question 2 from the 2nd part of the interview acquired data about the alteration of consumer demands and ways of possible reaction to them. The Hungarian beer scene has changed massively. It used to be simplified by producing only 1 or 2 types of beers. According to earlier studies, the majority of consumers are unable to differentiate the products from various large-scale breweries. *„This was deeply embedded in the consumers' mind, but gratefully it is changing.”* Large-scale breweries are also selling more of their premium products. This phenomenon seems to correspond with the characteristics of a mature beer market, namely with „premiumization” (Cabras, Higgins, and Preece, 2016). The cause of the success of premium products of the industrial breweries can be significantly related to the appearance of domestic, and a few foreign, small-scale breweries on the Hungarian market. These events generate an effect of a price increase, which can already be observed. *„Small-scale breweries have a market share of around 1-2% which is unfortunately far from Western Europe, where it is about 10% or North America where it is about 20%, there is plenty of room to grow.”* However, in the last few years, there was a breakthrough of craft beer into the public awareness, whereas earlier, not even the consumers already interested had known about their existence. *„Nowadays a craft beer related news can make it to the front page of news sites and consumers might encounter them in most festivals also.”* Considering the numbers that have been achieved already in other regions, the future seems bright for craft beer in Hungary. The Kraft Association was created in the summer of 2016. A new generation of brewers and breweries evolved, who desired to define themselves better. The concept of „artisan” and specialty beer became worn-out and accustomed and does not provide proper orientation for the consumers. *„Consumers might receive an excellent product under the name, „artisan” beer, but it is possible to obtain a mediocre or sometimes even, poor quality beer stored in plastic bottles, adopting the term „artisan”, for solely marketing reasons.”* Customers who were less informed and were just introduced to the world of craft beers encountered these products and instead of only avoiding the certain brewery they often separated themselves from the whole „artisan” and craft beer category. *„We realized that this hurts the small-scale beer industry, so we wished to*

create a subsegment within that, following the English term: „craft beer” and its philosophy. They translated the term phonetically to Hungarian, resulting in the expression: „kraft”. This way, they achieved both the preservation of the essence of the original concept, striving for innovation, sustainability and quality, and the allure of a familiar, domesticated word. Moreover, the peculiarity of the kraft breweries is that they are the new wave of brewing regarding its method being primarily top-fermenting, and their willingness to constantly experiment with new techniques and implement innovations. The totality of these characteristics is summarized within kraft beer. „The necessity for differentiation, however, is a unique feature of the Hungarian craft beer market compared to the global scale.” In traditionally beer-drinking countries, small or medium-scale, regional breweries have already been producing high quality and multiple types of beer. With the entrance of craft beer into these markets, preserving and maintaining quality was evident, although the craft beer trend has significantly weaker effect in these regions than in traditionally not beer-drinking countries. In the case of countries, such as Spain, Italy, and Hungary the utter dominance of the large-scale breweries resulted in a moderately slender number of beers to choose from, which eventually led to the booming craft beer revolution as an answer. Parallel to the craft beer boom, the Hungarian gastronomy is also experiencing a revolution, as the two phenomena are evidently in an interrelationship. Moreover, a solvent and quality demanding layer of consumers have emerged in the recent years. „ A societal realignment was necessary for Hungary, for consumers to be more accepting of these products.”

Data indicate in this section, that the Hungarian beer scene has changed massively, consumers demand premium products and prices have increased. The craft beer market share has surpassed 1%, public awareness was gained and the future looks bright. Moreover, breweries evolved and separated themselves to guarantee, quality and innovation, resulting in the creation of Kraft Association. The emergence of solvent and quality demanding consumers and the gastronomical revolution also facilitated the popularity of craft beer.

3.1.4. Consumer relations

Question 8,10, 11 and Question 5 from the second part of the interview extracted information about the craft breweries target market and the connection with the consumers. The main target market of the brewery is the consumers: *„between the age of 25 and 45, open to gastronomy and predominantly living in urban areas.“* The marketing channels are currently focused on Budapest, where the open-mindedness and the new wave of gastronomy provides a remarkable opportunity and place to integrate into. A direct relationship is not always present between the brewery and the consumers due to the products are mainly sold to wholesalers who sell it to resalers or catering units, or the brewery sells the product to retailers. Either way, there is at least one intermediary involved before the beer might reach the consumer. Connecting with the consumers is either possible directly at an organized event, for example, a beer festival or indirectly through virtual, online surfaces, and social media. It can be determined that the relationship is good but not excessively close. *„At the few amounts of chances for direct connection, feedback was absolutely positive, however, events such as the Kraft Beer Festival is mostly visited by consumers who are deeply familiar with kraft beer and the brewery would like to broaden its target market and reach as many potential consumers as possible.“* The methods of advertisement are isomorphic to the tools of maintaining a relationship with consumers, eventuating in festival presence and online marketing. *„There is no point to engage in a nation-wide marketing campaign with immense financing cost, since the craft beer scene is still in its early phase, and is a niche market, with relatively few access points.“* The possibilities for purchasing are increasing, for instance, the largest multinational retailers have also started selling craft beer, which will presumably increase popularity.

In this section information gathered show, that the younger generation from urban areas is the main target market and a direct relationship is rarely present with consumers. Connecting and marketing are possible through organized events, online surfaces and social media. The access points for craft beers are increasing which is expected to have a positive effect on its popularity.

3.1.5. Aspects of craft beer

Question 9,12,13 and 15 elicited data about the differences between small-scale and large-scale breweries, the preference from consumers and the advantages of craft beer. The reason behind the higher consumer prices has two components: „*We work with a considerably greater number of more special and higher quality ingredients. The ingredients that a lager from a traditional brewery consists of cannot even be compared to an IPA brewed by any of the kraft breweries*”. The other component is the infrastructure itself the breweries work with. The main advantage and focus of the craft breweries are that they are able to produce a different brew every day. „*We are absolutely flexible, we are capable of producing in small-scale and make adjustments without profit loss.*” However, in the case of industrial breweries where the efficiency is profoundly maximized, craft breweries are not able to reduce the cost of processes after a certain degree by comparison. „*Proportionally we employ a much higher number of employees per produced amount of beer than the large-scale breweries. The lack of scale economic approach and producing slight amount from a substantial number of ingredients instead of vast amounts from the modest quantity of ingredients is another reason for higher consumer prices.*” The primary aspect of the explanation communicated towards consumers is the sensation and experience of distinctive, special flavors. The diversified types of supply and the global trend of abandoning mass-produced, common products and returning to the original and natural ways of production in a high-tech fashion are all factors that justify the consumer prices. Global trends are taken into consideration in the effort to make a successful brew. The brewery believes, that the key to success is aligned with their vision, thus producing „easily-drinkable”, refined and definite beers. „*Balance must be found to create brews that preserve the aforementioned traits, while also containing the specialty factor. Extraordinary and extreme beers might be popular in the short-term, but we have to strive for balance to succeed in the long-term.*” The variegation provided by craft breweries is the chief advantage compared to industrial breweries. The lack of artificial additives, the natural brewing process, and specialty are also listed within the assets of craft beer. The large-scale breweries have started to innovate mostly because of small-scale, craft breweries and their popularity. After craft beer has surpassed 1% of the

Hungarian beer market share, industrial breweries started reacting with their own specialty beer. However, these brews are not targeted for the uncompromising layer of beer consumers instead, aligned with the traditional lagers produced, for the masses. „*I do not fear for our market from the large-scale breweries. I believe, that there is room for both.*” It is apparent that the new industrial specialty beers are suited for different consumption circumstances and serve as only a temporary escape for the already existing, quality demanding layer of consumers. The conservative approach of the large-scale breweries nonetheless, is understandable. Their only way of economic operation is to produce substantial amounts, and taking into consideration their target market, the risk of profit loss would be too extensive to produce vastly different beers than their original supply. On the contrary, the introduction of industrial specialty beer might also serve as an advertisement for craft beer. The unequivocal success of the first industrial IPA on the Hungarian market introduced the category for the majority of the country. „*Plenty of consumers might stick on the surface, but many of them will discover the available and more complex craft beers.*”

Results from this unit indicate, that craft beer contains higher quality ingredients, and craft breweries are immensely flexible in terms of production. On the contrary, large-scale breweries are significantly more efficient and stable. Consumers appreciate experiencing special flavors, diverse supply, natural production, and innovation. Industrial breweries introduced specialty beer mainly because of the success of craft beer, however, craft breweries firmly believe, that they are not direct competitors.

3.1.6. Future of craft beer

Question 16, 17 and 18 have collected input regarding the future of craft beer and small-scale breweries in Hungary. „*We have no concerns at all that the craft beer revolution is a temporary fashion.*” The spreading process is still ongoing in North America, where the market share of craft beer has already surpassed 20%. Hungarian craft breweries are also preparing for a similar situation. Consumers rarely tend to return to worse quality, after trying better products, which is an idiosyncrasy of the

consumer market's other aspects besides consumables. „*Naturally, there might be downturns in the progression of craft beer spread and numerous consumers will prefer to stay with industrial beer, craft beer might blend into the everyday life, resulting in an overall growth definitely.*” The Hungarian craft breweries absolute focus for the future is to acquire an international fame and admiration. Among other international competitions, the last two Dublin Craft Cups by Alltech Craft Brews & Food Fair event was dominated by Hungarian craft beers. In 2017 Horizont Brewing won a gold medal and the grand prize for their brew: Saison Witbier. In 2018, a gold medal and the grand prize was also awarded to a Hungarian brewery, Fűtőház Sörfözde for their brew: M63 Bulldog, a Belgian Golden Strong style. The demand for Hungarian craft beers abroad is an obviously positive response that there is a significant achievement. „*The Hungarian craft beer scene is on an excellent way to be well recognized in the European market, but there is still a long way ahead.*” Augmenting their reach is also an aim of the craft breweries for the future as there are hardly enough market channels and access point to craft beer outside of Budapest. Horizont Brewing is also a pioneer in Hungary related to the birth of the first strategic agreement between a small-scale and an international large-scale brewery, namely Carlsberg. A feature of the Hungarian catering industry is the contractual exclusivity to sell beverages belonging only to one company. This regulation encumbered the opportunities for craft breweries to spread. According to the agreement between Horizont and Carlsberg, in catering units which are under contract with Carlsberg, Horizont will be able to sell their own beer. This is a mutually beneficial agreement since the craft brewery gains exposure required to become more popular and Carlsberg acquires a tool to exploit consumers preference towards craft beer without actually engaging in the market. The next step of improvement and propagation is the Budapest Beer Week event, held in May of 2018. This is the first truly international craft beer festival in Hungary, whereas similar events have only been organized in few European capitals yet.

In this segment, the information gained described the optimism of craft breweries related to the sustainability of the craft beer market and the aim to acquire international fame. Moreover, the dominance of Hungarian craft beers in foreign events augments demand on the international market. Craft breweries also wish to spread

within Hungary, additionally, in case of Horizont Brewing, a strategic agreement with Carlsberg guarantees exposure for the future. Upcoming events are also hoped to be prosperous.

3.2. *Kraft Association*

Data from Question 1 describes the aim of the Kraft Association is to communicate and reinforce the existence of kraft beer and to build its independent brand. Compared to alternative small-scale breweries, kraft and its emblem is a registered trademark and can only be invoked by members of the association.

3.2.1. *Purpose of Kraft Association*

Question 3 and 4 explored data about the reason for existence and the relevance of the Kraft Association. Consumers who support the Kraft movement are merely a part of the craft beer consumers' small-scale subculture. Although there was substantial, press generated publicity upon the creation of the Kraft Association, in terms of the wide range of average beer consumers the kraft marking is still irrelevant. Within the niche craft beer market, the relevance of the movement is evident, from both vocational and the consumer position. Despite the success within the small-scale brewery scene, the concept of brand loyalty is an uncharacteristic feature of the market, according to both earlier, international studies regarding the topic and Horizont Brewing's own experience. „*Generally, craft beer consumers have about 10 favorite breweries, hence they rather retain their favorite category between the types of brews.*” Customers who consider themselves kraft beer consumers, prefer to choose a catering unit where kraft beers are known to be present, without actually knowing the exact brands, instead of a place offering other types of small-scale breweries' beer. In terms of the proportional size of craft beer market share, there are several larger and senior participants with diverging focus, for instance, on regional on-trade and off-trade sales, or producing beer to exclusively sell them in their own catering units. „*The market share of kraft beer within the small-scale beer industry is estimated to be at least 10%, however, kraft breweries are growing in more dynamic fashion.* Specialty beer shops

prefer to sell the newer, kraft beers because they are more exciting and modern than the traditional small-scale specialty beers.

In this part, data were gathered about the features of the Kraft movement, in terms of both average beer consumers and the small-scale beer industry. Characteristics of kraft beer consumers and the lucrative progression of kraft breweries have also been represented.

3.2.2. Reflections

Question 6 and 7 accumulated information about the achievements and future plans of the association. The creation of the Kraft Association was successful in terms of introducing and familiarizing the differences compared to other types of specialty beers, however, there are aspects that still need development. *„Active follow up, participation in events and closer co-operation are all elements to improve on.”* The plans for the future of the Kraft Association are, to increase opportunities to access kraft beer in Hungary. Arrangements with wholesalers and chains are in the making, to be able to provide products for consumers in a multitude of shops and to elevate Budapest onto the „beer map”.

3.3. Beerselection Ltd.

3.3.1. Philosophy of Beerselection Ltd.

Question 1, 2 and 3 assembled data about the circumstances of creation and the aims of Beerselection. Beerselection was founded in February of 2016, starting as a webshop. The basis of operation was the beer subscription, which is a well-functioning business abroad, for instance in the UK or in North America, however with limited success. *„We realized that the Hungarian market is not mature enough for this kind of service, consumers have no demand for packages containing random beers for several thousands of Forint.”* The price sensitive Hungarian consumers do not want to spend a certain amount of money on products that are unknown before the purchase. The first adversity was that the beers that had been ordered, remained in the repository. *„We*

contrived to create a webshop from the redundant stock, however, we realized that the webshop only satisfactory if the assortment is sizable.” Following the continuous growth, the next step was to launch a store, first a smaller-scale, later traversing to the current more spacious venue. The purpose of the shop is primarily to endear beers from small-scale breweries to average consumers. *„We are not brewers, we are consumers, which is one of our main strengths, that we comprehend what the average consumer understands about craft beer and how to introduce them to this world.”* Beersselection also provides a countrywide delivery service, which guarantees the absence of restrictions. In case of Beersselection, they were fond of craft beers and noticed the business opportunity related to them. They spot the success of craft beer abroad and realized that there several Hungarian small-scale breweries operating also, however without any exposure.

In this section, data showed, that Beersselection started as a webshop transforming into a genuine store and they wish to introduce craft beer to as many consumers as possible.

3.3.2. Characteristics of the Hungarian craft beer scene

Question 4,5,6,8 and 9 elicited information about the state and trends of the Hungarian craft beer market and the features of craft beer consumers. *„We have been observing it for a long time, but only since entering, the market it has changed tremendously.”* Craft breweries became aware of the fact that it is eminently rewarding to brew limited edition beers, produced only once, and there are multiple beer premiere events organized weekly. In 2017 events also started to be arranged in the countryside and rural areas, moreover, in case of Budapest, the proposed events for 2018, which are either craft beer related or where craft breweries are represented, have tripled compared to 2017. On the contrary, it is questionable, whether people would consume craft beer outside of special events. Level of education is also suspected to be an influencing factor according to Beersselection, in terms of apprehending the reason to why it is worthwhile to choose an expensive craft beer instead of a cheaper industrial product. The Hungarian craft beer market, however, is also reasonably saturated

already. New microbreweries have limited opportunities to introduce their supply to the consumers, due to the largest and most popular craft breweries permanently occupying available positions in the limited number of catering units and events. Consumers became more conscious and aware, withal there has been demand for quality always. Mainly residents of Budapest have more disposable income and they also spend proportionally more of their income on craft beer, as they are consuming substantial amounts. „*There was an alteration in the younger generation of beer-drinkers. They started to require quality and after becoming accustomed to excellence, they did not manage to find as much pleasure drinking industrial beer as drinking craft beer.*” The Millennials have adopted the habit of choosing to consume quality, possibly craft beer when only a few drinks are expected to be had, tailoring the event into enjoyment from the beverage itself. The phenomenon of „premiumization” was also confirmed by Beerselction. The vastly better chances to travel is also suspected to be an eye-opening experience. Encountering significantly higher quality beer abroad, resulted in a demand towards the domestic beer market too. Despite the high consumer prices, craft beer is successful because of the attractiveness of brands and marketing, and mainly constant product quality. „*The theory of Beerselction is that there are steps of introduction to the world of craft beer. Every step has to be taken, before experimenting with particularly innovative and extreme brews.*” Regarding the newly released specialty industrial beers, they are not suspected to supplant craft beer from the market. In North America, where the small-scale beer industry’s market share is above 20%, a considerable fragment of the craft breweries are owned by large-scale breweries. The financial safety and stability were attractive for the small-scale breweries, and industrial companies were capable of providing for a broader layer of consumers, resulting in a mutually beneficial market situation. A serious hardship of the craft beer market is consumers trying a vastly different and unknown brew for their first try, and as a result of the inevitable disappointment, they alienate themselves from every kind of craft beer. The current trends of the Hungarian craft beer market can be separated into two divisions, the customers who purchase craft beer as a gift, and customers who purchase for themselves to consume. Naturally, sales of craft beer intended for gifting is greater in the time of holidays. In case of regular craft beer

consumers, they prefer to try the freshly released brews. Furthermore, the stereotype of beer consumption being dominated by men seems to be inaccurate in case of craft beer, from the experiences of Beerslection. „*We have a surprising amount of returning, female customers, who purchase beer for personal consumption.*” Although a few stereotypes prove to be true, generally female customers prefer fruit flavored, and typically sweeter beers compared to male customers. On the contrary, mainly bitter, hoppy, full-bodied brews that become popular are in demand for both genders to a certain extent. Trends regarding the time of craft beer purchase are highly unpredictable. There seems to be no correlation between the momentary financial situation of consumers and the amount of purchase and consumption of craft beer. The sample size, however, is considerably small-scale, and the monitorization of purchase statistics is not precise enough to deduct long-term consequences. The assortment of Beerslection mostly consists of Hungarian beers, which aligns with the demand for mainly Hungarian beers for the consumers’ side. „*Consumers appreciate and demand Hungarian beer provided that quality brews are finally available. They rather choose a domestic product than a foreign one.*”

In this segment input was collected about, the emergence of limited edition craft beers and the growth of craft beer related events in terms of both location and number. The new generation of consumers started to demand quality and the sensation of pleasure. The success of craft breweries is based on constant supply quality and attractive branding. Industrial beer is not suspected to repress craft beer in the Hungarian market, however, consumers should try craft beer step by step. Regular craft beer consumers anticipate and prefer freshly released brews, and gender stereotypes seem to be false. Patterns of time of craft beer purchase are unpredictable, additionally, consumers prefer Hungarian craft beer instead of foreign brews.

3.3.3. The future of craft beer

Question: 7 and 10 elicited data concerning the importance and influence of the Kraft movement, and the future of the domestic beer scene. Essentially, the Kraft movement is an excellent concept. After the trend of equipping substantial amounts of

consumable products on the market, with the term „artisan”, consumers need a palpable slogan that functions as a guarantee of quality. *„All of the kraft breweries place an utmost importance on the quality of their products without any compromise.”* The strive for quality is important for both solidifying their position on the Hungarian beer market, and for entering to the international craft beer scene. The possible area to spread for kraft beers is strongly suspected to be abroad compared to the domestic rural areas. The principal inhibition to succeed in the countryside is the consumer price, which is truly unlikely to decrease. On the other hand, there is considerable purchasing power in the international beer market, which makes it the somewhat obvious choice to pursuit. New craft breweries will certainly be established. Parties are suspected to attempt to create a craft beer segment with significantly lower consumer price, between the industrial and the popular craft products’ price. The sustainability of this approach, however, is highly questionable. Moreover, new gypsy breweries are also suspected to grow in numbers, reacting to the craft beer revolution, to exploit this market segment. *„A definite scarcity of the current craft beer market is the lack of breweries focusing on lager beers. There would be undoubtedly high demand for quality but simple, „easily-drinkable” lagers, and to attract the average consumer to craft beer, this path might be the finest method.”* A long-term forecast, considering the current events is, although, there is unequivocal growth in the craft beer market, the Hungarian market and demand are limited by several factors. The number of entries is expected to decrease, meanwhile the number of exits are expected to increase. The long-term solution for most of the small-scale breweries producing quality beer is to attempt to enter the international beer market, where the demand and solvency are substantially higher.

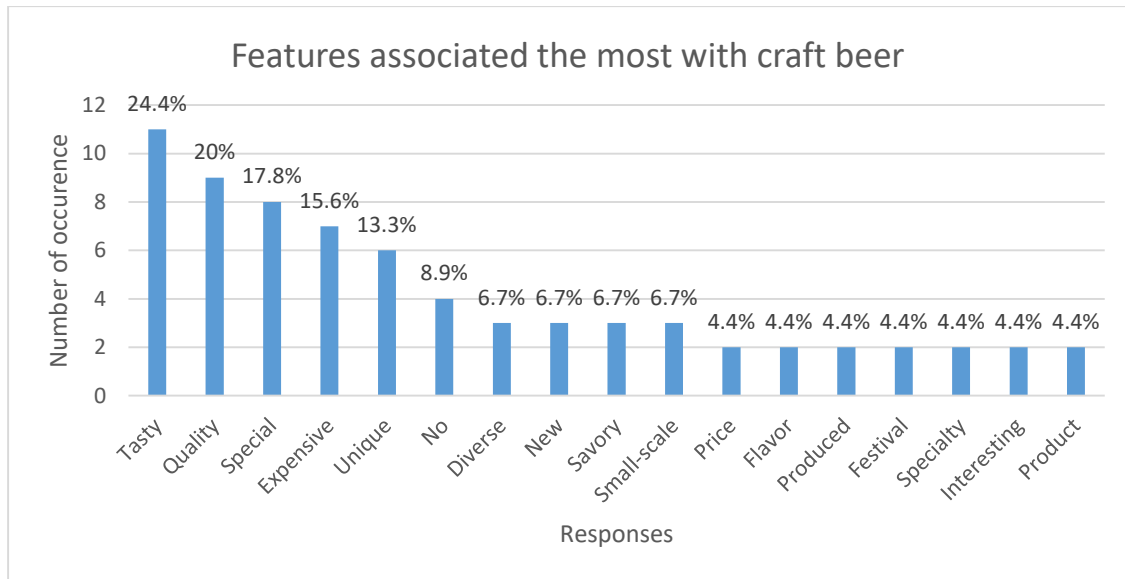
In this section, data gained display that the Kraft movement is an excellent concept, a guarantee of quality and their members are ready to enter the international craft beer market. New craft breweries expected to be established in Hungary upon the growth of the market. Weaknesses of the domestic craft beer market are the lack of craft lager breweries and the limited purchasing power from consumers nationwide. Craft breweries producing quality products should aspire to sell internationally.

3.4. Projective mini-survey

62.6% of the respondents of the questionnaire were men, 37.4% were women. The proportion of age belonging to the participants was: 0.9% below the age of 18, 40.2% were between 18-25, 24.3% were between 26-35, 15% were between 36-45, 13.1% were between 46-55 and 6.5% were between 56-65. In terms of residence, 69.2% of the participants stated living in Budapest, 12.1% were from towns in the agglomeration of Budapest, 8.4% were from villages, 7.4% were from cities and towns in the countryside. 2.8% were from „other” type of residence. Regarding the highest level of education of the participants, 30.8% had bachelor’s degree from either a college or university. 25.2% were high school graduates, 17.8% were currently studying in higher education, 11.2% were trade school graduates, 5.6% were currently studying in higher level vocational training, 4.7% were currently studying in high school, 2.8% had master’s degree from a college or university, and 1.9% were elementary school graduates.

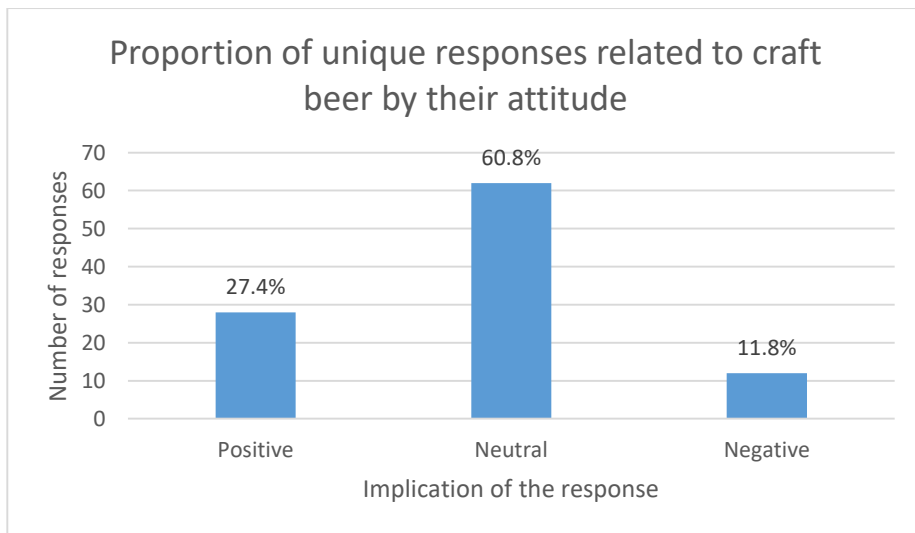
45 participants elected to answer the first question, which asked to list 3 things that they associate with craft beer. The most frequent description, mentioned by 24,4% of the respondents, was „Tasty”. „Quality” was answered by 20% and „Special” by 17.8%. 15.5 % answered „Expensive”. „Unique” was mentioned by 13.3%. 8.9% answered „No”, 6.7% each answered „Diverse”, „New”, „Savory” and „Small-scale”. 4.4% wrote „Price”, „Flavor”, „Produced”, „Festival”, „Specialty”, „Interesting”, and „Product”. (Table 1)

Table 1



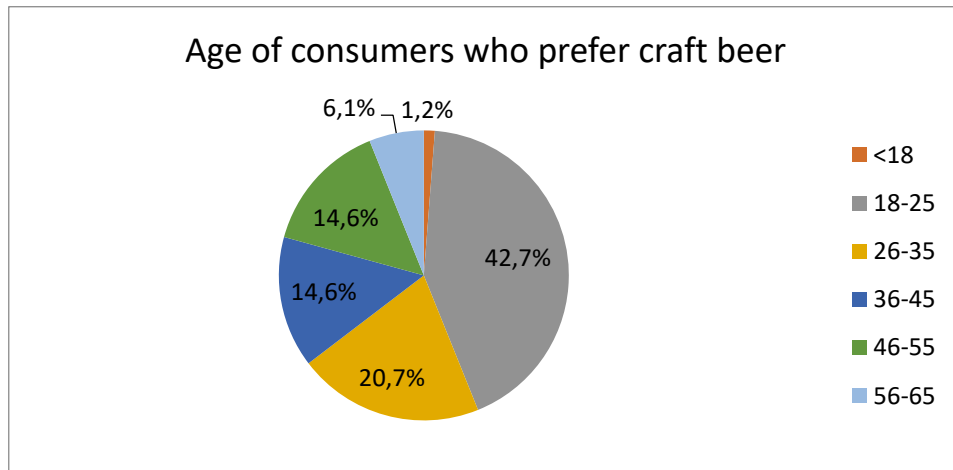
The rest of the responses were mentioned only once, thus in order to make the results serviceable, they were categorized into three groups based on their implications, being either: positive, neutral or negative. 27.4% of the unique responses implied positive feelings, 60.8% was neutral, and 11.8% was negative. Positive responses generally appreciated the advantages regarding personal taste. Neutral responses primarily mentioned production and sales related features. Negative responses mainly consisted of answers expressing personal dislike towards craft beers. (Table 2)

Table 2



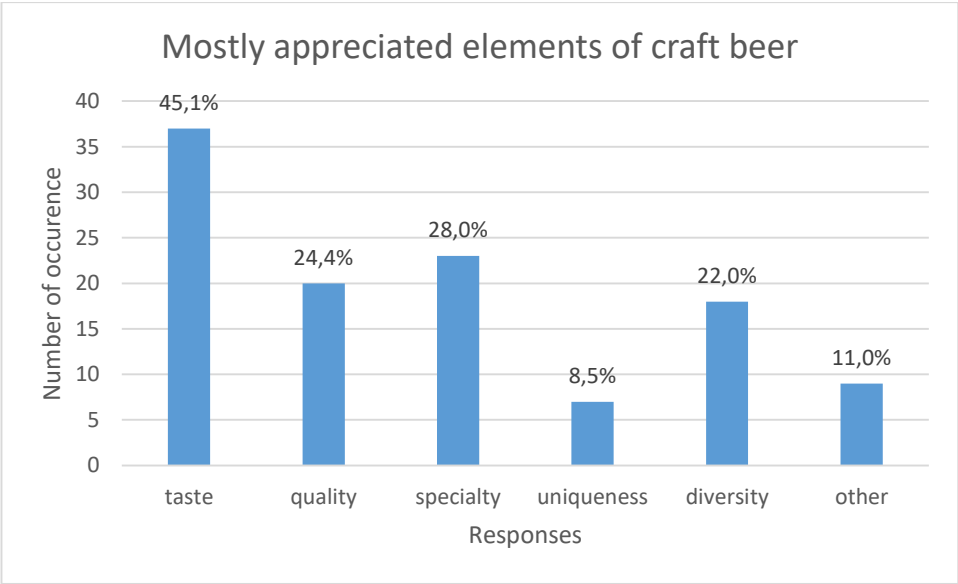
In the second question of the survey, 76.6% of the respondents chose craft beer as a drink, they would prefer to consume and 23.4% chose traditional beer. From the participants, who chose craft beer as their preferred drink, 1.2% was under the age of 18, 42.7% were between the age of 18-25 and 20.7% were between 26-35. The proportion of respondents between the age of 36-45 and 46-55 were both 14.6% and 6.1% were between 56-65. (Table 3)

Table 3



The second part of the second question, from participants' answer who elected craft beer, data was elicited to find the primary aspects of preference. Based on the information gathered, 5 main elements were found with the addition of a few unique responses. 45.1% of the respondents appreciated the taste of craft beer the most, 28% the quality, 24.4% the specialty, 22% the diversity, 8.5% the uniqueness and 11% appreciated various other features. (Table 4)

Table 4



4. Discussion

4.1. Research question

The dissertation succeeded to provide an appropriate answer for the research question formulated in advance. It asked: “*Which are the major factors that generate demand for craft beer as opposed to commercial beer consumption in the case investigated?*” The major factors that generate demand for craft beer as opposed to commercial beer, is primarily the better taste, the higher quality, the specialty, the diversity of supply and the uniqueness of the brews.

Data acquired from Horizont Brewing and Beerselction Ltd., indicate an unambiguous correlation between the emergence of craft beer and the current, ongoing gastronomical revolution. Consumers, who are open to experience, innovative, gourmet cuisine, are also more willing to try craft beer. The overlap of the consumers is logical because the two phenomena share fundamental elements, such as striving for quality, innovation, and divergence. Several trends regarding these revolutions are observable, for example, organized „beer dinners”, Strategic agreements between fine dining restaurants and craft beer breweries and the participation of different catering units in craft beer-related events.

4.2. Hypothesis 1

As proven by data collected, consumers primarily scout for better and special flavors, and constant quality, upon the consumption of craft beer. These results confirm Hypothesis 1 of the dissertation also. These main demands resulted in an approach realignment for numerous brewers and the creation of the new generation of craft breweries reacting to the new generation of consumers. These new wave craft breweries follow the footsteps, in regards to their philosophy, of the first craft breweries originating from North America. The breweries place utmost importance on the quality and diversified types of their supply, which directly correlates with the most demanded elements within craft beer from the consumers. The creation of the Kraft Association is also a signal for development and guarantee for quality in the Hungarian small-scale

beer industry. The achievement of quality requires excellent ingredients and contemporary machinery. This method of production is only sustainable with premium pricing of the brews. To ensure the satisfaction and the sustenance of demand, instead of financial costs, breweries communicate the flavor experience as the main reason for the higher price to consumers, which corresponds with the consumers' principal preference in craft beer, proven by the survey.

4.3. Hypothesis 2

About the recent success of these segments, information from the brewery and the beer retailer seem to correlate, and explain the occurrences with the appearance of a solvent and quality sensitive layer of consumers, with more disposable income. Moreover, the newer generation of beer drinkers shows vastly different patterns of preferences in terms of consumption motivation. The craft beer market professionals agree, that the younger consumers, predominantly in their 20s, seek the sensation of pleasure and special and unique experiences in their personal life. This intrinsic feature also manifests in their taste for beer, leading to the preference for craft beer, also eventuating in the confirmation of Hypothesis 2. The two aforementioned social alteration resulted in a significant change of the Hungarian beer scene. Legal adjustments after the financial crisis eventuated in several freshly founded small-scale and microbreweries, whose special supply grasped the altered consumers. On the other hand, the fragmentation of small-scale beer market seems inevitable. The overused term „artisan” for all segments of consumables resulted in an exhaustion from the customers related to these products including beer.

4.4. Hypothesis 3

Industrial breweries similarly to small-scale breweries sell more from their premium products. The already mentioned consumer patterns and data elicited from the interviewees seem to correlate with the phenomenon of mature beer markets, „premiumization” (Cabras, Higgins, and Preece, 2016). The recent accomplishments, however, are not harmful related to craft beer data says, on the contrary, they might

even serve as an advertisement and exposure for the small-scale beer industry.

The emerged, more conscious and demanding layer of consumers seem to have a higher disposable income than before. Hypothesis 3 assumed, that either, consumers have more disposable income that they choose to spend on high priced craft beer, or they spend a larger proportion of their income on craft beer. Data gathered, show that consumers both have more disposable income, and spend a considerably larger amount of their income on craft beer, confirming both elements of the hypothesis despite the fact that they were suspected to be mutually exclusive.

Collected data correlates, that craft breweries need to spread and serve a substantially broader market, either in Hungary or internationally. Due to the limitations of the Hungarian market, the international craft beer scene seems to be more advantageous. Recent achievements by Hungarian craft breweries at international competitions indicate a bright future. On the other hand, survival and growth might be secured domestically as well, through strategic agreements, such as the one between Horizont Brewing and Carlsberg.

5. Conclusion

The first flourish of the small-scale beer industry in Hungary started after the political and governmental shift in 1989. Large-scale, multinational breweries have monopolized and froze the beer market of the country. However, the Hungarian beer market has changed immensely in the recent years, mainly after the financial crisis, thanks to legal adjustments related to small-scale breweries. The number of entrances increased and the number of exits decreased. These small-scale and craft breweries started brewing diverse, special and high-quality beers which were received well by the Hungarian beer consumers, who were accustomed to the very similar, same type of industrial beers available on the market. A new, solvent, quality demanding layer of consumers and the new generation of pleasure and experience seeking consumers emerged parallel. These occurrences resulted in the alteration of the beer scene and the elevation of the domestic craft beer industry. As the term “artisan” and “specialty” became fashionable in various types of consumables on the market, several small-scale breweries wanted to exploit the potential of the new layer of consumers and sold low-quality brews on premium price. This phenomenon is an exclusive characteristic of the Hungarian market as the international philosophy of craft beer is to strive for quality and innovation, with diverse supply and modern machinery, while also preserving traditional and historic values of beer brewing. A group of domestic, like-minded, craft breweries created the Kraft Association to provide orientation and guarantee for quality for the consumers.

From the consumers’ point of view, the major factors that generate demand for craft beer as opposed to commercial beer, is principally the better taste, the higher quality, the specialty, the diversity of supply and the uniqueness of the brews. Regular craft beer consumers tend to prefer the new, limited edition brews, which breweries only produce one time. Although consumers generally like to experiment with unfamiliar beers, they mostly have a definite favorite type of craft beer. Considering, that craft breweries have a vastly diversified selection of supply, it is less likely for consumers to form a brand loyalty contrary to in cases of industrial beer products. Craft beer consumers tend to gravitate towards having multiple favorite craft breweries with a similar philosophy, for the reason that this way, they are able to consume multiple

variants from their favorite beer types. The success of craft beer also resulted in higher spending from consumers, explained by the more disposable income earned and the realignment of consumption motivation. Consumers tend to choose less expensive beer when they consume more extensive amounts, on the contrary, they tend to choose more expensive, premium brews on occasions, when only a limited amount is expected to be consumed. The five most frequent features that consumers seem to appreciate are taste, quality, specialty, diversity, and uniqueness.

International beer market patterns show, that in certain regions, such as North America or Western Europe, where the craft beer revolution has started earlier, it already managed to become a wide-spread phenomenon. According to data collected the craft beer market in Hungary is expected to develop similarly. The constantly improving quality and assortment, and the achievements collected in international competitions all facilitate the spread of the domestic craft beer scene to reach a substantial demand both internationally and in Hungary.

5.1. Limitations and future research

The dissertation was made with the intention of minimizing the possible amounts of limitations that might appear. However, certain elements of the study were limited by different circumstances. First of all, there are very few previous studies on the field of craft beer, even in an international scale, given it is a truly recent phenomenon. In terms of only the Hungarian craft beer situation, this limitation was further emphasized. The literature review, for this reason, was hard to conduct as appropriate studies that are relatable had to be found for this research. As a primary research method, qualitative research was chosen to provide an in-depth overview of the Hungarian craft beer scene. On the other hand, there were only two interviewees asked, and the small number of sources the data was collected from might influence the possible appliance of the gathered information to a broader extent.

The interviews with professionals from the industry would have lacked input from the consumers' side, for this reason, the projective research technique was utilized. However, the number of participants in the short survey was relatively low

with 107 consumers submitting answers. The outcome of the survey might have been influenced by the residence and the age of the respondents. More than 69% percent of the participants were living in Budapest, where craft beer is vastly more popular than in any other region of the country. As proven by the research, craft beer is the most popular in the younger generation of beer drinkers. However, as more than 64 % of the respondents were between the age of 18 and 35, the outcome may be influenced to an extent in favor of craft beer.

Future research is definitely necessary both in terms of international craft beer market and the Hungarian craft beer scene. The current events related to craft beer are in constant motion and change, therefore it is of utmost importance to analyze the market, for the most up to date information possible. Within the Hungarian market research should be conducted on the precise market share differences within the beer industry as it is dynamically changing. Features of craft beers and the main demand generating factors should be further studied to find more precise patterns of consumer preference. Factors, that facilitate the spread of craft beer, for instance: the growth of personal disposable income and the experience seeking attitude of consumers should also be studied to find data explaining certain elements that showed up in this paper. Further surveys are also in need, to gather first-hand information from the consumers themselves.

Appendix

Interview questions

Horizont Brewing

1. When and how was the brewery established?
2. What were purposes upon establishment?
3. What were the initial hardships?
4. What is the motivation behind brewing craft beer?
5. What is the philosophy of the brewery?
6. What is your opinion about the Hungarian beer scene? How has it changed?
7. How and why was the Kraft movement created?
8. What is the target market?
9. What is the reason for the relatively high prices, compared to industrial products?
10. What is the relationship like between the consumers and the brewery?
11. What are the possible methods to introduce and advertise the beers to the consumers?
12. What makes a new brew successful?
13. What are the advantages that small-scale breweries have compared to large-scale breweries?
14. What do you think is the reason behind the increased demand for specialty and craft beer?
15. Considering that, the large-scale breweries are introducing their own new wave, specialty beer, answering to the ongoing beer revolution, Is it possible, for small and large scale brewing to coexist, when the latter will have a similarly wide range of supply?
16. How can demand be maintained for craft beer?
17. How does the future look, for small-scale and microbreweries, in Hungary?
18. What are the areas, that the brewery wishes to improve on?

Kraft Association

1. What is the aim of the association?
2. Why was it necessary, to separate from the „artisan” attribute?
3. How significant is the „Kraft” marking from both vocational and the consumers’ point of view?
4. Is there a larger demand for beer, equipped with the Kraft emblem?
5. What are the possible methods, to propagate the Kraft approach more extensively?
6. To what extent have the Association fulfilled its hopes and aims?
7. What are the plans for the future of Kraft beer either in Hungary or on a global scale?

Beersselection Ltd.

1. When and how was the store created?
2. What is the purpose of the shop?
3. Why are the quality, small-scale, craft beers are the focus?
4. What is your opinion about the Hungarian beer scene? How has it changed?
5. What do you think is the reason behind the high demand for specialty and craft beer?
6. Despite the high consumer prices, what makes the craft beer successful?
7. What is your opinion about the Kraft movement, and how important or progressive do you think it is? How does it influence the Hungarian craft beer culture?
8. What kind of consumer trends can be noticed on the craft beer market?
9. What makes a certain craft beer successful on the Hungarian market?
10. What might the future hold for the domestic beer scene?

Questions of the mini-survey

1. Please write down the first 3 things you associate to when you hear: “craft beer”
2. If you can choose, would you prefer to consume craft beer or traditional beer?
Why would you prefer the chosen type?

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