

INSIGHTS DEPARTMENT
Topic Paper July 2016

THE GROWTH OF CRAFT BEER & THE SCOTTISH TOURISM INDUSTRY: HOW YOUR BUSINESS CAN BENEFIT

BACKGROUND

The rise of interest in craft beer over recent years has also mirrored many similar consumer trends within the tourism industry. The growth in interest from younger demographics, most notably millennials, has driven a search for products that are authentic and give an honest representation of their brand. Consumers searching for transparency within their products have also been attracted to the craft beer phenomenon due to their ability to tell a compelling, honest story about their background and passion for their product. Provenance has also played an integral role in helping craft beer brewers tell the story of their brand, highlighting their heritage and roots. These trends have also been identified within

the tourism industry over recent years, and are already affecting consumer behaviour and decisions.

VisitScotland conducted research in conjunction with The Brewers Association of Scotland (TBAS) in order to better understand the potential craft beer has for enhancing the tourism experience through the food and drink industry in Scotland. The following paper highlights the potential craft beer has in enhancing the Scottish tourism product, as well as offering stakeholders food for thought on how this trend could positively impact their business.

What is Craft Beer?

Although it is difficult to define what exactly makes a beer or ale craft, it is most commonly associated with small, independent breweries who offer a unique product.

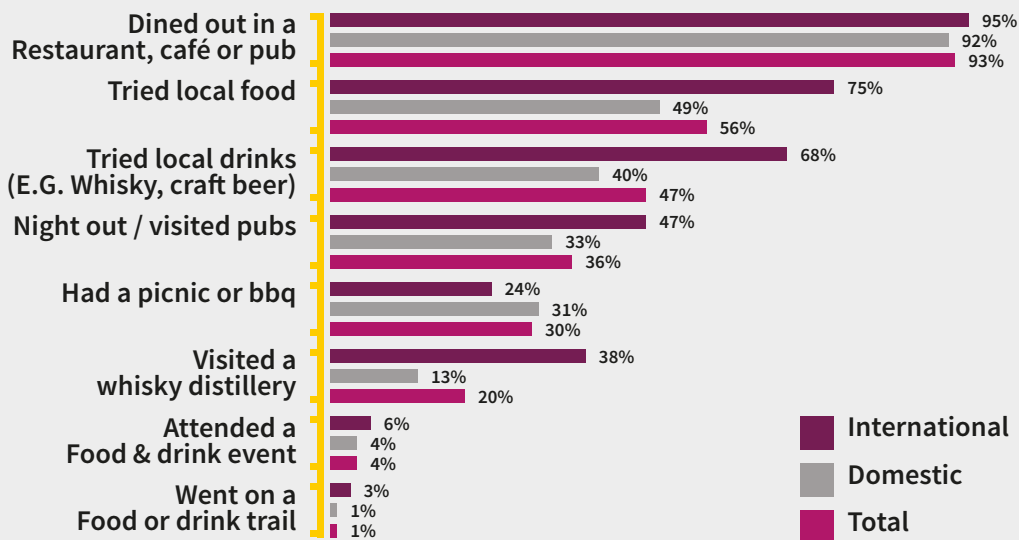


THE IMPORTANCE OF FOOD & DRINK TO SCOTLAND'S TOURISM INDUSTRY

Food and drink is an important part of our Scottish cultural identity and heritage and is therefore, a key strength in promoting Scotland as a holiday destination. Sampling traditional dishes and local produce is one of the top activities undertaken by visitors to Scotland. Recent research from VisitScotland's Visitor Survey (2015) found that trying local food and drink is an integral part of the visitor experience, particularly for international visitors, who show a strong desire to find out about the provenance of food and drink products.

Although the vast majority do not come to Scotland solely for the purpose of sampling craft beer, trying local food and drink enhances their experiences. Research from VisitScotland's Visitor Survey (2015) found that 'trying local drinks' was the third highest food & drink experience undertaken by visitors to Scotland whilst on their trip. This further highlights the importance provenance plays in the mind set of tourists, and the potential role it plays in terms of motivating consumers to Scotland.

WHICH OF THE FOLLOWING DID YOU EXPERIENCE ON YOUR HOLIDAY / SHORT BREAK IN SCOTLAND



Base: 1608 Source: Scotland Visitor Survey (2015)

DID YOU KNOW...

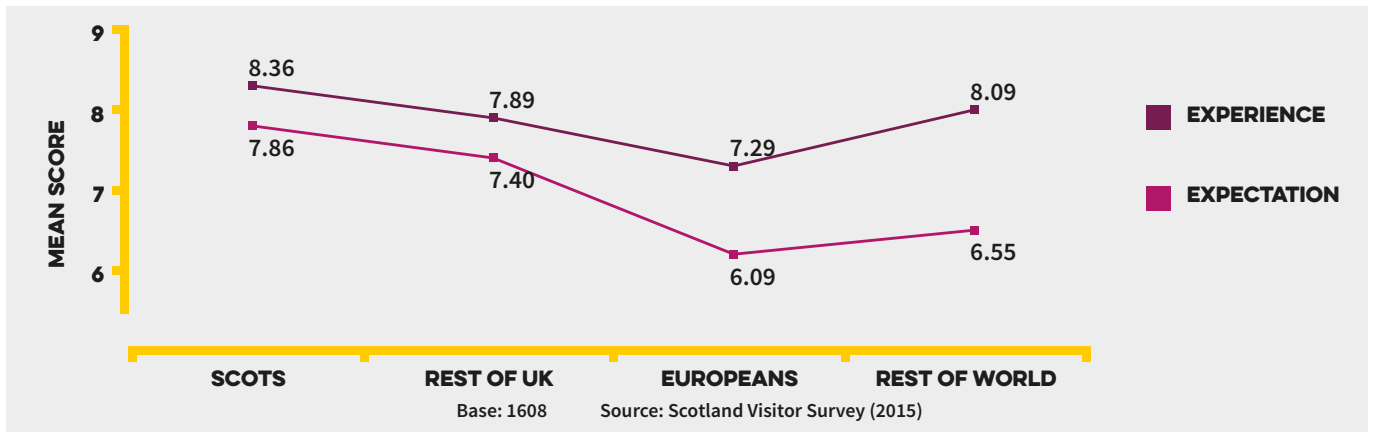
Visitors to Scotland spend 20% of their holiday budget on eating and drinking.

Source: VisitScotland Research

EXPECTATION AND EXPERIENCE

It is important to recognise that a gap exists between the expectation and experience of Scottish food and drink products by visitors. Recent research found that international visitors, particularly Europeans have a lower expectation than other markets of Scottish food and drink products. However, all markets

found their experience greatly surpassed their expectations, particularly within international markets. This further enforces the positive image that the provenance of food and drink products has on improving the visitors experience whilst on their trip.



TOURISM & SCOTTISH CRAFT BEER

Digital analytics information from VisitScotland’s consumer website (VisitScotland.com) indicate that there is a strong domestic interest in ‘craft beer’, with general searches related to craft beer, festivals, and tastings originating from London, Edinburgh, Glasgow, and Aberdeen. In terms of international searches, interest for beer festivals were registered with consumers in the USA, with a particular high number of searches in New York, Oakland San Francisco, San Jose California, and Detroit Michigan. Data indicates that these markets made searches regarding ‘craft beer’ pages throughout 2015, and showed a continued interest in the products

Searches were also made using the terms ‘craft ale’, which also generated particular domestic and overseas interest. In terms of visits to the ‘real ale trail’ page, particular interest was

generated in domestic markets such as London and Aberdeen, whilst overseas interest came from New York, Hamilton, and Toronto Ontario, Houston Texas, and Sydney Australia.

In terms of tourism products, many of Scotland’s craft breweries offer tours around their premises explaining their process, heritage, and passion for producing their industry. This helps to emphasise the importance provenance and authenticity plays in their product as many brewers have identified the importance of localism. It should also be noted that there is a growing trend with consumers to seek out products, which match their own beliefs and opinions. As many craft beer products are unique and have compelling stories to strengthen their brands image, this helps to create a sense of authenticity with the consumer.

TRENDS IN TOURISM AND CRAFT BEER INDUSTRY

So what exactly links tourism with the craft beer industry?

The rise of provenance

The farm to fork phenomenon is changing shopping and eating habits through many consumer markets. Local food/drink produce and provenance are now things to shout about. Farmers markets, food stalls at events and festivals are increasingly gastronomic. The move by consumers to understanding and seeking provenance has its links in trends of health and wellbeing, connections to landscape and appreciation of iconic produce. Research conducted by VisitBritain and the Office for National Statistics found that 40% of visitors who come to Scotland buy food or drink to take home with them. Research also found that international visitors to Scotland are shopping for food-based souvenirs more than in other areas of the UK, furthering the connection of provenance associated with Scotland and its rich food and drink identity.

It is evident that many craft brewers use provenance as a means of differentiating their products from competitors. It is also recognised as an excellent marketing tool to promote their products values and brand story. Research conducted by The Brewers Association of Scotland in conjunction with VisitScotland found that nearly two thirds of respondents found the brand of Scotland important to their own brand, while 50% found it very important.

When prompted to divulge what aspects of Scotland's brand image are most important to

their business, brewers highlighted a number of key themes already prevalent within Scotland's tourism industry and product. Areas highlighted include:

- **Quality/Trust** Affiliation with Scotland as a tourism product has worldwide association with quality in terms of tourism product. Exporting world renowned quality products such as whisky, salmon, amongst other products has helped to establish Scottish food & drink products as quality, trusted products.
- **Scenery/Landscape** A number of Scottish craft brewers use either national or local landmarks in order to portray their products brand story. This further emphasises the importance brewers who use this imagery in order to link with the Scottish tourism product.
- **Heritage** The use Scottish words or phrases help to build upon the Scottish brand image as well as convey the story of the product. This may be in the name of a particular beer or ale. Some brewers will provide context to the products background in order to help the consumer identify the product with a particular event or place. This helps to create an emotion or feeling with the product that in turn creates brand loyalty.

“

Recent data has indicated that millennials (25 -34) generate the highest amount of visits to craft beer related pages than any other demographic

- VisitScotland Research

”

”



Honest Authenticity

Authentic experiences are being developed within the minds of the consumer before they arrive in Scotland, and we, the Scottish tourism industry, need to meet their expectations. When we don't consider our customers perspectives, we run the risk of resulting in a tainted view of a real authentic experience. Tourism professionals may be aware that although consumers have different ideas of what authenticity is when considering a tourism product, it should be noted that consumers are also searching for honest authenticity. This could be discovering real local customs

Importance of Millennials

Businesses looking to tackle seasonality issues shouldn't overlook the younger demographics in the off season. Other than the over 65 market, the 16-24 demographic stay the longest in quarter one on average than any other domestic demographic. They also spend an average of £145 per trip, utilise this period to promote short breaks up to four nights, and actively look to avoid peak holiday travel times. Younger demographics are perceived to have little disposable income and are cost conscious, but are seeking quality experiences, and have money to spend. They are environmentally driven and believe in the sharing economy.

or cuisine. Findings from interviews with Scottish craft beer brewers indicates that the majority of brewers in Scotland are small, family run businesses, which resonate well with consumers looking for products that have a compelling story. It is evident that certain consumers are searching for products, which are created with passion and spirit. As many craft breweries in Scotland build their image around a strong brand story, consumers will look to draw closer to such brands in a time of dwindling brand loyalty, due to increased competition.

Data collected from VisitScotland's English language sites found that page visits for craft beer related content is made by a wide range of demographics. However, recent data has indicated that millennials (25-34) generate the highest amount of visits to craft beer related pages than any other demographic. This further highlights the rise in interest generated by the millennial market and their thirst for authentic products, which relates to the rise in interest in the craft beer industry.

WHO'S INTERESTED IN CRAFT BEER?

Market Growth Potential

A strong interest in Scottish craft beer products has developed from across the globe, namely within the Nordic nations of Norway, Denmark, Sweden, and Finland. Interest is also prevalent from existing visitor markets of USA, Germany, Italy, Spain, Switzerland, and China¹. On average, these markets spend around £788 million whilst on a trip to Scotland. Research conducted by VisitScotland suggests that

around 20% of all tourism expenditure is on eating out or drinking. From this, we are able to estimate that these markets who show a keen interest in Scottish craft beer have a potential value to the industry of around £158 million per annum bringing this a step further, which is around half of the total eating out and drinking spend by all overseas markets between 2010 and 2014 (£314 million).

TOP TEN MARKETS INTERESTED IN SCOTTISH CRAFT ALE PRODUCTS	AVERAGE SPEND PER MARKET (£M) (2010 - 2014)	EATING OUT DRINKING SPEND BY OVERSEAS TOURISTS (£M)
USA	£281	£56
Germany	£151	£30
Spain	£76	£15
Norway	£73	£15
Italy	£58	£12
Denmark	£39	£8
Sweden	£38	£8
Switzerland	£34	£7
China	£25	£5
Finland	£12	£2
Total	£788	£158

Source: IPS/VisitScotland Research

In terms of the domestic market food and drink expenditure, around £567 million is spend on eating out and drinking by domestic tourists, which offers a combined potential value of around £724 million per annum made possible through overnight tourism trips outlined above.

However, if both the total international (including all markets) and domestic market total food and drink expenditure is combined, the total potential growth available for craft beer in Scotland to capitalise on totals £881 million².

DOMESTIC REGION OF RESIDENCE TO SCOTLAND	AVERAGE SPEND (£M) (2010 - 2014)	EATING OUT DRINKING SPEND BY GB TOURISTS (£M)
Scotland	£1,092	£218
Wales	£91	£18
England	£1,654	£331
North East	£173	£35
NW / Mersey	£294	£59
Yorks / H'side	£224	£45
East Midlands	£138	£28
West Midlands	£100	£20
East of England	£161	£32
London	£181	£36
South East	£236	£47
South West	£147	£29
GB (total)	£2,837	£567

Source: IPS/GBTS/VisitScotland Research

¹ International markets were identified from interviews conducted with members of The Brewers Association of Scotland.

² The figure of £881m is based on the accumulation of the five year average figure of expenditure of domestic and international visitors to Scotland, with the 20% eating out and drinking spend calculation applied.



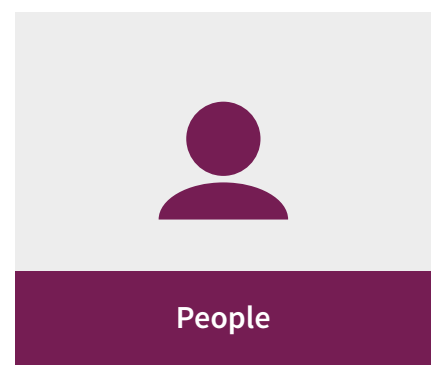
SO WHY IS CRAFT BEER IMPORTANT?

Engages both domestic and international visitors

It's important to recognise the role the craft beer industry can play within the tourism industry within Scotland, as recent research proves it does have an impact on the consumer experience. While seeking provenance food and drink is an important part of international visitor's experiences in Scotland, it's also engages the domestic consumer market.

It aligns with the core attractors to Scotland

As provenance plays a large part in many craft brewers own brand image and marketing, three of Scotland's core attractors are prominent within many craft beer brand imagery. These attractors are:



All three play a prominent role in helping craft brewers tell their brand story, which is often intrinsically linked to the landscape, culture, heritage, and people of Scotland. These attractors are core to Scotland's tourism product, therefore can be used to promote Scotland as a tourist destination through the medium of provenance.

Transcends sector profiles

Craft beer is not just confined to the restaurants or bars. Many businesses are able to capitalise from the connections craft beer has with the tourism industry, much like the wider food & drink product. The opportunity through partnerships allows businesses to capitalise on sectors such as craft beer, and strengthen their own tourism product.

BUSINESS RECOMMENDATIONS

So how can a tourism business in Scotland benefit from the rise in craft beer? The linkage between larger consumer behaviours and trends align with those of the craft beer industry, which focuses on authentic, home grown products, which have a compelling brand

story. This is particularly thought provoking for the millennial markets, which are showing the greatest level of interest than any other demographic in the products.

Shout about your authenticity

It should be recognised that that authenticity is a different concept to different people. Consumers may wish to seek ‘real life’ Scotland. This may be in the form of a local pub or restaurant,

or a venue where they can interact with real locals and customs. Shout about any unique products you produce or have in your local areas such as regional dishes, local beers, or farmers markets.

Provenance

Businesses may want to consider VisitScotland’s ‘Taste Our Best’ accreditation scheme, which recognises and celebrates businesses that provide quality food and drink, which is locally sourced. Food and drink is recognised as an important part of Scottish cultural identity and heritage, and is therefore a key strength in promoting Scotland

as a holiday destination. Over 1000 businesses have registered with the scheme, which is being recognised as a landmark accreditation within the industry for both quality and provenance. Be innovative and offer food matching with craft beer in order to enhance the tourism experience.

Recognising the rise of Millennials

Businesses looking to utilise this market should look to offer unique experiences that highlight local or ‘glocal’ products to entice the youth market. They are more likely to travel outside of peak times, making them an ideal market to target during the low seasons.

Advertising deals and collaborating with local businesses to promote authentic local products will help to create a scene for this demographic. Remember, the millennial market is seeking quality for good value.

Appendix

The Brewers Association of Scotland
International Passenger Survey
VisitScotland's Visitor Survey 2011/2012, 2015
Great Britain Tourism Survey
Office for National Statistics
VisitScotland Research

CONTACT US

Insight Department
VisitScotland
Ocean Point One
94 Ocean Drive
Edinburgh EH6 6JH

T: 0131 472 2222
research@visitscotland.com
www.visitscotland.org

July 2016

Disclaimer: VisitScotland has published this report in good faith to update stakeholders on its activity. VisitScotland has taken all reasonable steps to confirm the information contained in the publication is correct. However, VisitScotland does not warrant or assume any legal liability for the accuracy of any information disclosed and accepts no responsibility for any error or omissions.

Images: © Drygate Brewery / Thinkstock / The Brewers Association of Scotland