UNIVERSITY OF LJUBLJANA
SCHOOL OF ECONOMICS AND BUSINESS

MASTER'S THESIS

CONSUMER WILLINGNESS TO PAY FOR CRAFT BEER IN SLOVENIA

Ljubljana, November 2020 VID VODOPIVEC

AUTHORSHIP STATEMENT

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INTRODUCTION

Beer is the most consumed alcoholic beverage in the world. While beer itself has been around for millennia, a new segment, "craft" beer has seen an explosion in popularity, moving from the fringe of niche consumption towards that of the general population. This explosion in craft beer is a fairly new global phenomenon, attributed to shifting consumer tastes (Canback, 2019). The popularity of this new "craft" beer segment has enticed numerous new producers to enter the market. For instance, in Slovenia the number active breweries increased from 22 in 2010 to 62 in 2016 (Brewers of Europe, 2017). However, with the general beer category experiencing limited to no growth – particularly in developed countries, why is the beer industry so enticing to enter?

The answer lies in the premiumization of beer – a higher willingness to pay for superior beer. In other words, consumers are realizing that "not all beer is created equally", and craft beer has successfully differentiated itself from what is perhaps known as regular "traditional" beer. This "new" product category, craft beer, has rattled a stale and mature industry. Such a development is even more impressive given important cost disadvantages craft beer producers are subjected to. For example, because of their small scale of production, craft beer producers – unlike the market leaders – produce beer only on one location and therefore face considerably higher per-unit transportation costs. It wasn't that long ago that one could go into a restaurant and just order "a beer", and without any further questions or clarifications, be brought one. In Slovenia, the only follow up question to such an order could be "Laško or Union?", the brands of the which held an undisputed duopoly for decades.

The popularity of craft beer can be attributed to the blandness and homogenization of current beer offerings on the market, predominantly lager-style beers (Toro-González, McCluskey & Mittelhammer, 2014). This change in consumer tastes for beer in developed countries can best be described within the J-curve conceptual framework. The lifecycles are characterized by four distinct phases in production: artisan, mass production, homogeneity and premiumization (Canback, 2016). I plan on using this framework and applying it to the Slovenian beer market.

Slovenia is without a doubt in the premiumization phase of the beer industry. Still, the market share of craft beer in 2018 was at a meager 2 percent, with countries such as Poland, the U.S and New Zealand having 4.2, 13.5, and 23 percent, respectively (Morozov, 2018). It is no wonder, then, why the craft beer industry seems so attractive to enter. Slovenia is indeed a laggard when it comes to craft beer, if the market shares of the previously mentioned countries serve as an indicator, so there is a lot of room for the industry to grow.

Purpose, aims and hypotheses. The purpose of my thesis is to contribute towards understanding the factors that influence the formation of the price of beer. Within this framework, the aim of the thesis is to investigate how much more people are willing to pay

for craft beer compared to traditional (lager) beer, and what circumstances/factors influence this price differential. Using an online survey, I aim to assess willingness to pay (WTP) for craft beer of Slovenian consumers in the case of on-trade consumption, i.e., in bars and restaurants. To solicit the information about WTP, I plan to use contingent valuation, double bounded dichotomous choice. In particular, I want to test the following hypotheses:

- Hypothesis 1: Consumers are, on average, willing to pay a price premium for craft beer over traditional beer.
- Hypothesis 2: Demand for craft beer is inelastic.
- Hypothesis 3: A price premium for craft beer over traditional beer is negatively affected by a persons' age and positively by their income.
- Hypothesis 4: A price premium for craft beer over traditional beer is related to the importance given to the perceived beer attributes (taste, aroma, origin).

Methodology**.** Finding out how much people are willing to pay for a product is a difficult task, because consumer WTP – a synonym for consumer reservation price – is a highly theoretical construct (Martinez-Carrasco, Brugarolas, Martinez-Poveda & Ruiz-Martinez, 2015). This problem is exacerbated when dealing with a relatively new product category such as craft beer, since its closest substitute product, lager, which also works as providing a reference price for the consumer, does not quite equate to the same product.

In my thesis, I measure WTP for craft beer with the help of an online survey, fine-tuned on the basis of a pretest. WTP is assessed with the contingent valuation method, specifically, an iterative bidding game, thus using the stated preference approach as the basis of measurement. I obtained my respondents with a convenience snowball sample, starting with friends and acquaintances and encouraging them to forward the questionnaire onwards through email. The results of the survey were analyzed with the help of statistical software STATA.

Key assumptions and limitations. One important assumption of my analysis is that people are able to differentiate between traditional "lager" beer and microbrewed "craft" beer. The two categories, however, are not mutually exclusive, as it is possible for a beer to be a craft lager. As I will show later on in my thesis, to the average consumer, lager is synonymous with mass-produced, traditional beer (the kind your grandfather might expect when ordering a beer) as opposed to craft beer, which is synonymous with microbrewed, artisanal beer. Therefore styles (lager, ale, stout) are often conflated with methods of production (mass-produced, microbrewed), and by simplifying my definitions of the two, respondents have an easier experience with the survey. Furthering this assumption, I also assume that "conventional" lagers are virtually indistinguishable between each other. Various studies show that it is very difficult to tell apart and differentiate between the most established lagers. While to some this may be seen as a gross oversimplification, I found it necessary while conducting this thesis. Another important limitation of the study is the method of selection

of survey respondents – online convenience snowball method – that is prone to non-representativeness.

The thesis is organized as follows. Chapter 1 describes trends and developments in the beer market. Both global trends as well as trends in Slovenia's beer market are presented, and special attention is devoted to the entry of microbreweries. By defining the concept of WTP and describing the way it is measured in the case of craft beer, Chapter 2 provides theoretical and methodological underpinnings of the thesis. It also formulates the four hypotheses to be empirically tested via surveying Slovenian beer consumers. Chapter 3 describes survey design and implementation, including the formulation of the questionnaire, and lessons learned from the questionnaire pretest. Analysis of the survey – above all, testing of the four hypotheses – is presented in Chapter 4. The last chapter concludes by summarizing key findings and interpreting them from the point of view of the drivers of the shift in preference to craft beer discussed earlier.

1 TRENDS AND DEVELOPMENTS IN THE BEER MARKET

Ordering a beer today is much more difficult than it was 10 years ago. Up to the recent past, in Slovenia the immediate follow up question would have been: "Would you like Laško or Union?", the two major brands which held an undisputed duopoly over the market for the past century or so. Nowadays, the choice is not so simple. The selection process is no longer centered around brands, but rather styles of beer, a trend which has been labeled as "consumer promiscuity" when it comes to choosing beer (see, for example, ROTHCO, 2019). As a result of these new, modern styles of beer, brand loyalty has plummeted. New styles of beer are often grouped under the generic term of "craft" or "microbrewed" beer, and they stand against the prominent and overly abundant lager beer which has been the default style of beer since the industrial revolution. And perhaps not surprisingly, not only has the selection of beer increased, but so has its price. These craft beers command a considerable price premium – generally, they are about 50 percent more expensive than their more traditional lager counterpart.

Definition of craft beer – while varying widely from country to country – is typically based on brewing capacity. A common theme in the definition is the restriction on brewing capacities, which is why craft beer is synonymous with microbrewed beer (see the discussion of the definition of craft beer by Garavaglia & Swinnen, 2017a). In Slovenia, the definition of a microbrewery is one that does not exceed the production of 20.000 hectoliters in a year (Štamcar, 2015). In the United States, where the modern craft beer movement is considered to have originated, the definition is extended to include (i) metrics related to ownership of the brewery and (ii) permissible ingredients be used in beer production. As clear from the above description, this type of beer is costlier to produce both because brewers cannot take advantage of economies of scale and because they face higher input costs due to the superior quality of their ingredients (Garavaglia & Swinnen, 2017a).

In reality, the distinction between craft and other types of beer are blurred, among others because large companies such as Heineken and AB InBev are launching their own brands of craft-style beers or merging with small breweries. Also Euromonitor (2017) points out the ambiguity of the definition of “craft beer”.

This chapter aims to put historic developments in the beer market in perspective. It starts with explaining the global scene by probing into historical developments and trends of the beer production. In the core section, it discusses the forces behind the entry – and proliferation – of microbreweries. The chapter concludes by presenting trends in Slovenia’s beer market.

1.1 Global developments and trends

This section presents historical developments in the beer production, arguing that until the premiumization stage of the beer development, factors driving the supply side of the market were mostly responsible for vast changes that have occurred.

1.1.1 Historical developments: How lager became king

Historically the beer industry was characterized by many small producers. According to Howard (2014), until 18th century natural barriers discouraged a formation of few producers dominating the market. First, since beer consists mostly of water, it was costly to transport – because of the worse transport infrastructure and systems in general, historically more so than today. In addition, early commercial brews were ales and stouts, both of which spoiled rather quickly. These limitations prevented early brewers from selling their product at a larger scale, restricting the geographical reach of beer producers. Moreover, the simplicity of its main ingredients – water, malted grains, hops and yeast – gave little room for innovation and thus disabled a producer from differentiating oneself and gaining a competitive advantage. Things have changed since then, as modern technology has changed the way we produce, and in turn, also the way we consume beer.

Several technological innovations laid down the groundwork for the beer industry we see today, as well as for the most dominant style of beer, lager. In the eighteenth century, a more science-based approach to brewing beer was established. Better knowledge regarding the function of yeast – the ingredient responsible for the fermentation process and so for producing alcohol in beer – led to improved brewing methods and thus for greater control of the production process. Such an improved control enabled brewers to produce a reliable and consistent final product, and the resulting brewing method would give rise to the most predominant style of beer in the world today: lager. Lager, which in German literally means "storage", overcame the main problem with beer at the time, a short shelf life. And a prominent scientific discovery also helped lager to establish its dominant position – in the

1860s, Louis Pasteur developed the "Pasteurization" method, which further extended beer's shelf-life (see Poelmans & Swinnen, 2011).

Along with several other scientific advances, the industrial revolution helped propel lager beer to its present-day dominance and commercial success. The invention and later improvements of the steam engine allowed beer to be transported faster as well as across greater distances, as they provided recourse to more advanced and efficient mode of transportation. Moreover, the invention of refrigeration allowed breweries to produce lager year-round, thus not only in the winter months (the brewing of lager requires cooling, see Meussdoerffer, 2009).

Many other major innovations helped with the storage and manufacturing of beer. Before the 1860s, glass bottles had to be hand-blown and were as a result relatively expensive. The invention of the "chilled iron mold" allowed brewers to mass produce glass beer bottles at a fraction of the price. Bottling beer in glass bottles enabled it to be transported greater distances and be preserved in a better fashion, particularly on longer journeys, as opposed to the traditional method of storing it in casks. Just as important were the innovations when it came to sealing the beer. Initially various types of corks were used, similar to the ones used in wine. By 1892, a metal based seal was used, the same one that is used for glass bottles today, the "crown cork", enabling brewers to develop automatic bottling machines (Swinnen, 2011). By the first half of the twentieth century, metal cans were being used and popularized in the United States, eventually making their way to Europe and the rest of the world.

These discoveries and innovations helped bring down the price of beer, made beer available to a larger audience, as well as delivered a product with consistency. At the same time, they also contributed to the homogenization and blandness of beer over the past century (the aspect that eventually made room to the emergence of craft beer – see below), as well as to consolidation within the industry. The modern machinery and brewing methods led to the mass-production of beer, and as a consequence, companies needed to achieve economies of scale in order to stay competitive.

1.1.2 Consolidation of beer industry in last 20 years via mergers and acquisitions

Declining global beer sales have forced established brewers into mergers and acquisitions.[1] Looking at data from 2012, the top four brewers accounted for roughly half of global beer sales by volume and 70 percent by revenue (SABMiller, 2012). Compared with ten years prior to that, the top 10 firms composed less than half of global sales. Fast forward to 2016 and we have the fifth largest ever acquisition in history, where the world's biggest brewery AB InBev acquired the second biggest SABMiller, for $90 billion. The new brewing behemoth will be responsible for the production of nearly 3 in 10 beers consumed around

[1] Lee and Tremblay (1992) argue that the negative health effects of alcohol consumption are more commonly known, and therefore there has been a decrease in overall beer consumption, with a switch in the type of alcohol being consumed.

the world (Business Insider, 2016). While some market share was gained internally through sales growth, most has occurred from consolidation through mergers, acquisitions and joint ventures, with the primary goal of expanding into new geographic areas (Howard, 2014).

1.1.3 J-curve's application to beer and premiumization

To interpret the developments in the beer industry, a suitable tool is the concept of the J-curve. The J-curve evolution of an attribute means that the attribute's graph is shaped like the letter 'J', that is, that the quantity in question in the initial period diminishes and it gradually reverses its trend to growth (Canback, 2016). According to this framework, a product's life cycle is divided into four stages: artisan, mass production, homogeneity, and premiumization. While the framework can be applied to other consumer products, ranging from pasta sauces to the automobile industry, below we apply it to beer industry. The four stages of its developments can be characterized as follows (Canback, 2016):

1. Artisan stage. This is the first stage in the product life cycle and it represents the introduction of beer to the market. Initially, beer was made and sold locally. Due to the brewing technology at the time, it was manufactured in small batch production, and its distribution was also limited due to slow and costly transport as well as due to a short shelf life of the product. These limitations called for a large number of breweries to coexist, each operating in a limited geographical space. This phase can be said to have existed up to the industrial revolution.
2. Mass production stage. With the industrial revolution came numerous manufacturing improvements which helped streamline the production of beer, driving down the price (see above). Better and cheaper transport also allowed for beer to be sold further away from the brewery, expanding the market potential for a particular brewery. This allowed brewers to utilize scale economies.
3. Homogeneity stage: Maximum efficiency is reached. Consumers lose interest in the product due to a lack of diversity. Beer becomes standardized, synonymous with clear lagers. Due to reaching the efficiency frontier, breweries compete largely on advertising.
4. Premiumization stage: Producers emphasize superior quality and/or exclusivity of their products, with the intention to introduce differentiation within the beer category to attract wealthier consumers who are willing to pay more for better, "premium" products. In this stage, the quality of ingredients is improved, the location of production resumes a more prominent role, as does the overall appearance of authenticity of the product. In most places, this stage is kicked off with global imports such as Heineken and Stella Artois, the imports propelled mainly by the "country-of-origin" effect and scoring highly across the board in the previously mentioned categories. Nowadays, this stage is what is driving the consumption of craft beer.

According to the J-curve concept, the beer market has completed a full circle: it started with many producers, it shrank to few, and it went back to many. In the long history before mass

production, all beer was by definition craft and microbrewed beer. As described above, innovations in the production of beer and overall advancements in technology allowed to mass produce a homogeneous product, and in contrast, the latest trends of craft production represent a return to the roots.

Note that in contrast to the first three stages of the J-curve, the key factor affecting the final (premiumization) stage is consumer preferences (demand). In this stage, producers cater to the newly developed, diverse needs of consumers by offering them differentiated products. And as predicted by the theory of monopolistic competition, such differentiation allows them to increase the price of beer.

1.2 The entry of microbreweries

With the strong cost-cutting effects of economies of scale, the beer market toward the end of 20th century was a tough, competitive environment to enter. Michael Porter (1980) even cites the beer industry as a textbook example of how economies of scale can be used as barriers to deter new firms to enter. Indeed, new breweries could not compete on price, and they had to differentiate themselves in a different aspect: taste. Fortunately for microbreweries, it was not that difficult to do so – homogenization of mass-produced beer had made different lagers practically indistinguishable between each other, contributing to the emergence of what is sometimes labelled as "industrial beer". In addition, an important development which allowed many microbrewers to get their foot in the door of the industry is the steep reduction of barriers to entry. These came primarily in the form of the reduction and easing of government laws and regulations, as well as the transformative nature of social media has had on marketing and advertising.

In the continuation of this subsection, we describe a resource-partitioning theory that explains the emergence of the craft beer industry and discuss drivers behind the shift in consumer preferences that contributed to the rise of the craft beer. We also describe the response of established big businesses to this shift of preferences – how incumbents have been inventing new ways to succeed in a changed environment.

1.2.1 The resource-partitioning theory of the rise of craft beer

Carroll and Swaminathan (2000) apply the resource-partitioning theory to explain the rise of microbreweries. The theory suggests that the increased dominance and concentration of large firms in a market pave the way for smaller niche organizations to enter. At the heart of the theory is customer segmentation, as the large generalist firms position themselves in the middle, capturing the largest customer segment and thus ensuring the largest returns to scale. Competition is the strongest in this segment, with larger firms having the necessary competitive advantage to outperform smaller firms. However, the surviving firms may not entirely take over the customer segment of those they pushed out of the market (even if all

the firms were positioned so as to appeal the largest customer segment, some might have been a little more upmarket, while others a little more down-market). This creates a void in the market. For the remaining firms in the market, it may be too costly to fill the void, not cost-effective, or may present too great of a risk.

This void presents an opportunity for pioneering firms to enter the market. The brewing sector in the United States experienced tremendous growth in terms of number of breweries from the 1980s onward. The Economist Intelligence Unit utilizes the J-curve conceptual framework to explain the development of the American craft beer market (Canback, 2016). This framework does a good job at explaining market forces taking place in respective markets of federal states, and while the United States can be said to be further along the curve, Europe is not far behind. Interestingly, the emergence of the craft beer entrants should not be seen as reflecting opportunistic behavior only. According to some authors, being increasingly put off by unattractive taste and lack of choice, many persons have started production of craft beer as a hobby. One of the foremost scholars of the emergence of microbreweries, Glenn Carroll, stated that "The people behind the microbrewery movement, in an almost moralistic and evangelical way, thought that beer had become disgusting" (George, 2002).

1.2.2 Drivers of the shift in preference to craft beer

When considering craft beer's rise, it is important to look at the wider forces driving the shift in consumer preferences. In terms of the J-curve framework presented above, we can argue that moving down the curve has historically been shaped by forces dealing with the production of beer, that is, by forces acting on the supply side. By contrast, moving up the curve – coinciding with the emergence of the increased number of producers that has been accompanied by the increase in the unit price/cost – has been associated with shifts in consumer demand. These shifts themselves, however, are the result of interplay between many forces, including technological advances and a changing economic, political and environmental climate, with the end result being manifested as changes in consumer preferences. The reality is that consumer preference formation is a complex process, and in turn, pinpointing them is a difficult task.

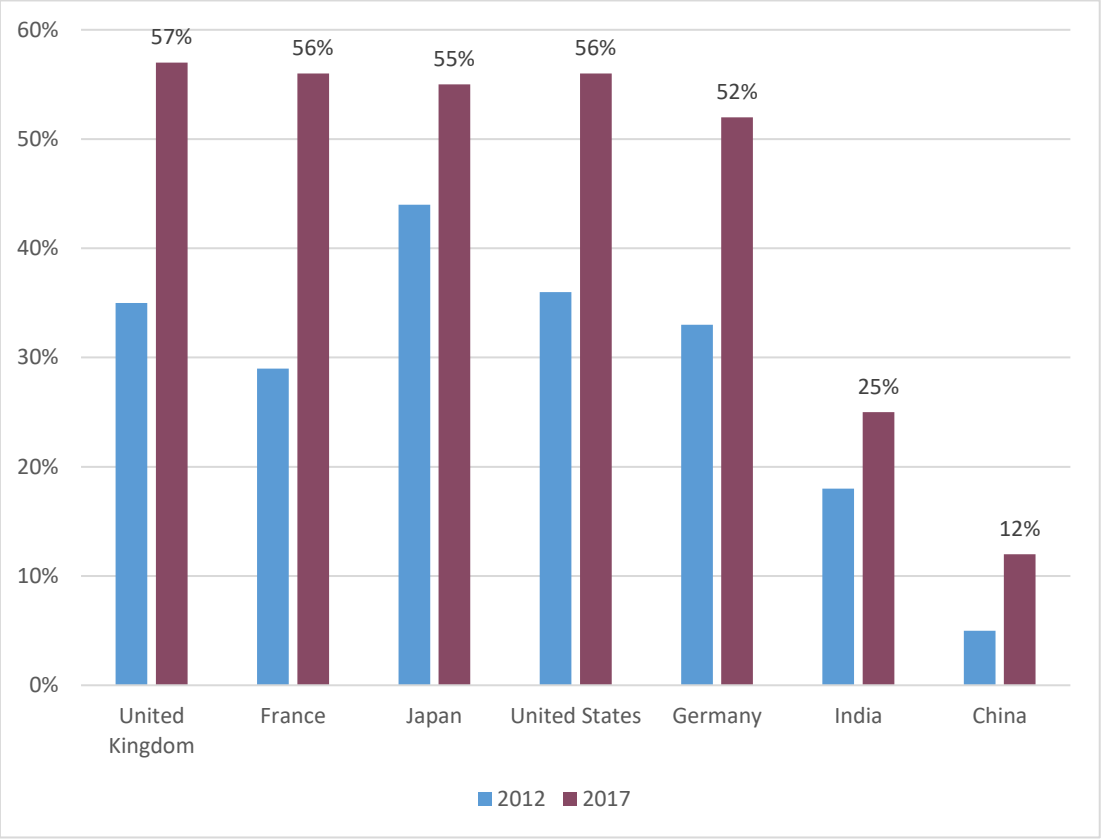
While in textbook economics it is often assumed that consumer preferences are fixed, many authors reject this notion. For example, Carpenter & Nakamodo (1989) theorize that consumer preferences are shaped through trial and error. Through their analysis of pioneers (first-mover) advantage, they determine conditions which contribute to achieving success in maintaining a competitive advantage against later entrants. Central to their argument is the pioneering firm's ability to position itself as close as possible to the theoretical "true" consumer preference, thus capturing the largest "mainstream" segment of consumer tastes. If later entrants are able to position themselves more accurately in the center of mainstream consumer tastes, this would lessen the leading firm's competitive advantage.

In a way, many of the drivers behind the shift in consumer preferences in last decades in general can be seen as a pushback to capitalism and globalization. These grievances are perhaps most apparent in the political arena, where a rise in nationalist, populist, and anti-immigrant rhetoric has taken hold in numerous countries around the globe, most notably with Trump and Brexit at the helm. While globalization is generally recognized as a force which diminishes distances in the world, "levels the playing field", and makes the world smaller through the internet-of-things and connectivity, it is also increasingly being blamed for enabling power and resources to become more concentrated and unevenly distributed. Hence the emergence of anti-neoliberalism, vilification of multinational corporations, and championing of local, community producers.

In addition to political and economic changes, climate change has become an increasingly important issue. In what has been called "the race to the bottom", multinational corporations have been leveraging their power to maximize their benefits, whether it be by locating facilities in places with the lowest environmental standards, lowest wages and taxes, or both. These "free market" policies often result in the relocation of a production facility or plant, destroying local jobs in the process. Indeed, climate change, the inevitable consequence of placing profit before planet and people at every step of the way (that is, the failure to evaluate business performance in a "the triple bottom line" perspective), is very much a result of companies ignoring the effects of their production on pollution, that is, profiting from the system where they are not charged for the external effects on environment they create. This has been contributing to the distrust consumers have for multinational corporations (Figure 1).

Aiding this shift in consumer preferences is the widespread use of the internet. "Hyperconnectivity is giving individuals access to more information than ever before, educating them on evolving social, cultural and political landscapes" (ATKearney, 2019). Indeed, the internet has ushered us into the "Information Age", where increased access to information and the ease of obtaining it has created a more informed consumer, one who's more aware of how their consumption habits affect the world around them (Euromonitor, 2017)."Social conscience and desire for betterment lie behind profound changes in consumers' values. Diversity, authenticity and inclusion are important cultural factors influencing consumer behaviour and purchasing decisions" (Euromonitor, 2017).

Figure 1: The rise of distrust toward large brands and companies worldwide (percent of consumers with little of no confidence in large corporations and brands)



Source: ATKearney (2017).

Related to anti-globalization sentiment is also the pursuit of "authenticity" of products. While researching consumer trends, it is nearly impossible to avoid the term "authenticity". Being socially constructed and very context-specific, there is no objective definition of it. Carroll (2015) points to two main kinds of authenticity. The first kind is "type" or genre authenticity, which refers to whether or not a product possesses traits that are characteristic for a certain product category, that is, if it meets the criteria for such classification. In the case of beer, this form of authenticity deals primarily with the quality and type of ingredients used (what type of hops was used), the production process (was it top or bottom fermenting?), as well as the taste of the final product (does it taste like an IPA should?). If the answers to these questions check the correct boxes, then the product in question is correctly classified in a category and deemed "type" authentic.

The second kind of authenticity is "moral" authenticity and relates not so much to the product but rather to the organization or firm-producer itself, and to the way it operates. Questions pertaining to this form of authenticity revolve around the motivations and goals of said brands or companies, such as whether they are driven solely by profit, or are they genuinely concerned about their community, environment, human wellbeing, etc. Moral authenticity encompasses the virtues to what marketers refer to as a "lifestyle brand" and is usually

accompanied with phrases such as organic, cruelty free, ethically sourced, not-tested on animals, and locally made. This new emphasis placed on authenticity by consumers transcends the imperative of location and borders and puts ethics and moral values higher on the list of priorities (Carroll, 2015).

When we are talking about foodstuffs the overlap in these two forms of authenticity often lies in locally sourced products. It has become increasingly difficult to figure out where a product is made and where its ingredients are sourced. There are many practices associated with multinational corporations that contribute to consumer confusion of a product's origin: giant mergers and acquisitions, constant restructuring of companies and changes in their ownership, licensing and outsourcing production lines, and vast supply-chains and distribution networks. In the information age, where it seems that any information is accessible with a quick Google search, this lack of transparency contributes to the increasing distrust consumers feel towards multinational corporations and brands. In fact ATKearney's (2019) Global Future Consumer Study suggests the mass market of the future will be driven by the core principles of trust, influence, and personalization. This explains why local products are often thought of as direct substitutes to their corporate counterparts, and are in many instances preferred.

Interestingly**,** the falling confidence in large corporations and brands is not present only in developed countries, but it also started to emerge in China and India, the largest developing countries (see Figure 1). Consistent with the rise of anti-globalization sentiment, a push towards consuming more local products has also been on the rise.

Local products from independent producers are, by default, deemed "morally" authentic by consumers. By definition, local products do not travel great distances to reach the final user, which translates into a better environmental footprint. And studies show that consumers are increasingly appreciating moral authenticity. In the Nielsen (2015) study, in 2015 66 percent of global consumers stated that they would be willing to pay more for sustainable brands – a sizable increase from the 50 percent who said they would do so in 2014. Roughly half would pay more to environmentally friendly companies and those with a commitment to social values.

Favoring local brands over international ones is by no means a new phenomenon. Shimp and Sharma (1987) developed the concept of "Consumer ethnocentrism" according to which the consumer views a foreign product as inferior to their own. Contrasting consumer ethnocentrism is the "country of origin" effect, in which consumers view goods produced in countries with a well-known tradition and history of producing them as superior to goods produced elsewhere. In the case of the beer market, sticking to the "country of origin" principle would concentrate market share in the hands of brewers from countries with a strong tradition and history of brewing beer (such as Belgium and Germany). In fact, this is the case when looking at macrobrewed beer, as the three largest breweries controlling a whopping 42 percent of the global beer market – AB InBev, Heineken and Carlsberg are

headquartered in Belgium, The Netherlands and Denmark respectively – all come from nations with a rich tradition of brewing. However, this new idea of authenticity transcends country-of-origin effect in that it places a greater emphasis on locally produced, and in many cases sourced, ingredients and labor.

1.2.3 Generational shift in attitude: millennials enter the stage

The trends described above are perhaps most pronounced among the millennial generation. While there is no universally agreed upon definition, most label those born anywhere between the early 1980s and late 1990s as millennials (Posard, Kavanagh, Edwards & Efron, 2018), refer to millennials as those born between 1982 and 2000. The millennial generation has been touted as one of the biggest consumer groups leading the movement toward more local, artisan, and craft products and less of the mass-produced, homogenous products of the past few decades (Daneshkhu, 2018).

There is another factor mitigating the shift of preferences that has occurred among the millennials: the advancement of ICT (information and communication technology) and the increasing role of social media. Quite revealing is the proliferation of craft beer apps that are uniquely suited to serve the needs of localization and authenticity, among others. They not only provide up-to-date information about local producers, including customer reviews, but they also offer venues of their sale, lists of top-rated beers and breweries, and information about special events. Moreover, they enable customization of one's own personal beer palate, by providing a rating of beers the customer has already tried and suggesting new beers that he or she might want to taste. And they also offer advice about being "politically correct": they provide information whether a particular product that may have a craft beer label is, in fact, produced by big breweries (like "Blue Moon", produced by Anheuser-Busch and Miller), as some customers may prefer not to consume such products.[2]

1.2.4 Responses to shifts in consumer preferences

In addressing anti-globalization sentiments, businesses are inventing new ways to succeed in a changed environment. In the early 1990s, "Glocalization" a buzz word and business strategy utilized by multinationals, was all the rage. The strategy was centered on developing and distributing products globally but still tailoring them to accommodate the needs of regional and local markets. However, nowadays it is not enough for McDonalds to offer a Chicken Maharajah Mac to ensure its success in India, the ingredients themselves must be sourced locally (Kannan, 2014).

ATKearney has termed this new business strategy for multinational companies "multi-localism": "The age of multi-localism—characterized by the preference for local

[2] To appeal to millennials, some apps also adhere to tricks like enabling a mobile phone to resemble a glass of beer, a feature called "Virtual Beer/iBeer" (Braun, 2018).

communities, industries, products, cultures, and customs—has arrived. It is prompted by rising political risks, shifting consumer preferences, the introduction of modern industrial policies, advancements in technology, and transitions in corporate governance structures and attitudes. These pressures have gained strength in recent years, and they are not showing any signs of abating" (ATKearney, 2019, p. 3).

Big breweries have been attempting to emulate microbreweries in three main ways. One way is through acquisitions, in line with the slogan "if you can't beat them, join them" or in this case, have them join you. "Corporate takeovers of microbrewers continue to be highly controversial. The defining characteristics of craft, while not universally agreed upon, are generally understood to be based around authenticity and tradition, which are difficult to align with the values of multinational corporations" (Euromonitor, 2017, p. 23). Emulating microbreweries can be difficult, however, as these takeovers can be withheld from the public and consumers have no easy way of knowing that a particular microbrewery has "sold-out". Another method is masking their products, hiding the fact that the producer is a brand extension of a megabrewer, as opposed to an organically formed independent local producer. Such products have been dubbed "quasi-craft" brands (Canback, 2019). For example, Molson Coors a megabrewer in a joint venture with AB InBev, which caught on to the craft trend early on, launched their own craft brand of beer, Blue Moon. It has successfully tricked consumers that it is in fact a "craft" brand and provides a "craft" experience. And third, megabreweries are mimicking marketing strategies of microbreweries. For example, instead of employing a mass-marketing campaign, which is the norm for such companies, they are sponsoring local events, utilizing social media influencers, and expanding their grassroots image.

In fact, in the Information age, the future of traditional mass-marketing campaigns is unclear, prompting many top marketers to reevaluate the means to reach consumers. Keith Levy, VP of marketing at Anheuser-Busch (now AB InBev) stated as his new year's resolution in 2010: "To find the next Facebook or Twitter phenomenon . . . making sure we're in the places our consumers are increasingly headed and being there in an authentic way" (Keller, 2013, p.197).

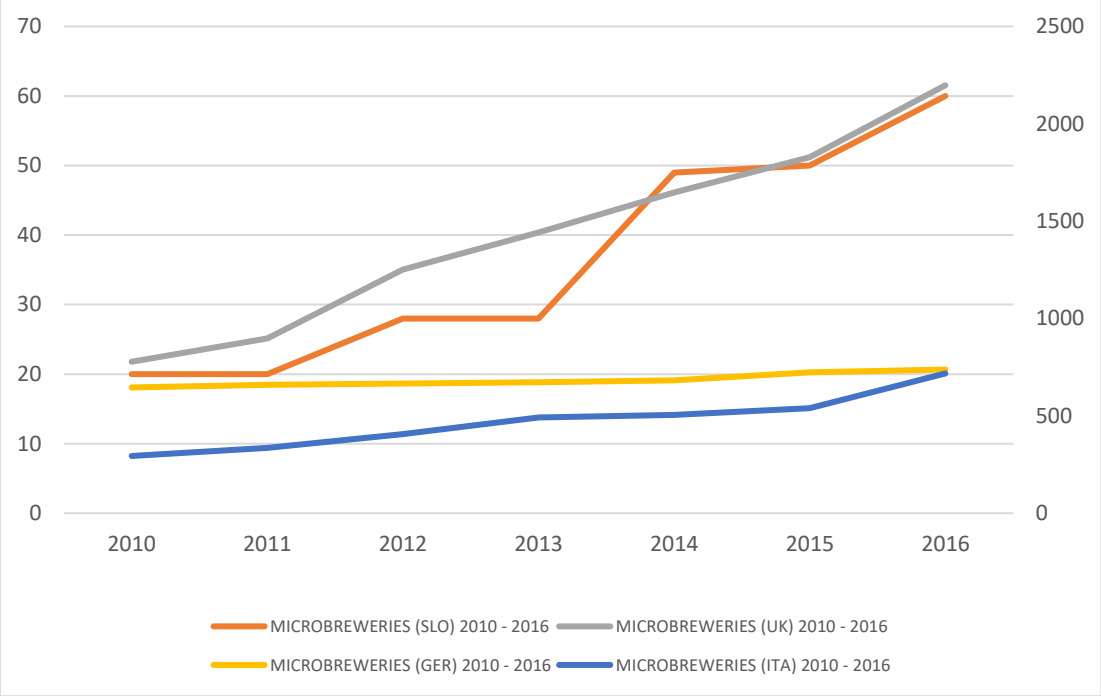
1.3 Trends in Slovenia's beer market

While Slovenia plays a minor role in the global beer market, domestic developments have mirrored those occurring globally. In addition, being on the periphery, the preferences of Slovenian beer consumers have also been shaped by the "exposure effect". Market power has become increasingly more concentrated. And as on the global scene, Slovenia saw incredible growth of breweries, all of which were microbreweries.

Since 2010, number of microbreweries in Slovenia strongly increased. According to Euromonitor (2018), in 2010 there were 20 microbreweries in Slovenia, with the number

steadily increasing to reach 60 in 2016 (Figure 2). The growth of the number of microbreweries in Slovenia exceeded the growth of most European countries. The most remarkable growth of microbreweries in this period was experienced by the UK, where their number increased from below 600 to over 2.000.

Figure 2: Number of microbreweries in Slovenia and selected European comparators, 2010–2016



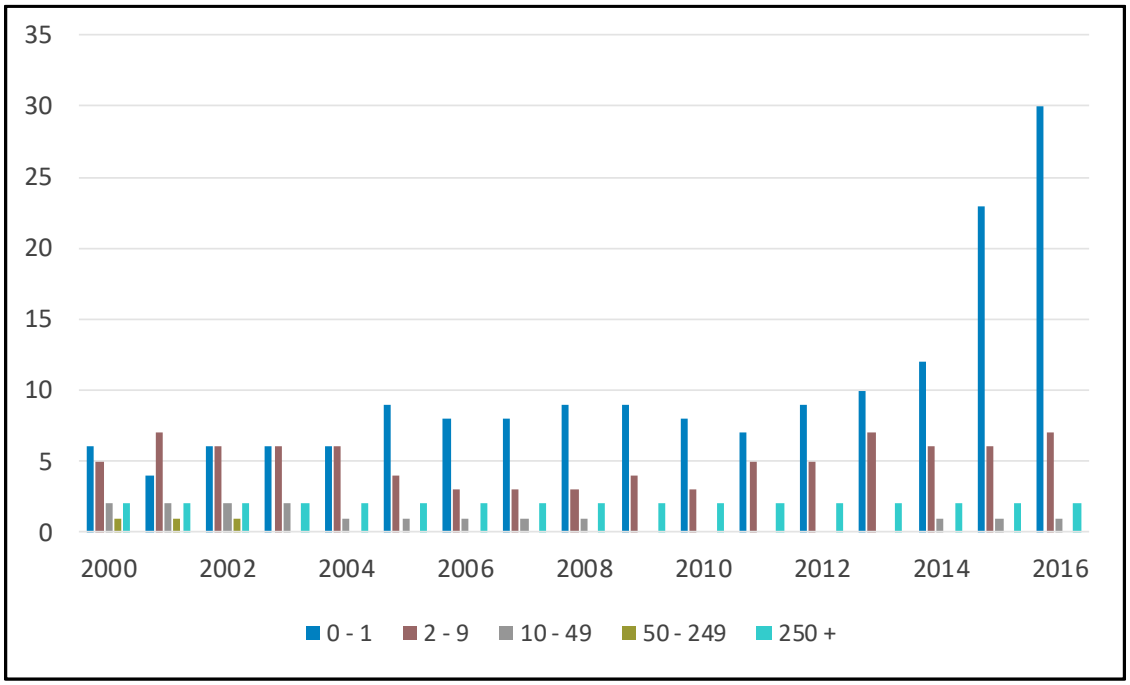
Note: The number of microbreweries for Slovenia is shown on the left, and for other countries on the right axis.

Source: Euromonitor (2018).

In Slovenia, microbreweries are by far the most dynamic firm size category (Figure 3). While during 2000–2011 the number of microbreweries stagnated in the range of 6–9, starting 2012 this number strongly increased, reaching 30 by 2016.[3] Of course, during the whole period 2000–2016 there were only two producers occupying the largest size category – the two Slovenian big producers, Laško and Union. Interestingly, the size category of 2–9 workers showed very little dynamism, and quite notable is the "case of the missing middle": there were virtually no firms in the size categories of 10–49 or 50–249 workers.

[3] The number of microbreweries according to Statistical Office of Slovenia is only half of the number reported by Euromonitor, suggesting that the latter include also producers whose predominant activity is outside beer brewing.

Figure 3: Number of companies in beer production in Slovenia, by employment size (2000–2016)



Note: presented in the table is the number of active producers in a certain year (employing at least one person and/or posting positive revenues) of the subsector DA.15.960 for years 2000–2007 and 11.050 for 2008–2016, according to the standard classification of activities.

Source: Adapted from Statistical office of Slovenia (2020).

The two major players mentioned above, Laško and Union, have held an undisputed duopoly in the Slovenian beer market for the past several decades (Cerar, 2015). Union is in fact a product of a union – hence the name – of a number of small brewers who banded together. Laško acquired Union in 2005 under the guise of national interest, in order to fend of the other main bidder – Interbrew (now biggest brewer AB InBev), a foreign multinational corporation. The newly formed company was acquired by the global brewing giant Heineken a decade later in 2015 (Morozov, 2017).

The above trends in Slovenia have been shaped by several forces. On one side, they echo the antiglobalization sentiment, with Slovenian consumers strongly favoring local food and beverage products, ranging from fruits and vegetable to type of flour and milk and milk products.

Being on the periphery, the preferences of Slovenian beer consumers have also been shaped by the "exposure effect". Šušteršič and Šušteršič (2013) demonstrate that an increase in imports following EU entry had two opposing effects on Slovenian beer producers. First and unsurprisingly, the increase of beer imports resulted in the decline of production of domestic producers. Second, the increased diversity of types of imported beer had a positive impact

on the volume of sales of small producers.[4] The authors interpret the latter result by suggesting that imports of beer, by bringing more variety to the market, induce domestic consumers to develop their tastes and appreciate different types of beer, which in turn induces demand for products of domestic microbrewers (according to this interpretation, Slovenia has been somewhat of a laggard when it comes to the craft beer consumption). This result is completely in line with Swimanathan (1998, cited in Garavaglia & Swinnen, 2017b), who – in the case of USA – also finds that growth of beer imports stimulated the entry of new craft breweries, also attributing the effect to the development of appreciation of new beer tastes via imported beers.

Slovenia fits very well into the J-curve framework described above, as it has gone from many to few and back to many producers. The growing number of Slovenian microbreweries (and imports) has also strongly enriched the scope of beer supply. Some of the most popular Slovenian microbreweries include Carniola, Humanfish, LOO-BLAH-NAH, Maister, Mali Grad, Pelicon, Reservoir Dogs, Tektonic, and Vizir. Nonetheless, in 2018 Slovenian microbreweries had a market share of only around 2 percent and a production capacity for supplying up to 6 percent of domestic consumption (Morozov, 2018), thus still lagging substantially behind countries with more developed microbreweries (for example, the market share of microbreweries in USA is 10 percent).

According to Pivopis (2020), the latest trends – up to the end of 2018 – in microbrewing industry of Slovenia are as follows:

- Larger breweries – the ones with larger assets and access to capital markets – recorded faster sales growth, with smaller breweries not keeping pace.
- To the increasing extent, the microbrewery market has shown signs of saturation, particularly sales in department stores, restaurants, and bars. Responding to such saturation, many microbreweries tried to strengthen their regional or local presence, focusing on developing loyal customers in their own "backyards" as opposed to appeasing to the wider population.
- Microbeer price continues to be rather stable, with only few brands achieving high prices via selling exclusive batches.
- Microbreweries have continued to cater primarily to the domestic market, with sales abroad being very low.
- Imports from large commercial breweries filled the niche of low-price "microbrewed" beer – the niche that domestic microbreweries failed to address.

[4] Šušteršič and Šušteršič (2013) also find that the increase in the diversity of small producers positively affected the volume of sales of small producers.

2 MEASUREMENT OF WILLINGNESS TO PAY FOR CRAFT BEER AND FORMULATION OF HYPOTHESES TO BE TESTED

Willingness to pay (WTP) is one of the key concepts in marketing. For example, WTP is at the heart of one of the cornerstones of the "Four Ps" paradigm of marketing – of the price (the other three Ps are product, place, and promotion, see Kotler & Gertner, 2002). Moreover, WTP is closely related to one of basic concepts in the theory of consumer behavior – the buyer's reservation price (the highest price that a buyer is willing to pay for a product or service). Knowing WTP allows producers to gauge elasticity of demand for their products or services that, together with pricing tactics, determines their business strategies. In my thesis, I apply these concepts to determining willingness to pay for one important commodity – beer, in particular, to craft beer.

WTP is a complex concept and so it is difficult to operationalize. In doing so, two dilemmas are of utmost importance. The first is the choice of the method to measure WTP. The second dilemma relates to the selection of the setting in which WTP is measured. Specifically, one has to choose whether to measure WTP for on-trade or for off-trade consumption, that is, whether to measure WTP concerning drinking beer in restaurants and bars, as opposed to WTP concerning buying beer in retail outlets. Below I present the definition of WTP, discuss the above two dilemmas, and formulate hypotheses to be tested empirically.

2.1 Definition of WTP and its operationalization to measure WTP for craft beer

Smith and Nagle (2002, p.2) define WTP as "the maximum price a buyer is willing to pay for a given quantity of a good or service". In the study of microeconomics, this corresponds to a consumer's reservation price (compare also Le Gall-Ely, 2009). Initially, it was used to help calculate the monetary value for pure public goods, and conversely the cost associated with their negative externalities (air pollution, etc.).

When breaking down the concept of WTP, it is useful to consider another related concept: customer value. Smith and Nagle (2002) define three different aspects of customer value. *Use value* deals with the worth of the benefits one receives from using the product as opposed to going entirely without it; *economic value* deals with the monetary worth of the benefits the customer receives when using a particular product as opposed to using a competitive substitute; and *perceived value* is the subjective worth of the benefits received by the consumption of the good. When measuring WTP, it is the perceived value to a customer of a particular good or service that we will focus upon.

It is useful to view the (perceived) value of a product or service for a customer to be determined by benefits relative to costs. Kotler (2000, p.6) defines value as "a ratio between what the customer gets and what he gives" as expressed in equation (1):

$$Value = \frac{Benefits}{Costs} = \frac{Functional\ benefits + emotional\ benefits}{Monetary\ costs + time\ costs + energy\ costs + psychic\ costs} \quad (1)$$

Based on this equation, there are only five ways in which customer value can be increased for a particular product: (1) raising benefits, (2) reducing costs, (3) raising benefits and reducing costs, (4) raising benefits by more than raising costs, (5) lowering benefits by less than lowering costs.

The above concepts allow us to operationalize WTP for craft beer in the following way. Applying equation (1) to craft beer while comparing it to the value of regular beer, we can see that the fourth scenario "raising benefits by more than raising costs" applies here. In particular, on the benefits side (considering the two items of the numerator), the functional benefits remain more or less the same. It is the emotional benefits which really deliver a higher perceived value to the customer. On the costs side (considering the items of the denominator), the major variable which lowers the value of the product are the increased monetary costs, and to a lesser extent the psychic costs of buying the product.

2.2 Deciding about the method to measure WTP

Measuring WTP is context specific. A one-size-fits-all model for measuring WTP does not exist. In fact, since WTP is an unobservable construct, any method for measuring WTP can be seen as an attempt at coming as close as possible to true consumer valuation (Voelckner, 2006). Therefore, measured consumer WTP can, at best, be considered only an estimate of true consumer WTP (Wertenbroch & Skiera, 2002). For instance in some scenarios, when we really want to establish which particular attributes drive product or service value, focus groups or in-depth interviews are the most appropriate way of determining them.

The methods of measuring WTP also depend on whether the product or service in question is a high- or low-involvement purchasing decision. This itself can be subjective, as the level of involvement for the same product can vary from person to person. As a general rule, however, less frequent and expensive purchases such as a buying a house would be considered high-involvement, whereas everyday purchases are considered low-involvement. Another way of distinguishing between low- and high- involvement products is by looking at the risks associated with purchasing the wrong product, which oftentimes leads to buyer's remorse.

On the highest level, one can distinguish two ways of measuring WTP: stated preferences and revealed preferences. The revealed preference approach measures WTP from observed actual purchases. Such purchases are a part of real life and reflect actual purchasing decisions of a consumer. The stated preference approach, in contrast, infers WTP from answers to questions and is thus not based on actual purchases of consumers.

There are pros and cons of both approaches. The revealed preference approach, while reflecting actual market behavior and purchasing decisions, falls short of capturing additional insights that would make the analysis more meaningful and helpful. Its greatest strength lies in the fact that the estimated WTP is based on real-life decisions where consumers are faced with real-life consequences. In this scenario, consumers spend their own money, and they are thus motivated to do so wisely.

While the revealed preference approach most accurately answers the question "Do you buy product X at a price Y?", it is not equipped to handle other relevant questions, for example, "Why do you buy a Product X at price Y?", which is perhaps the more pertinent question at hand for many researchers. In other words, the revealed preference approach lacks the controls of a controlled experiment, therefore often making interpretations of the findings of such analyses lacking at best. For example, without such controls, it is hard to interpret why consumers prefer one product over another – in terms of equation (1), is it because of differences in functional or emotional benefits, or differences in monetary costs and other costs, or because of the combination of these factors. In other words, the problem with this method, apart from collecting the actual data, is that very little can be inferred from one's purchasing decisions, and how pricing has in turn influenced that decision (Wertenbroch & Skiera, 2002).

The stated preference approach, on the other hand, while capturing more comprehensive, richer data, lacks the accuracy and truthfulness of the revealed preference approach. Ideally, we would just ask people directly to name their exact maximum WTP for a product. However, this method is almost always too hypothetical to elicit a realistic response. Indeed, the hypothetical nature of the stated preference technique lends itself to many biases and inaccuracies.

A famous report on the shortcomings of stated preferences, authored by an all-star cast of economists – Nobel laureates Robert Solow and Kenneth Arrow among them, lamented about the hypothetical nature of the technique (Arrow et al., 1993). Usually, the stated preference approach is employed in the form of interviews, questionnaires or focus groups. Taking place in an unnatural environment, removed from the consequences of their decisions, the "stated preferences" expressed in responses gathered may not be completely truthful. Needless to say, there are oftentimes discrepancies between what people say they will do and what they actually do. This can be so for a number of reasons. Answering questions truthfully – and accurately, particularly ones that are seldom thought about, can be tiring and psychologically demanding. Hypothetical scenarios may also leave out many pertinent details, the omission of which might importantly affect the respondent's answers. When researching WTP, such an omission may be especially critical.

Oftentimes, it makes sense for marketers to combine both methods for collecting and validating data, if resources allow. By doing so, many of the implicit flaws of any one method could be overcome. Whitehead, Pattanayak, Van Houtven, & Gelso (2008) describe

the potential gains of combining both types of data from an ecological viewpoint. Consumers often do not outright lie when stating their preferences, they just lack the understanding of what underpins their purchasing behavior. They could still have all the intent in the world to truthfully answer questions and in the end still deviate from their stated preference.

In the presence of an interviewer, these deviations can stem from the so-called interviewer bias, as the interviewer can unknowingly coerce subjects to answer in a way that "pleases" the interviewer. Or the respondents may tell the interviewer what he or she wants to hear, or rather, what they think the interviewer wants to hear. For such reasons, reported behavior and actual behavior often do not equate. This is particularly true when it comes to behavior with a sort of societal stigma attached to it, such as alcohol consumption. It can be in many people's interest to lie or "bend" the truth with more socially acceptable answers.

For the purpose at hand, I decided to use the stated preference approach for the following reasons:

- First, while the revealed preference approach can produce more accurate data, it often requires very rich, vast datasets in order to produce functional results. Moreover, this information is typically proprietary and withheld from the public, mostly out of fear of competitors using this information to their own benefit.
- Second, estimating WTP based on the revealed preference approach requires a sophisticated methodology. Above all, this methodology should be able to elicit information on WTP based on the information of quantities purchased (or consumed) with a limited range of variation in price, and thus with non-existent explicit information of the highest price the consumer is willing to purchase a certain product or service.
- Third, I lack the resources to estimate WTP in a more comprehensive way, by combining the two methods. Even with an establishment willing to share its information regarding sales (thus using the revealed preference approach), linking and comparing purchases of the same customer would remain a challenge, and so would linking such information with survey responses about WTP for a craft beer (thus superimposing the information obtained via the stated preference approach).
- And forth and perhaps most importantly, utilizing the stated preferences approach allows me to manipulate the most important aspect of my research, the price of craft beer, and observe the response to the said change in said price directly.

2.3 Choosing between on-trade and off-trade consumption

Another important choice relates to the setting in which WTP is estimated – on-trade vs. off-trade (as explained above, on-trade consumption refers to drinking beer in restaurants and bars, while off-trade consumption to buying beer in retail outlets). In a famous study published by Thaler (1985), he found that the estimated WTPs for a cold beer greatly differed depending on where the beer was purchased – coming either from a "fancy resort hotel" or

a “small, run-down grocery store”. This was regardless of the fact that the beer was to be consumed at the same location in both scenarios, and would have been delivered to the respondent at that location by a friend. In this study, the author manipulated only one variable – the point of purchase of the beer – with everything else remaining the same.

The study by Thaler (1985) illustrates another interesting concept – transactional utility (part of the prospect theory) that helps explaining the above apparent paradox. To the survey respondent, the outcome is the same – a cold beer is consumed on the beach – and the outcomes to the scenario are in fact indistinguishable to the respondent. Therefore, one would infer that the customer would “value” the outcomes exactly the same and that he or she would hence be indifferent to either of them. However, what differs in the two scenarios is the perceived cost of the sellers – price fairness – and hence the WTP differs in the two scenarios.

Point of consumption obviously plays a big part in one’s WTP. Since craft beer is primarily consumed on-trade (that is in restaurants, bars, and cafes), I decided to focus only on on-trade consumption (see Euromonitor 2018 for the prevalence of the craft beer consumption). In Slovenia, there are also two other considerations related to the stage of market development of craft beer that also speak in favor of choosing on-trade consumption:

- First, in Slovenia distribution channels of craft beer in grocery stores are limited. This is so as the emergence of craft beer is a fairly new phenomenon in Slovenia and therefore, craft brands are not as well established as the dominant players.
- Second, choosing off-trade consumption would miss craft beer brands that have not yet entered off-trade outlets. Namely, the popularity of a specific craft brand is being promulgated through on-trade establishments. Only in later stages craft beer brands make their way to off-trade channels, so there can be a large time difference between when a beer is first sold on-trade and its move to the shelves in supermarkets.

There are other reasons to focus on on-trade consumption related to the fact that off-trade selling points typically employ practices which complicate customer’s buying decision process. Off-trade selling points such as grocery stores often have a plethora of offerings for the same product – in case of beer, four-packs, six-packs, 24-packs, and beer bottles and cans also come in different sizes – and each offering is priced differently per unit. Moreover, prices of products are often set so to end with odd numbers, often with 9 (see the discussion about such pricing by, for example, Gueguen & Legoherel, 2004). Such practices make decisions more difficult, particularly as in grocery store there are many stimuli demanding our attention, putting a strain on our capacity to process various information. In addition, off-trade customers have to deal with “strategic” purchasing decisions about timing of consumption (they may want to buy to make stocks), about purchases for special occasions, etc, which all affect their WTP. In contrast, purchases made on-trade are vastly less complicated, as a consumer need to focus only on immediate consumption and there are many less considerations to be made, such as who will consume what, how many and when.

With a customer's buying decision process simplified, it is easier to pin down such a complex concept such as WTP.

2.4 The formulation of hypothesis to be tested

As mentioned above, the purpose of my thesis is to examine factors that influence the WTP for craft beer of Slovenian consumers in the case of on-trade consumption, i.e., in bars and restaurants. Below I present the hypotheses to be tested, together with their rationale.

Hypothesis 1: Consumers are, on average, willing to pay a price premium for craft beer over traditional beer.

Rationale: Craft beer has become very trendy and fashionable in recent years. It has become a staple in trendy bars and restaurants. It can be seen within the wider trend of buying products produced locally, as well as supporting local businesses as opposed to large international corporate brands. According to one study, "A recent survey found that one-third of American consumers will pay at least 10 percent more for the "craft" version of a product" (Canback, 2019, p.3).

Hypothesis 2: Demand for craft beer is inelastic.

Rationale: Given the large increase of consumption of craft beer, one may assume that persons choosing such a beer are relatively less sensitive to changes in prices. They may not regard traditional beer as a close substitute to craft beer and may therefore strongly prefer craft over traditional beer. For comparison, according to Euromonitor (2014), in 2014 the price elasticity for beer (lager, stout, and dark beer) was -0.4 (that is, inelastic), and Toro-González, McCluskey and Mittelhammer (2014) also find the demand for craft beer to be inelastic. In contrast, according to Euromonitor (2014), price elasticity of dark beer is -1.5, that is, it is elastic and similar in magnitude as the one obtained in this study.[5] As for the estimates of elasticity of demand for beer in the US, Tremblay and Tremblay (2005) summarize the findings of seven studies, all of which find demand for beer to be inelastic, with the average estimate amounting to -0.498 (estimates of individual studies range from -0.142 to -0.889).

Hypothesis 3: A price premium for craft beer over traditional beer is negatively affected by a persons' age and positively by their income.

Rationale: Older people are notoriously more conservative. Craft beer is a relatively new product, therefore it is less likely for older people to try new things, including craft beer. In a similar vein, people with higher incomes have a higher willingness to pay, as they are not as price-sensitive to the higher price. According to Gabrielyan et. al (2014, p.12),

[5] Euromonitor (2014) presents long-run price elasticities (responses in quantities demanded to price changes measured over a five-year period), averaged across 80 countries.

"Consumers with relatively high incomes are willing to pay more for a beer, a difference that is significant at the 10 percent level. This result shows that beer is a normal good. According to the marginal effect of the income coefficient, a one-category increase ($10,000) in consumer income would increase WTP for a six-pack of beer by 5 cents. Age, on the other hand, has a negative and significant impact on WTP for beer at the 1 percent level. When age goes up by one category, WTP decreases by 17 cents."

Hypothesis 4: A price premium for craft beer over traditional beer is related to the importance given to the perceived beer attributes (taste, aroma, origin).

Rationale: Gabrielyan et. al (2014) conclude that sensory properties and attributes do, in turn, affect one's willingness to pay. In particular, they find that "… overall taste and hoppiness of a beer have a significant and positive impact on willingness to pay" (Gabrielyan, McCluskey, Marsh & Ross, 2014, p.1).

According to Smith and Nagle (2002), it is important to identify and understand the main value drivers of a product, as these can have the biggest impact on a consumer's WTP.

3 SURVEY DESIGN AND IMPLEMENTATION

Taking into account the trends and developments in the beer industry described in the previous chapter, my task has been to design an appropriate survey instrument to best estimate consumer's willingness to pay for craft beer. This is a difficult task, since the question at hand is very context specific and seldom thought about. This problem is exacerbated by the fact that we are dealing with a relatively new product category of craft beer, with its closest substitute product, lager beer, differing in many traits.

In designing my survey, I tried to do justice to two major requirements of a good survey: validity and reliability. The quality of the data produced in a study is dependent upon how these two aspects are incorporated in the survey design (see Litwin, 1995). A question is valid if the answer it demands is considered a good measure for the variable at hand. Reliability deals with the consistency of the survey, whether it be test-retest reliability (producing similar results with the same respondents at later times) or internal consistency (highly correlated results regarding the same or similar concept within survey).

This chapter proceeds as follows. Building on the previous chapter, in the first section below I explain how I tackled some practical issues in formulating the questionnaire. These include ensuring the ceteris paribus conditions in gauging WTP and checking internal consistency of answers. I proceed with the analysis of the pretest. I continue with presenting shortcomings revealed by the pretest and modifications done to the questionnaire based on these shortcomings. I conclude with the description of the implementation of the survey.

3.1 Formulation of the questionnaire

Constrained by methods available to me, I had to operationalize my research questions needed to address the hypotheses posed by the thesis. In this respect, it was instrumental to resolve two key dilemmas related to the operationalization of the measurement of WTP for craft beer: deciding about the method of measurement of WTP and choosing the setting in which to measure WTP, that is, choosing between on-trade and off-trade consumption. As described in Chapter 2, in resolving these dilemmas I decided to use the revealed preferences approach and to limit the measurement of WTP to on-trade consumption. The choice of revealed preference approach dictated the need to carry out a survey to obtain the needed information; the choice of on-trade consumption helped to simplify survey questions. Of course, in designing the survey many other important issues needed to be addressed. Below I discuss the formulation of questions ensuring *ceteris paribus* conditions when gauging WTP. I also address the question of checking internal consistency. At the end of the section, I also describe questions collecting personal data.

3.1.1 Ensuring ceteris paribus conditions

In my questionnaire, one of the issues I had to address was creating *ceteris paribus* conditions when measuring WTP for craft beer. This was achieved by making sure that the questions asked contained all the necessary information – "controls" – about postulated circumstances of beer drinking, so that conditions under which price comparisons were made were identical for all interviewees. In fact, a major plus for the selected method of measurement of WTP – the stated preference approach – is that it allowed me to introduce such controls into the survey. Without such controls, the responses would be unreliable as they would lack consistency across respondents. In essence, I want to compare apples to apples, and introducing controls as described above allows to harmonize conditions which would, in the absence of such harmonization, make comparisons uneven. In a similar vein, some other studies of WTP directly determine external circumstances affecting WTP – for example, in their study of WTP for sensory attributes in beer, Gabrielyan, McCluskey, Marsh & Ross (2014) selected four beers specifically brewed to have different levels of hops and bitterness, and then asked respondents to evaluate sensory attributes of those beers using contingent valuation method.

An important control is determining location. As described in Chapter 2, Thaler (1985) provides an example of a study where the estimated WTP for a cold beer greatly differs depending on the location of purchase (resort vs. grocery store). Accordingly, WTP related to off-trade purchases is subject to various extraneous factors that, unless their impact is accounted for, cloud the measurement of WTP. In contrast, the focus on on-trade consumption automatically introduces important controls, including the control for location. In my questionnaire I therefore define the precise location for which WTP is measured,

explicitly mentioning Ljubljana-center as the location where price comparisons were to be made.

One other important feature to control for is single serving quantity, that is, the unit of measurement for quantity. This is not an easy task. The standard, 0.5 liter (500 milliliters) unit is not as popular with craft producers as it is with producers of standard lager beer – for good reason. Producers of craft beer are aware of their higher price point, and as a result they make it difficult for consumers to directly compare their price with that of the cheaper macro brewed variety. Oftentimes, they price and package their product so as to make comparisons more difficult. For instance, Bevog, perhaps the most well-known and established Slovenian craft beer producer, does not sell its product in standard 500 milliliter units, but rather in 330 milliliter bottles and cans. The only way to purchase a 500-milliliter product from Bevog is to buy a draught beer on-trade (in that case, setting the price is up to the final establishment). It is not strange to see other irregular sizes amongst product offerings, such as 355, 450 and 650 milliliter offerings. In addition, producers try to confuse customers by selling beer in glass bottles as well as in cans, with prices differing between the two.

Switching to the contents of the glass rather than its "surroundings", there is much confusion when it comes to the definition of "craft" beer. As mentioned in the first chapter, although craft beer's definition varies from country to country, a common thread in its definition is related to the output capacity of the brewery, which is often drastically lower than that of conventional breweries. However, another trait – artisanal production – is also often associated with craft beer and so different terms, oftentimes used interchangeably, are used for craft beer: "microbrewed" and "artisanal" beer, although they do not necessarily mean the same thing. To make things worse, oftentimes "craft" is conflated (lumped together) with styles of beer, primarily IPA's, pale ales, ales, porters and the like. Such labelling is confusing to the consumer – and it can be frustrating for a researcher, because consumers have different ideas of what "craft" beer means, and the measured WTP may be affected by those differences.

Therefore, for purposes of my thesis I had to provide a clear definition, both to myself and my respondents, of what craft beer is. Output-based definitions are not very helpful because consumers have little means of knowing the outputs of various breweries, and hence cannot classify a beer whether it is craft or not. Instead, I used terminology most commonly associated with both type of beers. When referring to craft beer I added the word "microbrewed", and when referring to traditional beer I added the word "lager". There is also a drawback for such labeling, though, because the categories of beer formed in this way are not mutually exclusive. For instance lager, the style which I label as macro brewed and traditional, can in fact be "craft" beer if it is produced in a brewery which fits the guidelines for producing "craft" beer. In practice, however, there are virtually no craft lagers on the market.

Given this largely uncharted territory of beer labelling, I found an effective way of informing my respondents to differentiate craft vs. traditional beer through the questionnaire itself. I achieved this by asking the respondents which beer brand they consume most frequently and by indicating the beer type of their brands by the questionnaire itself when providing the answer. This was done by posing two separate questions, one dealing with traditional and one with craft brands. In that way respondents familiarized themselves about the beer type they most frequently consume. That clarified questions to follow, as they learned the difference between the two beer types and were thus better equipped to answer the subsequent questions regarding WTP.

In ensuring *ceteris paribus* conditions when eliciting information about WTP, I chose the route that seemed the most natural. That is, I opted for a direct comparison of the price of a more recently introduced, lesser known product – craft beer, with the price of a traditional, more familiar and established product – lager beer. In those questions, craft beer and lager beer are considered substitutes, in line with the theory of product differentiation, where consumers tend to compare the price of one product with the price of its substitute. Accordingly, the questions eliciting WTP used the following pattern:

"Would you choose traditional lager (ex. Union or Laško) beer over craft, if the lager costs €2,40 and the craft (microbrewed) costs €4,00? (Prices are fixed to the location Ljubljana-center.)"

In questions about WTP I decided to use contingent valuation, double-bounded dichotomous choice. Respondents were presented with a scenario and in which they were asked to choose between a traditional lager beer, which costs €2.4, and a craft beer, which costs €4. The question that followed represented the same scenario, with the only change being the price of the craft beer which, depending on their previous answer, either increased or decreased. This scenario repeated itself at least two or three times in the subsequent questions.

3.1.2 Posing questions to check internal consistency

I checked internal consistency by verifying consistency of responses regarding the importance of price. In addition to posing the above questions aimed at the estimation of WTP, I added another question to check the internal consistency of answers to WTP questions. On a five-point scale (1-very unimportant, 5-very important), this question asked respondents to evaluate the importance they place on various beer characteristics, one of them being price. We can expect that respondents with high estimated WTP obtained from the double bounded dichotomous choice questions would also assign price as being a relatively important characteristic of beer. In other words, assuming that responses are internally consistent, we can predict a high, negative correlation between the estimated WTP and the importance assigned to price in the question about the valuation of beer characteristics.

3.1.3 Capturing personal data about individuals

In order to take full advantage of the gathered WTP data, I included various questions regarding demographic data. I thus captured age, completed education, and labor market status. Included under this rubric could also be questions about drinking habits, such as frequency and quantity.

3.2 Pretest analysis

Before diving head-on into the world of market research, it is customary to carry out a pretest questionnaire. The pretest served to fine-tune the formulation of my survey questions as well as to operationalize certain concepts in the question format. In other words, the pretest helped me see what kind of questions worked and which didn't, which was instrumental to avoid mistakes and complications in the survey itself. First and foremost, I focused on estimating most accurately WTP, that is, determining which questions proved helpful in doing so.

For the pretest, I handed out my pretest questionnaire to respondents chosen in Ljubljana's city center, at the weekly summer event "Open Kitchen". I screened my respondents by seeing if they were drinking a beer, which helped me determine if they were qualified to be surveyed. I interviewed a total of 25 respondents.

To analyze the pretest, I followed Grimm (2010) who claims that the researcher should address the following 9 questions (in italics below):

1. Did the respondents clearly understand what was being asked and the terminology being used?

For the most part it seemed the respondents did not have problems with the terminology being used. The first four questions helped the respondents clarify the two distinct categories of beer I was researching and taught them to distinguish between the two (craft vs. lager). Learning this distinction prevented confusion in the questions that followed. These early questions also served to qualify the respondents, narrowing down and eliminating those whose data I was not interested in (based on the question "Are you a beer drinker?").

2. Was there any major option missing in any of the questions? If several respondents write new option(s) to a question, options are obviously not exhaustive.

For the most part, the options I offered as responses were exhaustive. For the questions which did not offer exhaustive responses, I offered an "other" write in option. The pretest analysis showed that even though there was the "other" option, most respondents did not write in their alternative responses. To correct for this, the questionnaire should make it more obvious that a new response should be written in if the "other" option is selected. Moreover, the analysis showed that my suggested answers sufficed for around 90 percent of the responses, making those which chose the "other" option somewhat of outliers.

3. Was the respondent willing to answer each question? Were any questions offensive, sensitive, or too difficult?

I made sure not to ask the respondents sensitive questions. The only questions which were perhaps too personal and whose answers may had carried a stigma had to do with drinking habits and behavior. While the survey was anonymous, oftentimes respondents are unwilling to admit socially devious or unhealthy behavior. Moreover, in the pretest I omitted questions about earnings that might be considered too sensitive – instead, I planned to infer the predicted wages of respondents using their personal characteristics (age, educational status and gender).

4. Did the respondent understand the instructions for responding to each question? For example, instructions may not be clear regarding choice of only one option or multiple options to a question.

I did have some trouble with respondents selecting more than one option. While I indicated that solely one should be chosen, that was not as clear or obvious to the respondent as I would have hoped.

5. Did the respondent feel that the researcher wanted him or her to answer in some specific way (i.e., did the respondent feel some of the questions were biased)?

I believe that the respondents did not feel the questions were biased. The respondents were aware that the survey was part of my master's thesis, and that I did not have a personal stake in the matter and thus that I had no interest in skewing results in a particular direction. Moreover, the wording of the pretest was very neutral and did not suggest an answer in a particular direction. Since the survey was self-administered, there was little room for influencing a response.

6. Did the respondents understand any instructions regarding skipping questions depending upon the answer to previous questions?

The pretest analysis showed that there was quite a bit of confusion regarding skipping questions depending on previous answers. In addition, oftentimes some questions were skipped which were in fact required to be answered by the respondent.

7. Did the flow and language of the questionnaire seem logical and natural?

The respondents did not have any problems with the flow or language of the survey. The only question with which respondents seemed to have problems was the one about grading beer attributes using a rating scale. It seemed to be unclear what the scale from 1–5 really meant, oftentimes resulting in responses which didn’t make sense.

8. Did the time taken to answer the questionnaire seem reasonable?

The questionnaire took on average three to four minutes to complete, which seems reasonable.

9. If the survey was administered by an interviewer, did the respondent feel that the interviewer, either verbally or nonverbally, tried to bias his or her response?

The survey was self-administered, therefore there was no room for interviewer bias to occur.

3.3 Shortcomings revealed by the pretest and modifications made

The pretest revealed the following shortcomings of the questionnaire and the survey method in general:

(a) Shortcomings as exposed by the analysis of Grimm's (2010) questions above. To summarize, the pretest analysis showed that respondents misunderstood that that they could have checked several options when, in fact, only one option could be selected under each question; that they skipped some questions which should have been answered; and that they had problems grading beer attributes using the suggested rating scale.

(b) Data entry was tedious. All answers to questions needed to be inputted manually to a computer. This rendered the whole process to be extremely time-consuming. Avoiding manual inputting is one of the most obvious benefits of moving the questionnaire online, as the respondents input their answers themselves.

(c) No "piping" answers into subsequent questions. The pretest did not allow to "pipe" in an answer based on previous responses, and thus questions could not be personalized according to each respondent. Doing so would present a more realistic scenario to the respondent, and therefore evoke a more realistic response. It would also help removing some of the inherent flaws of the hypothetical, stated preference approach, and thus estimating consumer's WTP more accurately.

(d) Confusion created by the skipping pattern of WTP questions. When answering double-bounded dichotomous choice questions regarding WTP, pretest respondents faced various sequences of questions that were determined by how they answered certain questions. Such sequencing required respondents to navigate through the survey, jumping past certain questions and returning back to others. This proved to be confusing to respondents and left room for mistakes and for improper filling of questionnaires.

Based on the analysis of the above shortcomings, I decided to introduce the following modifications to the questionnaire and the survey method:

(a) The most important modification was to move the final questionnaire from pen-and-paper to online. This proved to be crucial – the move online seemed to solve quite a few

problems exposed by the pretest. But I was quite hesitant to make the switch online, as important tradeoffs explained below needed to be considered. For example, Evans and Mathur (2005) claim that online surveys may have significant advantages over other types of surveys, but that their potential weaknesses should be mitigated.

(b) In addition to moving the survey online, I decided to take a convenience snowball sample. Essentially, I sent out the questionnaire to family, friends and colleagues, asking them to fill them out and further distribute them among their acquaintances. This alleviated the troubles I had with attaining a large number of respondents.

(c) The fact that I used snow-balling – rather than administering the survey personally – also had implications for formulation of the questionnaire. Initially, my idea was to administer the questionnaire personally, or rather have respondents fill them out in my presence. This would increase the accuracy of the surveys, as I would have been available for any clarifications on the questions. I quickly realized that this was a tedious and time-consuming process. People had no incentive to put an effort into truthfully answering my questionnaire, let alone fill it out in the first place. While I administered the survey personally for carrying out the pretest, it became clear that this data collection method was too tedious to produce the response numbers I required.

(d) When formulating the snow-balling questionnaire, I took a top-down approach. I started the survey with qualifying questions, ones that helped me determine whether the respondent is suitable for my survey. For instance, these questions helped me to determine whether respondents were beer-drinkers and whether they were familiar with craft beer. In other words, qualifying questions helped me eliminate those respondents which could not provide helpful information for the topic being researched. These questions also served as clarifications for the respondents, as they taught them what is considered "craft" beer produced by popular brands.

(e) In order to minimize the inherent problems associated with stated preference, I attempted to replicate a real-life situation as closely as possible. Having respondents choose their most consumed brand in both categories of beer, craft and traditional, served two purposes. It both taught the respondent the difference between the two, and gave me information regarding the respondent. Knowing the specific brand of beer a respondent most commonly drinks in both categories allowed me to recreate the buying decision process for the consumer more accurately. Instead of posing generic questions regarding WTP, the online survey allowed me to "pipe" in the previous answers to succeeding questions. So, instead of posing the generic question as in the pretest (see above), the question with a piped in response would read (assuming the previous answers for most commonly preferred traditional and craft beers were Union and Bevog, respectively):

"Would you choose Union beer over Bevog, if Union costs €2,40 and Bevog costs €4,00? (Prices are fixed to the location Ljubljana-center.)"

By personalizing the question, I attempted to elicit a more truthful response.

3.4 Survey implementation

Below I explain how I defined the target population for the survey and how I selected the sampling method.

3.4.1 Target population

Defining the target population of the survey has been a challenging task. A key dilemma is: should I target the broader category of "beer drinkers" or should I more narrowly stick to just "craft beer drinkers?" I left this dilemma to be decided upon completion of my survey – depending on the number of such responses, I could choose to omit or keep them if needed. Therefore, I decided that my target population was beer drinkers above the age of 18, residing in or in the vicinity of Ljubljana. (no control over "second generation" of respondents – but because the questionnaire was in Slovenian, all respondents had to have good command over Slovenian and thus must have had strong ties to Slovenia). To deliver on my research objectives, my goal was to reach 100+ respondents.

3.4.2 Sampling method

For ease of implementation, the survey was implemented via online questionnaire. From the pretest, I learned that getting the desired number of responses via in-person interviews was a daunting and time-consuming task. Physically approaching potential respondents proved ineffective, because respondents had little incentives to participate in the survey and I had limited means to overcome this obstacle. Based on the pretest experience, I decided to move my questionnaire online, in hopes of reaching a larger audience. This indeed proved to be a successful strategy.

I decided to take an online convenience snowball sample. Essentially, I sent out the questionnaire to family, friends and colleagues, asking them to fill them out and further distribute them among their acquaintances. The move online also fixed many other problems that became evident in the pretest. For example, the most frustrating problem of the pretest was improperly answered questions, either because respondents provided multiple answers when only one was needed, or they skipped the question entirely when the answer was required. The new format obliged respondents to answer the question properly before moving on to the next section, minimizing the number of incomplete responses.

While the snow-ball method is easy to implement, its biggest disadvantage is non-representativeness (selection bias, see Evans & Mathur, 2005). A convenience sample I used (described above) involves selecting a non-random sample. It consisted of respondents I chose (first generation respondents) and of subsequent respondents selected by persons to

whom I turned to – clearly, a non-random sample. These sorts of samples are, statistically speaking, the least generalizable across the general population. Needless to say, getting a sample considered highly representative of my target population would require a much more complex sampling method, one which is beyond the means of this thesis. When it comes to convenience samples, there are a plethora of biases that can occur, which can highly skew the results and lead to conclusions with limited external validity.

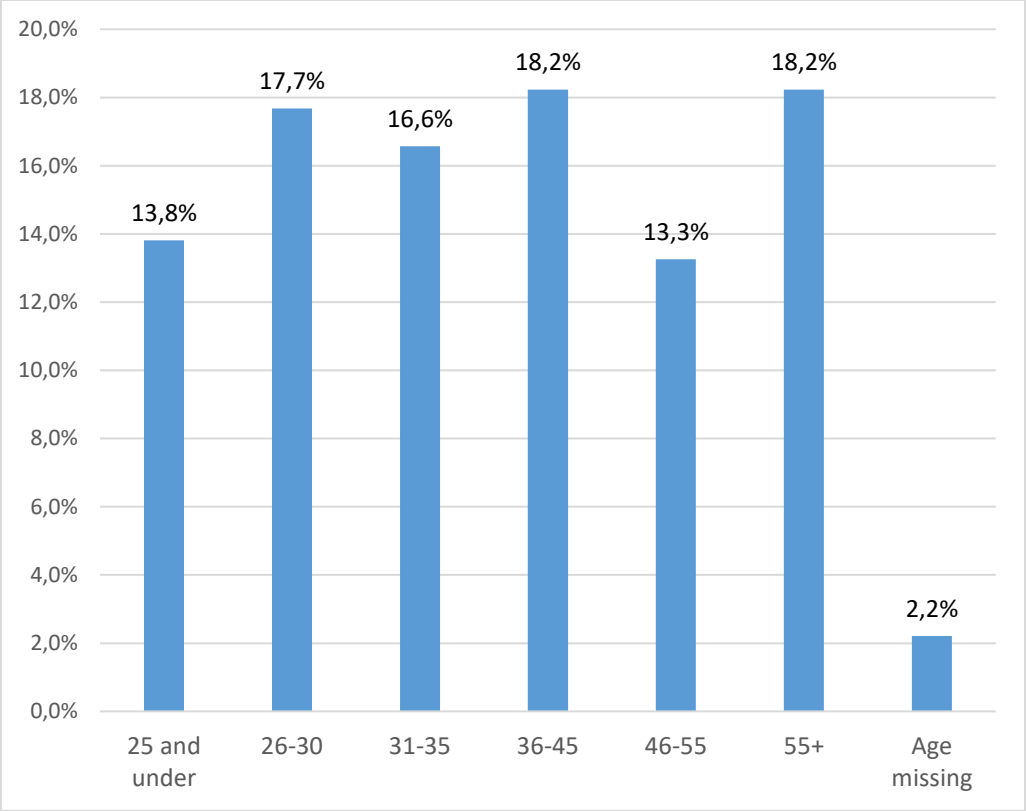
4 RESULTS OF THE SURVEY ON WILLINGNESS TO PAY FOR CRAFT BEER IN SLOVENIA

4.1 Summary statistics

Survey was launched on March 22, 2018, and responses were collected in the subsequent 4 weeks. In total, the survey was taken by 181 respondents with valid responses. Personal characteristics of respondents are as follows:

- The share of females was 26.7 percent.
- The average age of respondents was 40.1 years (see age distribution in Figure 4).
- Over 50 percent of respondents had university degree or equivalent, and 21 percent had postgraduate education (age education distribution in Figure 5).
- Large majority (72.9 percent) of respondents was employed or self-employed, 6 percent were unemployed, and 21 percent were out of labor force (see labor force status distribution in Figure 6).

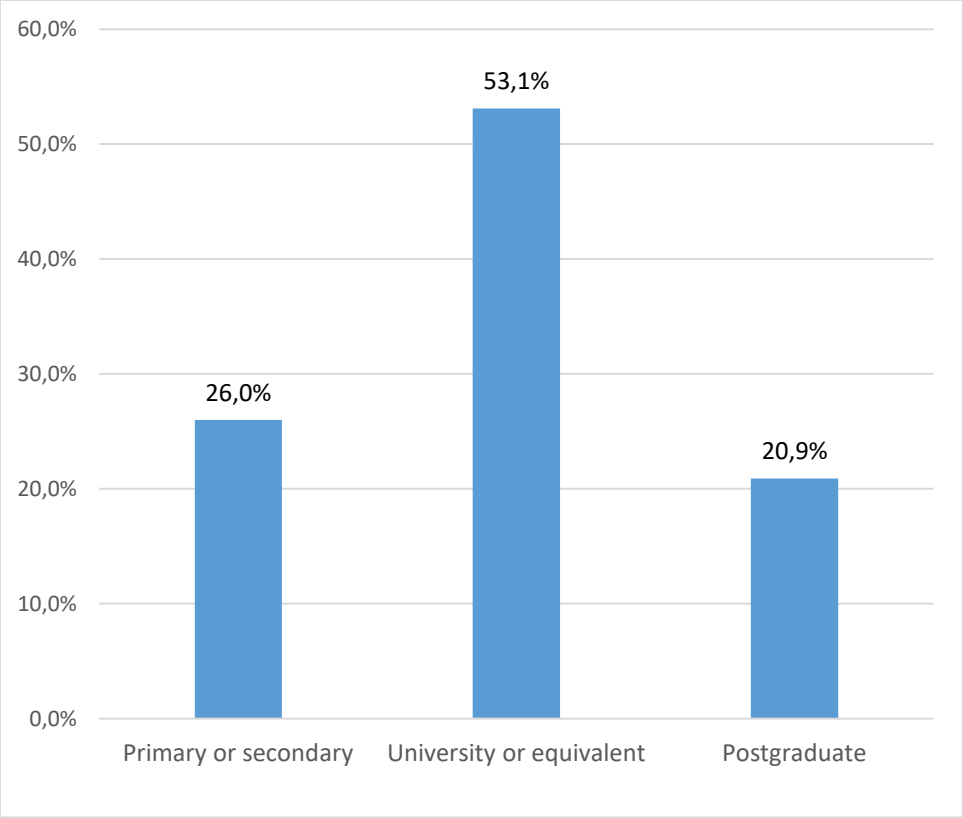
Figure 4: Distribution of respondents by age



Source: Own work

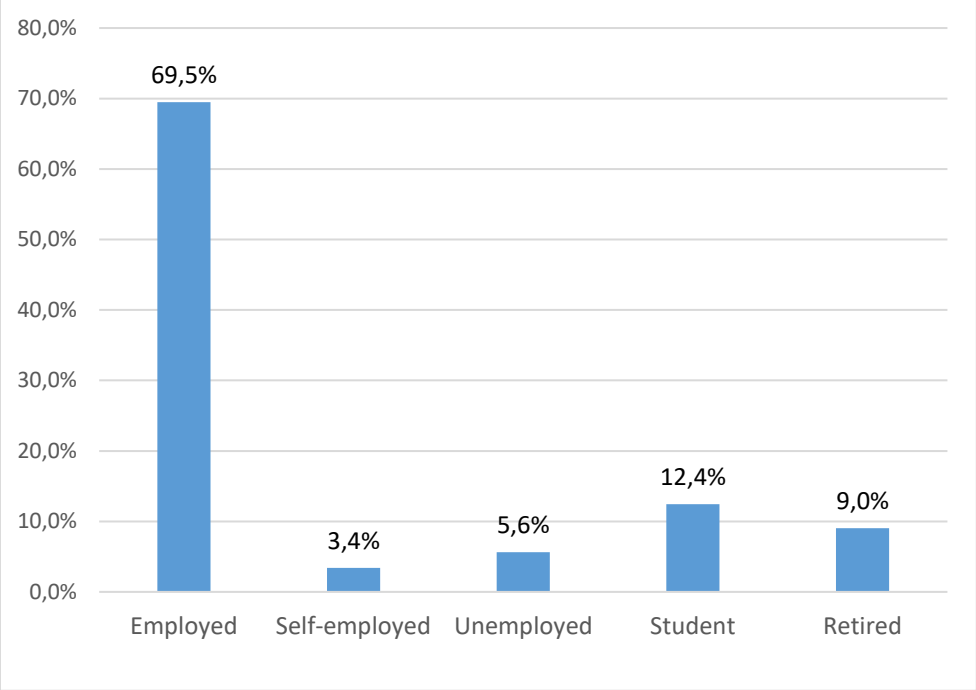
Summary statistics of key beer-related questions are presented in Table 1. Above all, the mean value of WTP – the key variable of interest – is 3,75, meaning that on average, respondents were willing to pay €1,35 more for the craft beer than for the lager of their choice (for which the hypothesized price was set at €2,40, see Section 3.3). When choosing beer, the following attributes proved to be most important: taste, drinkability, aroma and price, each having its mean value above 3. Similarly, when choosing among unknown beers, the following attributes proved to be most important: beer style, price, manufacturer's reputation, and also the design of the label. Accordingly, price considerations play important role in decisions about buying both beer that consumers are familiar with as well as those that they have not yet tasted. Interestingly, beer drinking habits of respondents differ widely: while only 7.3 percent of them drink beer every day, the rest of them are pretty evenly distributed across the following categories by drinking frequency: 15.3 percent drink it 3–4 times a week, 27.1 percent drink it 2–3 times a week, 18.6 percent drink it once a week, 15.8 percent drink it 2–3 times a month, and 15.8 percent drink it very rarely.

Figure 5: Distribution of respondents by education



Source: Own work.

Figure 6: Distribution of respondents by labor force status



Source: Own work.

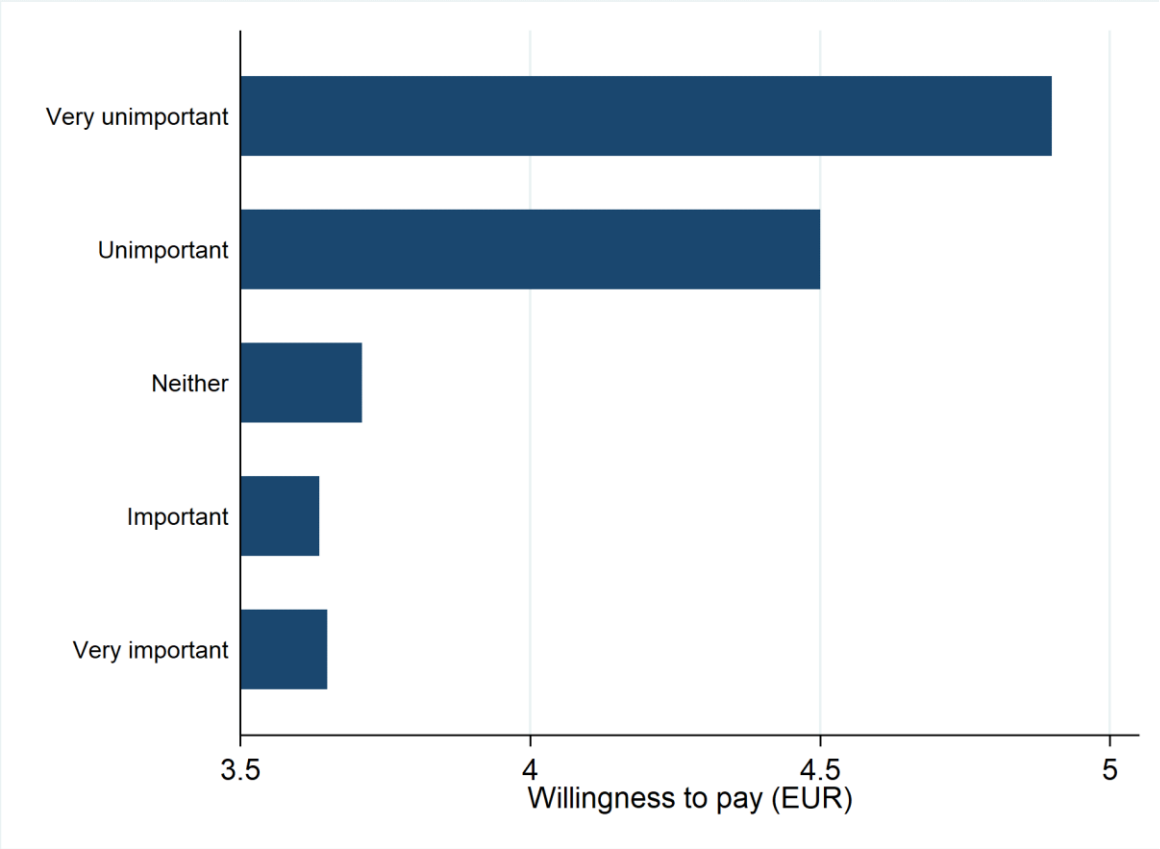
Table 1: Mean and variance of selected beer-related questions

	Mean	**Variance**
WTP	€3.75	€1.74
Beer attributes I (based on survey question 41: When choosing beer, how important are the following attributes, with 1-very unimportant and 5-very important)?		
Taste	4.70	0.45
Price	3.48	0.82
Geographical origin	2.55	1.54
Aroma	4.20	0.69
Drinkability	4.43	0.48
The level of alcohol content	2.65	1.12
Brand	2.52	1.22
Beer attributes II (based on survey question 44: When choosing among **unknown beers**, how important are the following attributes of beer or circumstances of sale, with 1-very unimportant and 5-very important)?		
Design of the label	3.01	1.22
Beer style (IPA, ale, stout)	3.79	1.06
Origin of brewery	2.91	1.24
Price	3.55	0.79
Beer promotion/happy hour	2.90	1.25
Manufacturer's reputation	3.06	1.17

Source: Own work.

At this point we can also verify the internal consistency of responses about WTP. As explained in section 3.1.2, in addition to posing questions soliciting information about WTP, each respondent was also asked to evaluate the importance he or she places on various beer attributes, one of them being price. As shown in Figure 7, there is a clear correlation between the importance respondents give to price and WTP, with those attributing with higher importance exhibiting lower WTP, suggesting that responses about WTP are indeed internally consist.

Figure 7: WTP for craft beer by perceived importance given to price



Source: Own work..

4.2 Testing the hypotheses

4.2.1 Testing Hypothesis 1

Hypothesis 1 states: "Consumers are, on average, willing to pay a price premium for craft beer over traditional beer." To test this hypothesis, we perform the following one-tailed t-test whether the sample mean ($\bar{x}$) of the measured WTP is statistically significantly greater than €2,40 (the price of the traditional lager beer with which the craft beer was compared to):

$$t = \frac{\bar{x} - \mu_0}{s/\sqrt{n}} \quad (1)$$

where μ_0 = 2,40 (null hypothesis), s = standard deviation of the sample willingness to pay, and n = the number of observations in the sample.

In our case, calculations show the value of t-test of 13.82, with the p-value being smaller than 0.0001 (Table 2). The probability that the null hypothesis is true – that is, that a price

premium for craft beer over traditional beer is zero – is thus below 0.01 percent, hence the null hypothesis of zero price premium is rejected. This confirms our Hypothesis 1.[6]

Table 2: Testing Hypothesis 1 via t-test

	Observations	**Mean**	**Standard deviation**	**t**	**p-value**
WTP	181	3.754144	1.318268	13.82	< 0.0001

Source: Own survey of WTP for craft beer in Slovenia.

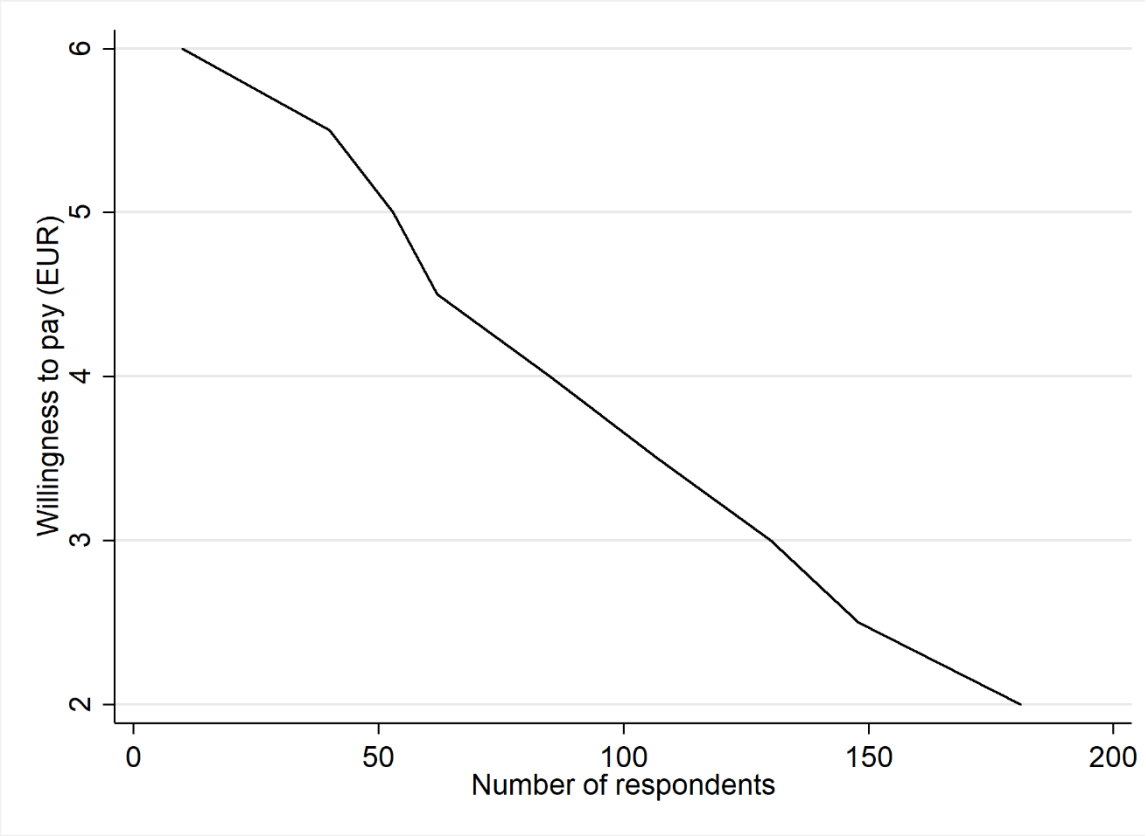
4.2.2 Testing Hypothesis 2

Hypothesis 2 states: ”Demand for craft beer is inelastic.” Testing of this hypothesis requires empirical estimation of the own-price elasticity of demand for craft beer. The data needed for this estimation has been generated by the survey. Below I present graphical depiction of the relationship studied, describe the empirical model to be estimated, and present the empirical results.

A useful first exploratory step of the elasticity analysis is the depiction of the graph presenting willingness to pay for the craft beer on the vertical axis and the number of respondents that expressed willingness to purchase craft beer at the indicated level or above it, on the horizontal axis (Figure 6). The information was obtained from the key survey questions eliciting willingness to pay for the craft beer. The presented line is an approximation of the demand curve for craft beer. As seen from the graph and in line with theoretical predictions, the slope of the line is negative – all respondents are willing to pay for a craft beer €2 or more, three quarters €2.5 or more, one half €3.5 or more, one quarter €5 or more, and 5 percent of respondents €6.

[6] For comparison, using a similar approach – applying the contingent valuation method to evaluate consumers' WTP for sensory attributes of different kinds of craft beer – Gabrielyan, McCluskey, Marsh & Ross (2014) find that US consumers are willing to pay 41 cents (5.9 percent) more for a six-pack of a specific beer which taste was rated one unit higher on the nine-point Likert scale.

Figure 8: WTP for craft beer by survey respondents



Source: Own survey of WTP for craft beer in Slovenia.

Empirical estimation of the own-price elasticity for craft beer was performed as follows. The own-price elasticity of demand for a certain product is defined as the ratio of proportional change in quantity of the product demanded to the proportional change of price of the product. In our case, we can take the number of respondents willing to buy craft beer at a certain price or above that price as "the quantity of the product demanded" (Q) and WTP as the corresponding price (see Le Gall-Ely, 2009, p.93). To obtain the empirical estimate of the WTP for the craft beer based on our survey data, the following equation was estimated via regression analysis (ordinary least squares method):

$$Ln(Q) = c + \eta * ln(WTP) \tag{2}$$

with c and η being the parameters to be estimated. Equation (2) is of a convenient log-log form, so the own-price elasticity for craft beer is obtained directly as the parameter η. This can be easily verified – taking derivatives of both sides of equation (2) and rearranging, one obtains:

$$\eta = \frac{dQ/Q}{dWTP/WTP} \tag{3}$$

where the numerator of the ratio at the right-hand-side of equation (3) is the proportional change in number of respondents willing to buy craft beer, and the denominator is the proportional change of WTP. Thus by definition, the ratio equals the own-price elasticity for craft beer.

Empirical results are as follows. Based on our survey data, the estimated own-price elasticity for craft beer – calculated over the whole sample of respondents – is -1.8 (Table 3, model 1; the table also presents estimates of elasticity for craft beer by age groups that are used to check the validity of Hypothesis 3 below). The estimate is statistically significant at 1 percent. Elasticity being greater than 1 in absolute terms means that the demand for craft beer is elastic. Therefore, based on our empirical analysis we reject Hypothesis 2 that demand for craft beer is inelastic.

Table 3: Estimates of own-price elasticity for craft beer, aggregate and by age groups

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Aggregate	**Age:25 and under**	**Age:26-30**	**Age:31-35**	**Age:36-45**	**Age:46-55**	**Age:55+**
Ln(WTP)	-1.768***	-1.649***	-1.802***	-1.945***	-2.257***	-1.520***	-1.390***
	[0.066]	[0.083]	[0.129]	[0.183]	[0.191]	[0.098]	[0.149]
Constant	6.648***	1.357***	1.598***	1.839***	2.217***	1.082***	0.976***
	[0.087]	[0.107]	[0.171]	[0.252]	[0.259]	[0.122]	[0.187]
Observations	181	25	32	30	33	24	33
R-squared	0.798	0.945	0.867	0.802	0.819	0.916	0.737

Notes: Standard errors in brackets; *** p<0.01, ** p<0.05, * p<0.1.

Source: Calculations based on own work.

To shed further light on analysis of own-price elasticity of demand for craft beer, we contrast constant elasticity estimates with arc elasticity estimates. The latter measure elasticity between two points on the demand curve, with percentage changes in the two variables of interest being calculated at the midpoint. The arc estimates of elasticity are calculated from the following formula:

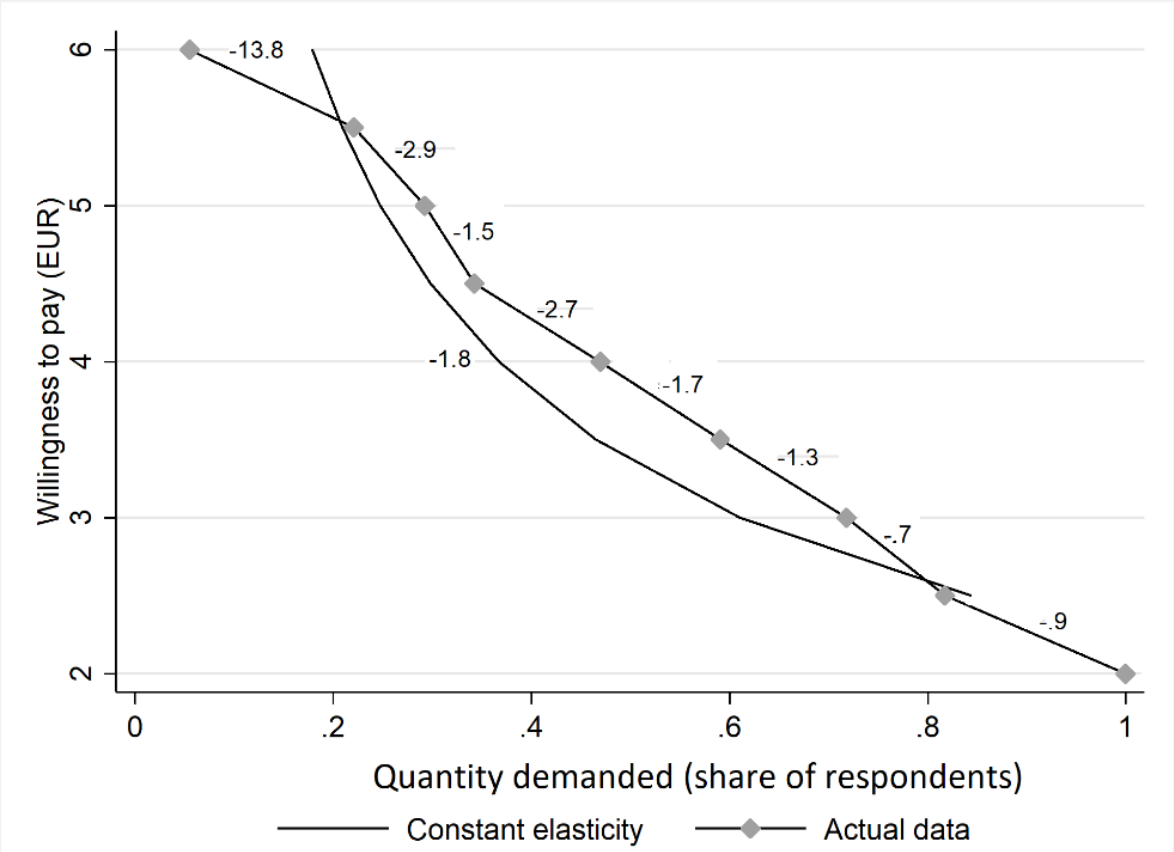
$$\eta_i = \frac{(Q_{i+1} - Q_i)/(\frac{Q_{i+1}+Q_i}{2})}{(WTP_{i+1} - WTP_i)/(\frac{WTP_{i+1}+WTP_i}{2})/} \quad , i = 2, 2.5, \dots, 5.5 \tag{4}$$

The interval estimates are obtained for 50-cent intervals, spanning the range of €2 to €6.

Our arc estimates of elasticity range from -0.9 to -13.8, while nearly monotonically decreasing from higher to lower values of WTP (Figure). We can thus conclude that except for the very high and very low levels of WTP, the interval estimates match the constant elasticity estimate of -1.8 pretty well. From the figure we can also observe that the estimated -1.8 elasticity corresponds to price of craft beer of about €5,00.

Moreover, from the calculated arc elasticities it can also be concluded that the price of the craft beer at which demand for it equals -1 is about €4,00. This is also the optimum price in terms of revenue maximization, because increasing the price beyond €4,00 – into the range where estimated arc elasticities are larger than 1 in absolute value – would disproportionally reduce the quantity demanded and thus lower total revenue.

Figure 9: Arc estimates of elasticity of demand for craft beer



Note: The figure present two curves: one that depicts predicted (fitted) values of willingness to pay obtained based on the estimated equation (X) and thus representing constant elasticity in every point on the curve; the other presents actual willingness to pay together with associated arc estimates of elasticity of demand for selected intervals.

Source: Own work.

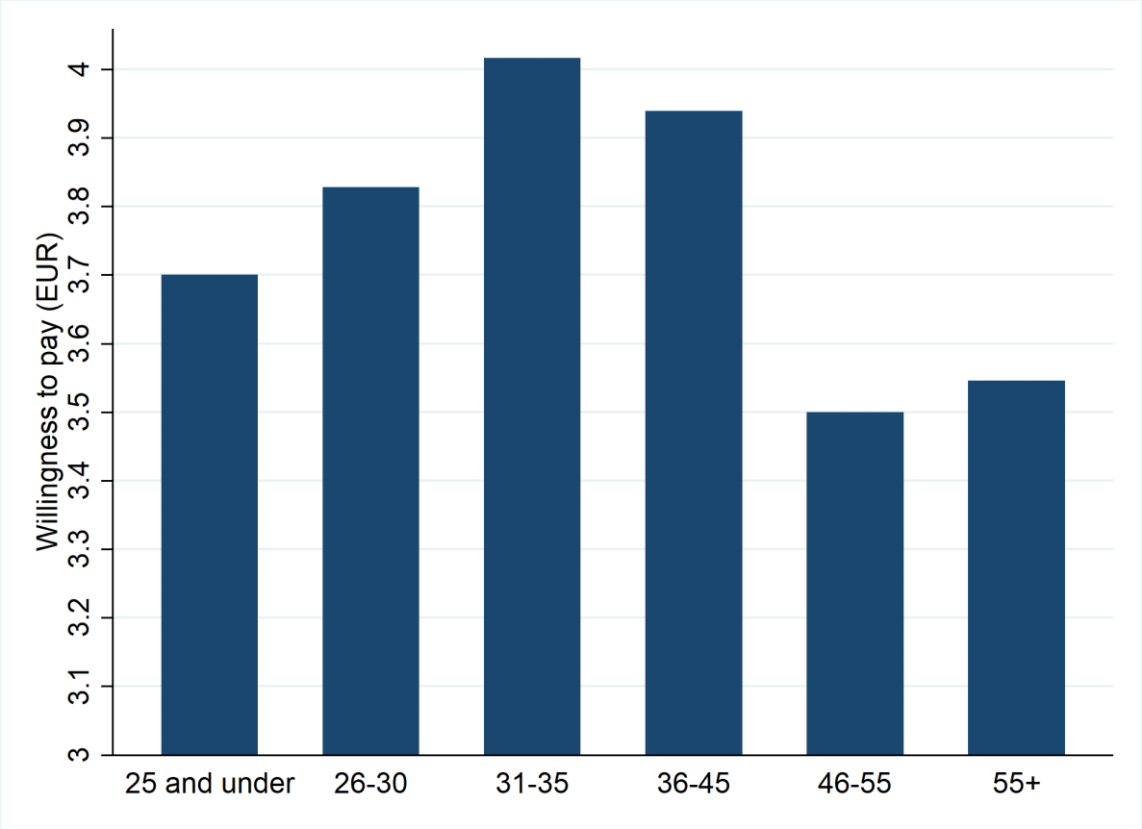
4.2.3 Testing Hypothesis 3

Hypothesis 3 states: "A price premium for craft beer over traditional beer is negatively affected by a persons' age and positively by their income." Testing of this hypothesis is performed in two ways. First, we directly compare the price premium – WTP for various age

and income groups. Second, we estimate regressions with logarithm of WTP as dependent variable and age and logarithm of hourly wage as explanatory variables.

Comparison of WTP by age groups shows that for the three youngest groups – 25 and under, 26–30 and 31–35 – WTP is increasing by age, reaching maximum of 4 for the 31–35 category (Figure). For the oldest three groups, WTP is smaller, particularly for 46–55 and for 55 and above categories; for the latter two categories, WTP is smaller than for any other age categories. From the graph we can thus conclude that the relationship between age and WTP is of inverted U-shape, that is, WTP increases with age initially, reaches its peak at 31–35, and deceases at higher age.

Figure 10: WTP for craft beer by age

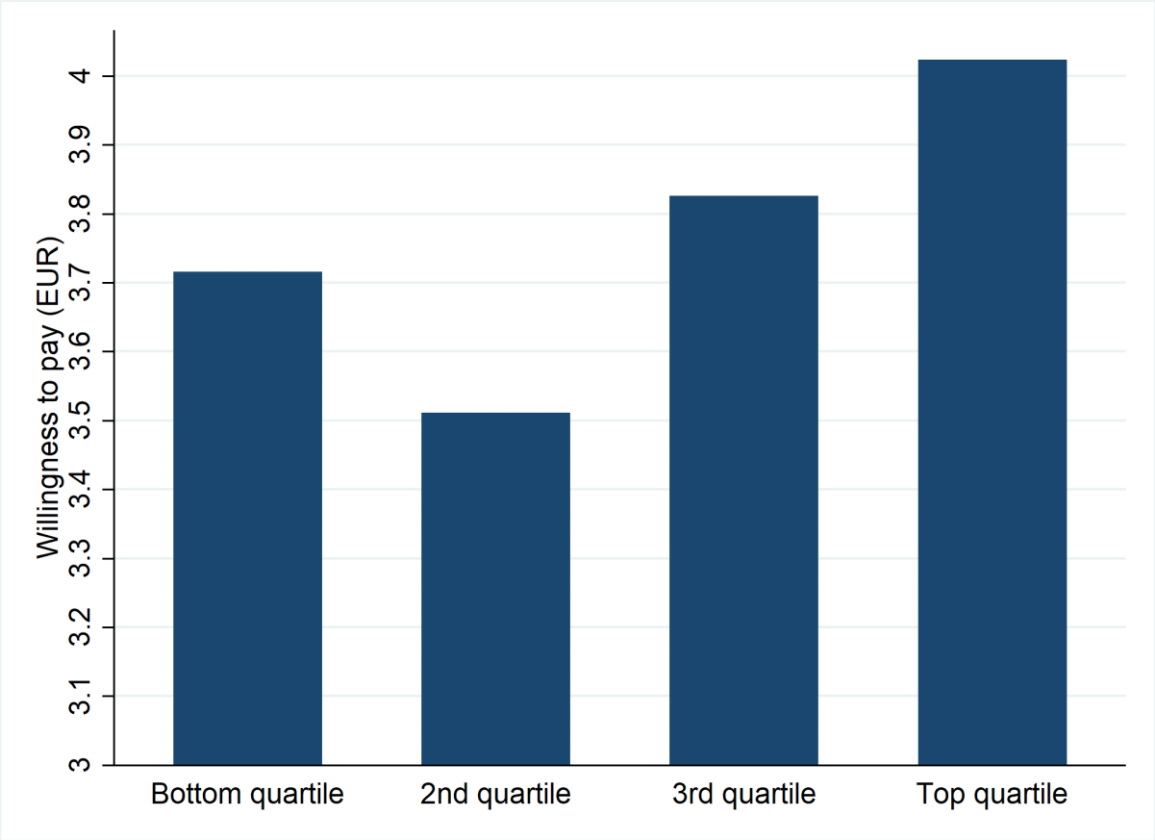


Source: Own work.

In contrast, the comparison of WTP by income groups suggests a rising WTP pattern by income, or perhaps a U-shaped pattern.[7] The average WTP of the third and even more of the fourth quartile exceeds the average WTP of the bottom quartile (Figure *11*11). The exception breaking the monotonously increasing pattern of WTP by age categories is the second quartile, for which WTP is the lowest.

[7] Income is approximated by predicted hourly wage. The latter is imputed using the estimates of the earnings function for the entire Slovene population in 2015 reported in Laporšek, Orazem, Vodopivec & Vodopivec (2019) that includes education, gender, age and age squared among explanatory variables.

Figure 11: WTP for craft beer by income quartile



Source: Own work.

Regression analysis sheds further, more definite light on the examined relationships. In Table 4 we present the results of the estimated regression, with ln(WTP) as dependent variable and age, ln (predicted hourly wage), and various perceived beer attributes as explanatory variables. First, regarding age the estimated coefficient – ranging from -0.004 to -0.006, that is, one year of additional age being associated with 0.4–0.6 percent reduction of WTP – is negative and statistically significant in all estimated models. Moreover, we find that the estimates of own-price elasticity for craft beer by age groups are also the lowest for the oldest two age categories (46–55 and 55 and over, see Table 3, models (2)–(7)). This is perhaps a surprising finding, given that WTP is the lowest for these two age categories. Second, regarding personal income the coefficient of ln(predicted hourly wage) – which equals income elasticity of WTP – is positive and significant in all three estimated models, ranging from 0.24 to 0.25. Therefore, based on regression analysis we can confirm Hypothesis 3 that a price premium (WTP) for craft over traditional beer is negatively affected by a persons' age and positively by their income.[8]

[8] To test for nonlinearity, squared terms of both age and ln(predicted hourly wage) were added to the estimated models. In all specifications, the coefficients of both terms proved to be insignificant and thus nonlinearity could not be proved.

Table 4: Estimating income elasticity for craft beer and the impact of persons' age and perceived beer attributes on WTP

	(1)	(2)	(3)
Age	-0.005**	-0.006**	-0.004*
	[0.002]	[0.002]	[0.003]
Ln(predicted hourly wage)	0.252*	0.238*	0.250*
	[0.128]	[0.133]	[0.135]
Beer attributes related to known beers			
Taste		-0.007	
		[0.045]	
Price		-0.064**	
		[0.032]	
Geographical origin		-0.008	
		[0.026]	
Aroma		0.019	
		[0.037]	
Drinkability		-0.023	
		[0.041]	
The level of alcohol content		0.056*	
		[0.029]	
Brand		-0.020	
		[0.029]	
Beer attributes related to unknown beers			
Design of the label			0.014
			[0.027]
Beer style (IPA, ale, stout)			0.014
			[0.030]
Origin of brewery			-0.016
			[0.029]
Price			0.009
			[0.035]
Beer promotion/happy hour			-0.012
			[0.027]
Manufacturer's reputation			-0.019
			[0.029]
Constant	0.905***	1.171***	0.890***
	[0.254]	[0.379]	[0.321]
Observations	177	177	177
R-squared	0.033	0.075	0.028

Notes: Standard errors in brackets; *** p<0.01, ** p<0.05, * p<0.1.

Source: Calculations based on own survey of WTP for craft beer in Slovenia.

4.2.4 Testing Hypothesis 4

Hypothesis 4 states: "A price premium for craft beer over traditional beer is related to the importance given to the perceived beer attributes." This hypothesis is tested via regression analysis, using the same model as for Hypothesis 3. The estimated model thus has ln(WTP) as dependent variable and the following explanatory variables: age, ln(predicted hourly wage), and two sets of perceived beer attributes: those related to the consumption of beer that respondents are familiar with, and those related to choosing among unknown beers. Note that the valuation of beer attributes was obtained based on the survey questions about the importance (on a scale of 1 to 5) given to various beer attributes.

The results show that only two perceived beer attributes affect WTP, or equivalently, price premium for craft over the traditional beer. Two attributes among those related to known beers are statistically significant: price and the level of alcohol content, with the first lowering and the second increasing WTP (Table 4, model 2). Interestingly, other attributes – taste, geographical origin, aroma, drinkability and brand – are shown to have statistically insignificant effects. Among beer attributes related to unknown beers, no attributes proved statistically significant (Table 4, model 3). Note that estimated models control for respondent's age and predicted hourly wage. We can therefore partially confirm Hypothesis 4, as two of the studied perceived beer attributes – price and the level of alcohol content – are shown to statistically significantly affect the price premium for craft beer over traditional beer.

CONCLUSION

In my thesis, I analyzed factors that determine WTP for craft beer consumed in bars and restaurants among Slovenian consumers. The information about WTP was obtained via an online survey, with key questions eliciting information about WTP being based on contingent valuation, double bounded dichotomous choice. Information was also collected about the desired beer attributes, as well as about selected respondents' personal characteristics.

Key findings of the thesis are as follows:

(a) On average, respondents were willing to pay €1,35 more for the serving of the craft beer as compared with the serving of the lager of their choice (for which the hypothesized price was set at €2,40). The price premium that consumers were willing to pay for the craft beer proved statistically significant (thus Hypothesis 1 that consumers are, on average, willing to pay a price premium for craft beer over traditional beer, is confirmed).
(b) My analysis shows that demand for craft beer is elastic. Based on the survey data I collected, the own-price elasticity for craft beer was estimated to be -1.8 (therefore, Hypothesis 2 that demand for craft beer is inelastic is rejected).

(c) Analysis of survey data also shows that a price premium for craft beer over traditional beer is negatively affected by a persons' age and positively by their income (Hypothesis 3 is thus validated).
(d) The results show that two perceived beer attributes affect WTP in a statistically significant fashion: price and the level of alcohol content, with the first attribute lowering and the second increasing WTP. These findings partially validate Hypothesis 4 that a price premium for craft beer over traditional beer is related to the importance given to the perceived beer attributes.

In light of the discussion of drivers of the shift in preference to craft beer in section 1.2.2, the finding that consumers are willing to pay a price premium for craft beer over the lager should really not come as surprise. Indeed, all of these drivers – pushback to capitalism and globalization, pursuit of "authenticity" of products, climate change – are very much present also in Slovenia. The finding that in Slovenia the price premium for craft beer over traditional beer is negatively affected by a persons' age and positively by their income also adheres to expectations. It is also in line with the result obtained by Gabrielyan et. al (2014) that in the United States, consumers with relatively high incomes are willing to pay more for a beer, and that age has a negative impact on WTP. On the other hand, the finding that the demand for craft beer in Slovenia is elastic is somewhat unexpected, but it may be related to the fact that the emergence of the craft beer in Slovenia is a relatively recent and that it takes time for consumers to change preferences – to "develop taste" for craft beer.[9] And also the finding that high level of alcohol content is highly valued by Slovenian drinkers falls into the category of surprises.

What implications for marketing strategies of microbreweries can be derived from the above findings? The finding that demand for craft beer is elastic suggests that by lowering the prices, the overall revenues from on-trade beer consumption would increase and, depending on the microbreweries cost function, also profits might increase. This outcome may occur because, as our survey data suggest, the loss of revenues due to lowering of the price would be more than compensated by increased sales as additional consumers enticed to drink craft beer at the lower price would enter the market. Indeed, our calculations show that the optimal price in terms of revenue maximization is approximately €4,00 (at that price, the elasticity of demand for craft beer equals -1), and so either lowering or increasing the price would result in loss of revenue (whether that price is also profit-maximizing depends on the producers' cost functions, and thus determining the profit-maximizing price is beyond the scope of this thesis).

[9] That demand for craft beer is more elastic than demand for mass-produced beer is confirmed by Toro-González, McCluskey, & Mittelhammer, (2014). They find that demand for beer in United States is inelastic, but that the demand for craft beer is notably more price responsive compared to mass-produced beer, with respective own-price elasticities of -0:126 and -0:212. Note that this study uses retail sales data of various types of beer, and thus the revealed preferences approach to measuring WTP.

Given the low market share of craft beer in the Slovenia, producers may also consider a temporary use of penetration pricing to increase the craft beer market share. Another, quite intriguing implication relates to the finding that higher level of alcohol increase WTP for craft beer. This implies that, again depending on producers' cost implications, increasing the alcohol level would positively affect the producers' profits. Given the non-representativeness of the sample from which the above findings are obtained, however, these implications should be taken with great caution.[10]

Because the above results may not be representative for overall population – given the convenience snowball method of the survey that I relied upon – it would be instructive, as part of follow-up research, to draw a more representative sample and compare the new results with the ones obtained above. Moreover, with Slovenia being a laggard in craft beer market, it would be interesting to repeat the study of the WTP for craft beer after, say, 5 years, to see if the WTP for the craft beer will change.

[10] In their study of WTP for sensory attributes in beer, Gabrielyan, McCluskey, Marsh & Ross (2014) also express concern about sample representativeness as 51 percent of their respondents held an advanced academic degree, and acknowledge limitations regarding the extent to which their findings can be generalized to broader populations.

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APPENDICES

Appendix 1: Summary in Slovenian language

Pivo je najbolj priljubljena alkoholna pijača na svetu. Medtem ko ta pijača obstaja že tisočletja, je v zadnjih desetletjih nova vrsta piva – mikrovarjeno pivo – dosegla velik porast povpraševanja, saj po njem posegajo ne le poznavalci, pač pa vse bolj širok krog prebivalstva. Porast povpraševanja po mikrovarjenem pivu je dokaj nov globalni fenomen, ki ga nekateri pripisujejo spreminjanju okusa potrošnikov. Priljubljenost mikrovarjenega piva je k vstopu v panogo privabila številne nove proizvajalce. To velja tudi za Slovenijo, kjer se je število pivovarn povečalo z 22 v letu 2010 na 62 v letu 2016. Kako je mogoče pojasniti, da proizvodnja mikrovarjenega piva doživlja takšno rast, ko pa povpraševanje po tradicionalnih vrstah piva, zlasti v razvitih državah, stagnira?

Odgovor najdemo v uspešnem prizadevanju ponudnikov mikrovarjenega piva, da pritegnejo potrošnike s poudarjanjem kakovosti in ekskluzivnosti. Tako se vse več potrošnikov zaveda, da »vsa piva niso ustvarjena enako« in so za vrhunsko pivo – to seveda ni običajno, »tradicionalno«, pač pa mikrovarjeno pivo – tudi pripravljeni plačati več. Ta »nova« kategorija piva, mikrovarjeno pivo, je prinesla močan nov veter v sicer dokaj ustaljeno, zrelo panogo proizvodnje piva. Res, še nedavno smo v restavraciji preprosto rekli: »Prosim, pivo!« – in smo bili z le-tem res postreženi. V Sloveniji smo bili lahko deležni edino še vprašanja: »Laško ali Union?«, saj sta ti dve blagovni znamki desetletja nesporno obvladovali trg piva.

Definicija mikrovarjenega piva temelji predvsem na proizvodni zmogljivosti – pivovarne, katerih zmogljivost je pod določeno mejo, proizvajajo »mikrovarjeno pivo«. Zmogljivostna meja se razlikuje po državah, v Sloveniji pa znaša 20.000 hektolitrov na leto. V Združenih državah Amerike, kjer je proizvodnja sodobnega mikrovarjenega piva doživela največji preporod, je definicija mikrovarjenega piva povezana tudi z lastniško strukturo pivovarne in s sestavinami, dovoljenimi pri proizvodnji. Kot nakazuje definicija, so stroški priprave mikrovarjenega piva večji, saj pivovarji zaradi omejenosti proizvodne ne morejo izkoristiti ekonomije obsega, uporabljajo pa tudi kvalitetne, in torej dražje, sestavine.

Namen moje magistrske teze je raziskati, kolikšno cenovno premijo so potrošniki pripravljeni plačati za mikrovarjeno pivo v primerjavi z običajnim pivom (svetlim ležakom), in kateri dejavniki vplivajo na to premijo. V tezi preizkušam naslednje štiri hipoteze:

1. Hipoteza 1: Potrošniki so za mikrovarjeno pivo pripravljeni plačati več kot za tradicionalno pivo – svetli ležak.
2. Hipoteza 2: Povpraševanje po mikrovarjenem pivu je neelastično. Glede na velik porast potrošnje mikrovarjenega piva je verjetno, da osebe, ki izberejo takšno pivo, tradicionalno piva štejejo za nepopoln nadomestek za mikrovarjeno pivo in so tako relativno neobčutljivi na ceno.
3. Hipoteza 3: Cenovna premija za mikrovarjeno pivo v primerjavi s tradicionalnim pivom je negativno povezana s starostjo in pozitivno z dohodkom potrošnikov.

4. Hipoteza 4: Cenovna premija za mikrovarjeno pivo v primerjavi s tradicionalnim pivom je povezana s pomembnostjo, ki jo potrošniki pripisujejo zaznavnim lastnostim piva, kot so okus, aroma in poreklo.

Da bi pridobil potrebne podatke, sem marca 2018 izvedel spletno anketo, v kateri je sodelovalo 181 slovenskih pivcev piva. V anketi sem se osredotočil na ugotavljanje cenovne premije mikrovarjenega piva, ki velja v barih ali restavracijah. Cenovno premijo sem ocenil z uporabo metode pogojnega vrednotenja, pristop izraženih preferenc.

Rezultati moje raziskave kažejo, da so anketiranci za mikrovarjeno pivo – v primerjavi s tradicionalnim ležakom po svoji izbiri, ki bi stal 2,40 evra – pripravljeni plačati premijo v višini 1,35 evra. Ugotavljam tudi, da se je povpraševanje po mikrovarjenem pivu izkazalo za cenovno elastično. Starost anketirancev je na cenovno premijo za mikrovarjeno pivo vplivala negativno, njihov dohodek pa pozitivno. Izkazalo se je tudi, da dva atributa, povezana s pivom, statistično pomembno vplivata na cenovno premijo: pomembnost, ki jo potrošniki pripisujejo ceni, in stopnja vsebnosti alkohola, ki jo ima pivo – prva je s premijo povezana negativno, druga pozitivno.

Appendix 2: Questionnaire of the craft beer survey

Spoštovani, pred vami je anketni vprašalnik, ki je sestavni del raziskave o kraft (mikrovarjenem) pivu, na kateri temelji moja magistrska naloga na Ekonomski Fakulteti v Ljubljani. Prosim, če odgovorite na naslednja vprašanja. Za vsako vprašanje je možen le en odgovor, te pa lahko spreminjate tudi naknadno.

Q1 - Ali ste v zadnjem letu naročili pivo v restavraciji ali drugih lokalih?

◯ Da
◯ Ne

Q2 - Ali poleg običajnih vrst piva (med katera npr. spada Union ali Laško) poznate tudi mikrovarjeno – kraft pivo?

◯ Da
◯ Ne

IF (1) Q2 = [2] (Non-Kraft drinker)
BLOK (2) (NE POZNA KRAFT)
Q3 - Ali ste mikrovarjeno – kraft pivo že poskusili?

◯ Da
◯ Ne
◯ Da, vendar sem zadovoljen s tradicionalimi lagerji (Union-Laško)

IF (1) Q2 = [2] (Non-Kraft drinker)
BLOK (2) (NE POZNA KRAFT)
IF (3) Q3 = [1] or Q3 = [3] (Da)
Q4 - Kaj bi bilo potrebno da bi bolj redno pili (ali vsaj poskusili) kraft pivo?

◯ Nižja cena
◯ Boljši okus
◯ Oboje
◯ Sem zadovoljen s tradicionalnimi lagerji (Union-Laško)

IF (1) Q2 = [2] (Non-Kraft drinker)
BLOK (2) (NE POZNA KRAFT)
IF (4) Q3 = [2]
Q5 - Zakaj ne?

◯ Predrago
◯ Sem zadovoljen s tradicionalnimi lagerji (Union-Laško)
◯ Nisem niti opazil nove ponudbe

IF (5) Q2 = [1] (Pozna poleg običajnega tudi kraft)
Q6 - Katero od spodaj navedenih znamk tradicionalnega (lager) piva pijete najbolj pogosto? Izberi eno!

◯ Heineken
◯ Laško
◯ Union
◯ Staropramen
◯ Bernard
◯ Vseeno mi je
◯ Drugo:

IF (5) Q2 = [1] (Pozna poleg običajnega tudi kraft)
Q7 - Katero od spodaj navedenih znamk mikrovarjenega (kraft) piva pijete najbolj pogosto? Izberi eno!

◯ Bevog
◯ Human Fish
◯ Pelicon
◯ Flying Dog
◯ Tektonik
◯ Fuller's
◯ Brew Dog
◯ Adnams
◯ Loo-blah-nah
◯ Vseeno mi je
◯ Drugo:

IF (5) Q2 = [1] (Pozna poleg običajnega tudi kraft)
Q8 - Če bi mikrovarjeno (kraft) pivo stalo enako kot tradicionalno pivo, bi ponavadi raje izbral mikrovarjeno (kraft) pivo.

◯ Da
◯ Ne

IF (6) Q6 = [6] and Q7 = [1, 2, 3, 11, 5, 6, 7, 4, 8, 9] (LAGER VSEENO)
BLOK (7) (copyQ6 in Q7 lager vseeno)
Q9 - Ali bi izbrali tradicionalno lager (npr. Union ali Laško) pivo v situaciji, če bi to pivo stalo 2,40€, #Q7# pivo pa 4,00€?
*cene so fiksirane na lokacijo Ljubljana-Center

◯ Da
◯ Ne

IF (6) Q6 = [6] and Q7 = [1, 2, 3, 11, 5, 6, 7, 4, 8, 9] (LAGER VSEENO)

BLOK (7) (copyQ6 in Q7 lager vseeno)
IF (8) Q9 = [1]
Q10 - Ali bi izbrali tradicionalno lager (npr. Union ali Laško) pivo v situaciji, če bi to pivo stalo 2,40€, #Q7# pivo pa 3,00€?
*cene so fiksirane na lokacijo Ljubljana-Center

◯ Da
◯ Ne

IF (6) Q6 = [6] and Q7 = [1, 2, 3, 11, 5, 6, 7, 4, 8, 9] (LAGER VSEENO)
BLOK (7) (copyQ6 in Q7 lager vseeno)
IF (9) Q10 = [2]
Q11 - Ali bi izbrali tradicionalno lager (npr. Union ali Laško) pivo v situaciji, če bi to pivo stalo 2,40€, #Q7# pivo pa 3,50€?
*cene so fiksirane na lokacijo Ljubljana-Center

◯ Da
◯ Ne

IF (6) Q6 = [6] and Q7 = [1, 2, 3, 11, 5, 6, 7, 4, 8, 9] (LAGER VSEENO)
BLOK (7) (copyQ6 in Q7 lager vseeno)
IF (10) Q10 = [1]
Q12 - Ali bi izbrali tradicionalno lager (npr. Union ali Laško) pivo v situaciji, če bi to pivo stalo 2,40€, #Q7# pivo pa 2,50€?
*cene so fiksirane na lokacijo Ljubljana-Center

◯ Da
◯ Ne

IF (6) Q6 = [6] and Q7 = [1, 2, 3, 11, 5, 6, 7, 4, 8, 9] (LAGER VSEENO)
BLOK (7) (copyQ6 in Q7 lager vseeno)
IF (11) Q9 = [2]
Q13 - Ali bi izbrali tradicionalno lager (npr. Union ali Laško) pivo v situaciji, če bi to pivo stalo 2,40€, #Q7# pivo pa 5,00€?
*cene so fiksirane na lokacijo Ljubljana-Center

◯ Da
◯ Ne

IF (6) Q6 = [6] and Q7 = [1, 2, 3, 11, 5, 6, 7, 4, 8, 9] (LAGER VSEENO)
BLOK (7) (copyQ6 in Q7 lager vseeno)
IF (12) Q13 = [1]
Q14 - Ali bi izbrali tradicionalno lager (npr. Union ali Laško) pivo v situaciji, če bi to pivo stalo 2,40€, #Q7# pivo pa 4,50€?
*cene so fiksirane na lokacijo Ljubljana-Center

◯ Da
◯ Ne

IF (6) Q6 = [6] and Q7 = [1, 2, 3, 11, 5, 6, 7, 4, 8, 9] (LAGER VSEENO)
BLOK (7) (copyQ6 in Q7 lager vseeno)
IF (13) Q13 = [2]
Q15 - Ali bi izbrali tradicionalno lager (npr. Union ali Laško) pivo v situaciji, če bi to pivo stalo 2,40€, #Q7# pivo pa 6,00€?
*cene so fiksirane na lokacijo Ljubljana-Center

◯ Da
◯ Ne

IF (6) Q6 = [6] and Q7 = [1, 2, 3, 11, 5, 6, 7, 4, 8, 9] (LAGER VSEENO)
BLOK (7) (copyQ6 in Q7 lager vseeno)
IF (13) Q13 = [2]
IF (14) Q15 = [1]
Q16 - Ali bi izbrali tradicionalno lager (npr. Union ali Laško) pivo v situaciji, če bi to pivo stalo 2,40€, #Q7# pivo pa 5,50€?
*cene so fiksirane na lokacijo Ljubljana-Center

◯ Da
◯ Ne

IF (15) Q7 = [10] and Q6 = [1, 2, 4, 5, 7, 3] (KRAFT vseeno)
BLOK (16) (Q6 in Q7 Kraft vseeno)
Q17 - Ali bi izbrali #Q6# pivo v situaciji, če bi #Q6# pivo stalo 2,40€, mikrovarjeno (kraft) pivo pa 4,00€?
*cene so fiksirane na lokacijo Ljubljana-Center

◯ Da
◯ Ne

IF (15) Q7 = [10] and Q6 = [1, 2, 4, 5, 7, 3] (KRAFT vseeno)
BLOK (16) (Q6 in Q7 Kraft vseeno)
IF (17) Q17 = [1]
Q18 - Ali bi izbrali #Q6# pivo v situaciji, če bi #Q6# pivo stalo 2,40€, mikrovarjeno (kraft) pivo pa 3,00€?
*cene so fiksirane na lokacijo Ljubljana-Center

◯ Da
◯ Ne

IF (15) Q7 = [10] and Q6 = [1, 2, 4, 5, 7, 3] (KRAFT vseeno)
BLOK (16) (Q6 in Q7 Kraft vseeno)
IF (18) Q18 = [2]
Q19 - Ali bi izbrali #Q6# pivo v situaciji, če bi #Q6# pivo stalo 2,40€, mikrovarjeno (kraft) pivo pa 3,50€?
*cene so fiksirane na lokacijo Ljubljana-Center

◯ Da

◯ Ne

IF (15) Q7 = [10] and Q6 = [1, 2, 4, 5, 7, 3] (KRAFT vseeno)
BLOK (16) (Q6 in Q7 Kraft vseeno)
IF (19) Q18 = [1]
Q20 - Ali bi izbrali #Q6# pivo v situaciji, če bi #Q6# pivo stalo 2,40€, mikrovarjeno (kraft) pivo pa 2,50€?
*cene so fiksirane na lokacijo Ljubljana-Center

◯ Da

◯ Ne

IF (15) Q7 = [10] and Q6 = [1, 2, 4, 5, 7, 3] (KRAFT vseeno)
BLOK (16) (Q6 in Q7 Kraft vseeno)
IF (20) Q17 = [2]
Q21 - Ali bi izbrali #Q6# pivo v situaciji, če bi #Q6# pivo stalo 2,40€, mikrovarjeno (kraft) pivo pa 5,00€?
*cene so fiksirane na lokacijo Ljubljana-Center

◯ Da

◯ Ne

IF (15) Q7 = [10] and Q6 = [1, 2, 4, 5, 7, 3] (KRAFT vseeno)
BLOK (16) (Q6 in Q7 Kraft vseeno)
IF (21) Q21 = [1]
Q22 - Ali bi izbrali #Q6# pivo v situaciji, če bi #Q6# pivo stalo 2,40€, mikrovarjeno (kraft) pivo pa 4,50€?
*cene so fiksirane na lokacijo Ljubljana-Center

◯ Da

◯ Ne

IF (15) Q7 = [10] and Q6 = [1, 2, 4, 5, 7, 3] (KRAFT vseeno)
BLOK (16) (Q6 in Q7 Kraft vseeno)
IF (22) Q21 = [2]
Q23 - Ali bi izbrali #Q6# pivo v situaciji, če bi #Q6# pivo stalo 2,40€, mikrovarjeno (kraft) pivo pa 6,00€?
*cene so fiksirane na lokacijo Ljubljana-Center

◯ Da

◯ Ne

IF (15) Q7 = [10] and Q6 = [1, 2, 4, 5, 7, 3] (KRAFT vseeno)
BLOK (16) (Q6 in Q7 Kraft vseeno)
IF (22) Q21 = [2]
IF (23) Q23 = [1]

Q24 - Ali bi izbrali #Q6# pivo v situaciji, če bi #Q6# pivo stalo 2,40€, mikrovarjeno (kraft) pa 5,50€?
*cene so fiksirane na lokacijo Ljubljana-Center

◯ Da
◯ Ne

IF (24) Q6 = [6] and Q7 = [10] or Q2 = [2] or Q3 = [2, 1, 3] or Q4 = [1, 2, 3] or Q5 = [1, 2, 3] (LAGER in KRAFT vseeno)
BLOK (25) (copyQ6 in Q7 lager in kraft vseeno)
Q25 - Ali bi izbrali tradicionalno lager (npr. Union ali Laško) pivo v situaciji, če bi to pivo stalo 2,40€, mikrovarjeno (kraft) pivo pa 4,00€?
*cene so fiksirane na lokacijo Ljubljana-Center

◯ Da
◯ Ne

IF (24) Q6 = [6] and Q7 = [10] or Q2 = [2] or Q3 = [2, 1, 3] or Q4 = [1, 2, 3] or Q5 = [1, 2, 3] (LAGER in KRAFT vseeno)
BLOK (25) (copyQ6 in Q7 lager in kraft vseeno)
IF (26) Q25 = [1]
Q26 - Ali bi izbrali tradicionalno lager (npr. Union ali Laško) pivo v situaciji, če bi to pivo stalo 2,40€, mikrovarjeno (kraft) pivo pa 3,00€?
*cene so fiksirane na lokacijo Ljubljana-Center

◯ Da
◯ Ne

IF (24) Q6 = [6] and Q7 = [10] or Q2 = [2] or Q3 = [2, 1, 3] or Q4 = [1, 2, 3] or Q5 = [1, 2, 3] (LAGER in KRAFT vseeno)
BLOK (25) (copyQ6 in Q7 lager in kraft vseeno)
IF (27) Q26 = [2]
Q27 - Ali bi izbrali tradicionalno lager (npr. Union ali Laško) pivo v situaciji, če bi to pivo stalo 2,40€, mikrovarjeno (kraft) pivo pa 3,50€?
*cene so fiksirane na lokacijo Ljubljana-Center

◯ Da
◯ Ne

IF (24) Q6 = [6] and Q7 = [10] or Q2 = [2] or Q3 = [2, 1, 3] or Q4 = [1, 2, 3] or Q5 = [1, 2, 3] (LAGER in KRAFT vseeno)
BLOK (25) (copyQ6 in Q7 lager in kraft vseeno)
IF (28) Q26 = [1]
Q28 - Ali bi izbrali tradicionalno lager (npr. Union ali Laško) pivo v situaciji, če bi to pivo stalo 2,40€, mikrovarjeno (kraft) pivo pa 2,50€?
*cene so fiksirane na lokacijo Ljubljana-Center

◯ Da
◯ Ne

IF (24) Q6 = [6] and Q7 = [10] or Q2 = [2] or Q3 = [2, 1, 3] or Q4 = [1, 2, 3] or Q5 = [1, 2, 3] (LAGER in KRAFT vseeno)
BLOK (25) (copyQ6 in Q7 lager in kraft vseeno)
IF (29) Q25 = [2]
Q29 - Ali bi izbrali tradicionalno lager (npr. Union ali Laško) pivo v situaciji, če bi to pivo stalo 2,40€, mikrovarjeno (kraft) pivo pa 5,00€?
*cene so fiksirane na lokacijo Ljubljana-Center

◯ Da
◯ Ne

IF (24) Q6 = [6] and Q7 = [10] or Q2 = [2] or Q3 = [2, 1, 3] or Q4 = [1, 2, 3] or Q5 = [1, 2, 3] (LAGER in KRAFT vseeno)
BLOK (25) (copyQ6 in Q7 lager in kraft vseeno)
IF (30) Q29 = [1]
Q30 - Ali bi izbrali tradicionalno lager (npr. Union ali Laško) pivo v situaciji, če bi to pivo stalo 2,40€, mikrovarjeno (kraft) pivo pa 4,50€?
*cene so fiksirane na lokacijo Ljubljana-Center

◯ Da
◯ Ne

IF (24) Q6 = [6] and Q7 = [10] or Q2 = [2] or Q3 = [2, 1, 3] or Q4 = [1, 2, 3] or Q5 = [1, 2, 3] (LAGER in KRAFT vseeno)
BLOK (25) (copyQ6 in Q7 lager in kraft vseeno)
IF (31) Q29 = [2]
Q31 - Ali bi izbrali tradicionalno lager (npr. Union ali Laško) pivo v situaciji, če bi to pivo stalo 2,40€, mikrovarjeno (kraft) pivo pa 6,00€?
*cene so fiksirane na lokacijo Ljubljana-Center

◯ Da
◯ Ne

IF (24) Q6 = [6] and Q7 = [10] or Q2 = [2] or Q3 = [2, 1, 3] or Q4 = [1, 2, 3] or Q5 = [1, 2, 3] (LAGER in KRAFT vseeno)
BLOK (25) (copyQ6 in Q7 lager in kraft vseeno)
IF (31) Q29 = [2]
IF (32) Q31 = [1]
Q32 - Ali bi izbrali tradicionalno lager (npr. Union ali Laško) pivo v situaciji, če bi to pivo stalo 2,40€, mikrovarjeno (kraft) pivo pa 5,50€?
*cene so fiksirane na lokacijo Ljubljana-Center

◯ Da
◯ Ne

IF (33) Q6 = [1, 2, 4, 5, 7, 3] and Q7 = [1, 2, 3, 11, 5, 6, 7, 4, 8, 9] (NI VSEENO nic)
Q33 - Ali bi izbrali #Q6# pivo v situaciji,če bi #Q6# pivo stalo €2,40, #Q7# pivo pa €4,00?

*cene so fiksirane na lokacijo Ljubljana-Center

◯ Da
◯ Ne

IF (33) Q6 = [1, 2, 4, 5, 7, 3] and Q7 = [1, 2, 3, 11, 5, 6, 7, 4, 8, 9] (NI VSEENO nic)
IF (34) Q33 = [1]
Q34 - Ali bi izbrali #Q6# pivo v situaciji, če bi #Q6# pivo stalo €2,40, #Q7# pivo pa €3,00?
*cene so fiksirane na lokacijo Ljubljana-Center

◯ Da
◯ Ne

IF (33) Q6 = [1, 2, 4, 5, 7, 3] and Q7 = [1, 2, 3, 11, 5, 6, 7, 4, 8, 9] (NI VSEENO nic)
IF (35) Q34 = [2]
Q35 - Ali bi izbrali #Q6# pivo v situaciji, če bi #Q6# pivo stalo €2,40, #Q7# pivo pa €3,50?
*cene so fiksirane na lokacijo Ljubljana-Center

◯ Da
◯ Ne

IF (33) Q6 = [1, 2, 4, 5, 7, 3] and Q7 = [1, 2, 3, 11, 5, 6, 7, 4, 8, 9] (NI VSEENO nic)
IF (36) Q34 = [1]
Q36 - Ali bi izbrali #Q6# pivo v situaciji, če bi #Q6# pivo stalo €2,40, #Q7# pivo pa €2,50?
*cene so fiksirane na lokacijo Ljubljana-Center

◯ Da
◯ Ne

IF (33) Q6 = [1, 2, 4, 5, 7, 3] and Q7 = [1, 2, 3, 11, 5, 6, 7, 4, 8, 9] (NI VSEENO nic)
IF (37) Q33 = [2]
Q37 - Ali bi izbrali #Q6# pivo v situaciji, če bi #Q6# pivo stalo €2,40, #Q7# pivo pa €5,00?
*cene so fiksirane na lokacijo Ljubljana-Center

◯ Da
◯ Ne

IF (33) Q6 = [1, 2, 4, 5, 7, 3] and Q7 = [1, 2, 3, 11, 5, 6, 7, 4, 8, 9] (NI VSEENO nic)
IF (38) Q37 = [1]
Q38 - Ali bi izbrali #Q6# pivo v situaciji, če bi #Q6# pivo stalo €2,40, #Q7# pivo pa €4,50?
*cene so fiksirane na lokacijo Ljubljana-Center

◯ Da
◯ Ne

IF (33) Q6 = [1, 2, 4, 5, 7, 3] and Q7 = [1, 2, 3, 11, 5, 6, 7, 4, 8, 9] (NI VSEENO nic)
IF (39) Q37 = [2]

Q39 - Ali bi izbrali #Q6# pivo v situaciji, če bi #Q6# pivo stalo €2,40, #Q7# pivo pa €6,00?
*cene so fiksirane na lokacijo Ljubljana-Center

◯ Da
◯ Ne

IF (33) Q6 = [1, 2, 4, 5, 7, 3] and Q7 = [1, 2, 3, 11, 5, 6, 7, 4, 8, 9] (NI VSEENO nic)
IF (39) Q37 = [2]
IF (40) Q39 = [1]
Q40 - Ali bi izbrali #Q6# pivo v situaciji, če bi #Q6# pivo stalo €2,40, #Q7# pivo pa €5,50?
*cene so fiksirane na lokacijo Ljubljana-Center

◯ Da
◯ Ne

BLOK (41) (ISTA ZA VSE)
Q41 - Kako pomembne so pri izbiri piva za vas naslednje lastnosti piva, od 1 do 5 (1-zelo nepomembna, 5- zelo pomembna)?

	1 (zelo nepomembna)	2 (nepomembna)	3 (niti nepomembna niti pomembna)	4 (pomembna)	5 (zelo pomembna)
Okus	◯	◯	◯	◯	◯
Cena	◯	◯	◯	◯	◯
Geografsko poreklo	◯	◯	◯	◯	◯
Aroma	◯	◯	◯	◯	◯
Pitnost	◯	◯	◯	◯	◯
Visoka vsebnost alkohola	◯	◯	◯	◯	◯
Blagovna znamka	◯	◯	◯	◯	◯
Drugo (lahko preskočite):	◯	◯	◯	◯	◯

BLOK (41) (ISTA ZA VSE)
Q42 - Kako pogosto pijete pivo?

◯ Več ali manj vsak dan
◯ 3-4 krat na teden
◯ 2-3 krat na teden
◯ Približno enkrat na teden
◯ 2-3 krat na mesec
◯ Zelo redkokdaj

BLOK (41) (ISTA ZA VSE)
Q43 - Kadar pijete, koliko piv spijete povprečno (0.5 L)?

◯ 5 +

◯ 4
◯ 3
◯ 2
◯ 1
◯ Manj kot 0.5 litra
◯ Drugo (npr 2.5)

BLOK (41) (ISTA ZA VSE)
Q44 - Če na ceniku pijač ne zasledite nobenega piva, ki bi ga že poskusili, ocenite na lestvici od 1 do 5, kako pomembne so naslednje lastnosti, ki vplivajo na vašo odločitev o izboru piva (1 - zelo nepomembna, 5 - zelo pomembna)!

	1 (zelo nepomembna)	2 (nepomembna)	3 (niti nepomembna niti pomembna)	4 (pomembna)	5 (zelo pomembna)
Etiketa/Dizajn	◯	◯	◯	◯	◯
Stil piva (IPA, ale, stout)	◯	◯	◯	◯	◯
Izvor Pivovarne	◯	◯	◯	◯	◯
Cena	◯	◯	◯	◯	◯
Akcija / Happy Hour	◯	◯	◯	◯	◯
Poznanost	◯	◯	◯	◯	◯
Drugo:	◯	◯	◯	◯	◯

BLOK (41) (ISTA ZA VSE)
Q45 - Starost

BLOK (41) (ISTA ZA VSE)
XSPOL - Spol:

◯ Moški
◯ Ženski

BLOK (41) (ISTA ZA VSE)
Q46 - Najvišja dosežena izobrazba

◯ Osnovna šola
◯ Poklicna šola
◯ Srednja strokovna ali splošna
◯ Višješolska ali višja
◯ Visokošolska Univerzitetna
◯ Podiplomski študij
◯ Doktorat

BLOK (41) (ISTA ZA VSE)
Q47 - Status

◯ Zaposlen
◯ Brezposeln
◯ Študent
◯ Upokojenec
◯ Drugo: