Distribution strategies of new and renewed regional industrial breweries in the context of Czech identity and the traditional beer market

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ABSTRACT
The geography of the brewing industry is currently undergoing substantial shifts. While most attention has been paid to the boom of microbreweries, newly established regional breweries have been neglected and little is known about how they are gaining a position among consumers in stable and saturated markets. The aim of this article is to investigate what strategies new breweries use to establish distribution regions and which factors are at play based on the consumers' economic and socio-cultural preferences, all within the contextual influence of market development and territorial identity. The research is based on the mapping of distribution regions of seven new Czech breweries and interviews with their representatives. The breweries first opt for a contagion strategy focusing on local customers to provide a basis for further expansion. The hierarchy strategy with a preference for wealthier customers in distant cities subsequently prevails. The choice and success of the chosen strategy depend on the interaction between regional market development and consumers' territorial identity. In Czechia, local breweries, especially those that have restored and maintained historic brewery buildings, are attracting consumers from cities, while consumers from the countryside prefer nationally known beer from big industrial breweries.

KEYWORDS
distribution regions; distribution strategy; neolocalism; regional breweries; territorial identity

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1. Introduction

The dynamic development of large industrial breweries in the world brewing industry is gradually coming to an end after two centuries. The production concentration in ever-larger breweries and the conquest of new markets are already reaching their natural limits.[1] In countries in the late phase of beer market development (for more about beer life-cycle see Hána et al. 2020; according to product life-cycle in Vernon 1966; Dicken 2015), the market is saturated and not very dynamic, and breweries in the vast majority focus on maintaining existing outlets[2] (Hasman et al. 2016). Only three deviations are dynamising this environment: acquisitions, microbreweries, and new industrial breweries. In the case of the strongest players in the market, the strategy is to acquire competing companies and take over their outlets (Bennison et al. 1995; Dicken 2015; Materna et al. 2019; Hasman et al. 2021). A major global innovation in the brewing industry in recent decades is the emergence of thousands of microbreweries (Wojtyra et al. 2020; Materna et al. 2021), but these remain largely associated primarily with their own brewery restaurant or its immediate surroundings (Pachura 2020). Significant expansion into new markets rarely occurs here. New, regional[3] breweries have a different position: trying to embark on the path of higher production – but they have to fight for new, relatively large and firmly occupied outlets (c.f. Hasman et al. 2016). However, these actors are practically neglected by existing research (unlike microbreweries and large corporations).

To gain a foothold in the market and create a distribution region, breweries must choose an appropriate strategy. The spatial division of the Czech beer market after 1989 (Hasman et al. 2016) shows six basic strategies for expanding the distribution region of Czech industrial breweries, which are based on the general typology of spatial strategies of retail chains in terms of developing their retail network (Bennison et al. 1995). The aim of the article is, therefore, (1) to find out which strategies these breweries choose for the creation of their distribution region and (2) to explain which factors influence the choice of strategy. It combines quantitative and qualitative approaches. First, the newly created distribution regions of seven new breweries were mapped, while in two cases, we used unique annual time series. The findings obtained in this way are then explained with the help of structured interviews with representatives of the surveyed breweries (see Kuehn and Parker 2021).

The research was carried out in Czechia – a country with a significant brewing tradition, many historical brewing buildings, a saturated market, and the current dynamics of the emergence of new microbreweries. Czechia has been among the centres of European brewing since the Middle Ages (Kopp 2014; Kubeš 2022), in which we can look for the roots of one of the world's most famous beer styles – Pilsner lager (Mittag 2014; Yool and Comrie 2014). Since the middle of the 19th century, all of these core areas have undergone industrialization and concentration of the brewing industry into a smaller number of larger companies (Likovský 2005; except Bavaria, see Maier et al. 2020), but in Czechia, this natural market trend continued artificially in the form of controlled closure of nationalised breweries in the centrally planned economy of the communist era during the years 1948–1989 (Likovský 2008). At the time of the culminating industrial revolution in 1910, there were about 300 industrial breweries in Czechia and about 400 other smaller breweries (Likovský 2005, 2008). During the two world wars and the economic crisis, many of these breweries ceased, suspended or reduced their production (as in all European brewing areas). After the Second World War, most of these breweries fell to final, state-controlled closure instead of being restored. In 1990, there were only 70 industrial breweries left in Czechia and only one microbrewery (Kratochvíle 2005).

In recent decades, this Czech specific history has resulted in an even sharper rise in the wave of microbreweries (e.g., Wojtyra et al. 2020), and at the same time, there is the unique potential of hundreds of ruined but still standing historic buildings of former small industrial breweries, where it is possible to consider resuming beer brewing. And indeed, in more than 50 cases of the approximately 500 newly established Czech breweries after 1989, they have restored original breweries in historic buildings (Pivídky.cz 2021), moreover, these are relatively successful. A full quarter of the 44 restored Czech breweries, with available data on production in 2018, exceeded the limit of at least 5,000 hl per year. In the case of breweries established after 1990, in the same year, only 9 out of 324 companies with available data on the production produced 5,000 hl. Five renewed breweries and only two newly established produced above 10,000 hl and officially moved into the category of industrial breweries (RIBM 2019). In other

1 The article focuses only on the draft beer sector. The bottled beer industry is not the content of this article because both industries differ in geographical nature and operate relatively independently from each other.

2 For simplification, we use the term "outlets" for various services where a beer can be tapped, e.g., restaurants, wine bars, bistros, or sports clubs.

3 According to Czech-Moravian Microbreweries Association, the yearly production of 10,000 hl is the official threshold between microbrewery and industrial brewery. This division, however, does not cover the case of breweries, which are large enough to make their own distribution region, but still usually do not reach the threshold of 10,000 hl. We thus call these breweries as "regional breweries" and define them as breweries with production above 2,500 hl and supplying more than 100 outlets.

traditional brewing regions unaffected by the centrally planned economy, the onset of renewed breweries has virtually not occurred (viable enterprises have remained in the market and the others have disappeared definitively).

In the following section, we discuss the factors behind the choice of distribution strategy of new breweries and their success or failure with customers in the selected distribution region. Then, we present the methods, results, and discussion of our research on the selected Czech breweries.

2. Basis for the research on factors of distribution regions' dynamics

In the research on the dynamics of a draft beer distribution region, which is based on the contractual relationship between the producer and the consumers, we can focus on three key subjects (their basic relations are schematised in Figure 1). They include actors in the aforementioned relationship, i.e., (1) producer's strategy in searching for markets (e.g., Maye 2011; Hasman et al. 2016; Pachura 2020) and (2) consumer preferences in the search for goods for their consumption (e.g., Materna et al. 2019; Wojtyra 2020). When they find each other and sign (3) a contract, they start product distribution which can, in multiple numbers of relationships with other consumers, create a distribution region (Hasman et al. 2016). Direction and intensity of the dynamic flow of goods in such spaces can be an indicator of production capacities and business strategies on the side of the producer and demand for products on the side of territorially anchored consumers. In their decisions, both actors are influenced mainly by (1) the contextual factors of the environment in which they act which is primarily beer market development (Hána et al. 2020; according to product life-cycle, see Vernon 1966; Dicken 2015) and (2) territorial identity (e.g., Schnell and Reese 2003; Schnell 2013; Hasman et al. 2021).

Let us look at this relationship in detail. Why does a producer decide to distribute his product to specific consumers in a certain region? Every company is looking for the most advantageous strategy for product distribution or to occupy new markets, where it could then distribute its product, all while withstanding strong competition. Choosing a suitable strategy for product distribution may ensure a good position in the market and possible expansion for the producer. There are six basic types of beer distribution strategies to outlets (Hasman et al. 2016) which are adapted from the typology of spatial strategies of retail chains in the development of their retail network (Bennison et al. 1995):

1. Contagion – the brewery aims to seize neighbouring territories.

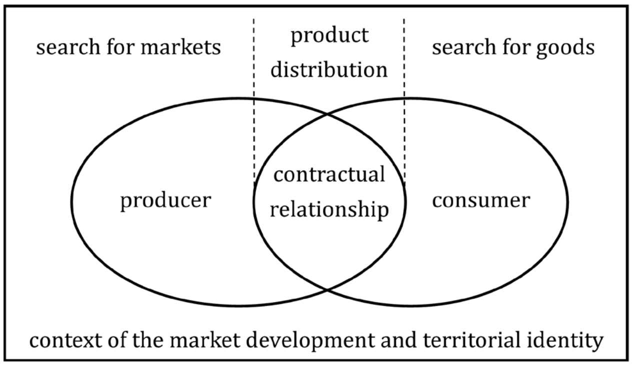

Fig. 1 Schematic representation of the dynamic relationship between producer and consumer.

2. Hierarchy – the brewery aims to seize the largest markets.
3. Avoidance – the brewery focuses on more peripheral territories with weaker competition.
4. Collusion – breweries divide the market up amongst themselves.
5. Acquisition – the brewery purchases, takes over or connects with the existing network of another brewery.
6. Segmentation – the brewery aims to take over a specific market segment.

Distribution networks of final products are highly variable in the brewing industry and correspond to many factors, among which is the size of the producer and their position within the industry (Pulec 2016). The strategy usually chosen by new or small producers is Contagion due to its relative financial and logistical simplicity. They create a foundation for further expansion to more distant locations (Hasman et al. 2016) which may depend on the level of market development and the associated saturation with beer products (Hána et al. 2020). In markets with hard competition, the main barrier to the wider expansion of regional breweries is difficult access to distribution networks, which are controlled by larger breweries (Mason and McNally 1997) often with exclusive dealing contracts (Chen and Shieh 2016). In addition, small breweries oppose canned and durable production by selling fresh draft beer for fast consumption (Naylor 2000) which promotes sales at the production site or nearby without long-distance transport. The advantage of such a contagion strategy is not only cheaper and easier distribution, but also a focus on the familiar and loyal environment of local customers who are increasingly looking for local products (Reid and Gatrell 2017) in response to neolocal tendencies directed against the standardization of intensifying globalization (Flack 1997; Schnell and Reese 2003; Schnell 2013, Taylor and DiPietro 2020). Local producers offer a product that has the advantage of speciality and originality of the production location, which could be supported by the impression that only a particular location has the conditions suitable for the production process (Harvey 2010; Reid and Gatrell 2015). When expanding to farther locations, they must choose a different marketing strategy or convince the more distant customers of the territorial uniqueness of their production (Hasman et al. 2021).

Why does a consumer in a certain region decide to choose a specific product? In addition to the characteristics of individuals that are not the subject of this article (see instead, e.g., Aquilani et al. 2015), it depends on contextual factors and several factors of supply. It may be affected by exclusive dealing, i.e., a contract with a big producer which excludes any other suppliers (Chen and Shieh 2016). Therefore, the customer with this contract is excluded from considering products from smaller breweries. The customer, who is free with his demand, then looks for a suitable offer. The final decision depends on its relationship to the chosen product (depends on the context of identity, e.g., Materna et al. 2019) and on the market development (breadth of supply, economic power, etc., e.g., Hána et al. 2020). Market development is also related to the presence of transnational corporations with their standardised production (Hána et al. 2020), which can direct customers to original local products (Materna et al. 2019).

With a growing negative view of the standardised global consumption culture in advanced markets (Holt et al. 2004; Ozsomer 2012), we are witnessing a taste for beer diversity (Sustersic and Sustersic 2013) and a turn to consumer's local region, manifested by a preference in diverse local food, developing local traditions and lifestyles, and supporting the local economy, which is known as neolocalism (Schnell and Reese 2003). Therefore, consumers prefer locally owned diverse beer produced independent of big breweries or transnational companies (Hart 2018). For some consumers, there is even a kind of moral obligation to favour local brands which can contribute to their local identity (Siemieniako et al. 2011). However, the customer can also choose a local product due to the greater emphasis on quality (Winter 2003; Aquilani et al. 2015) or on reducing environmental impacts by consuming local products (Barnett et al. 2005; Hoalst-Pullen et al. 2014; Holtkamp et al. 2016) with a short distance between stages of its locally embedded production (Bowen 2010, 2011), although such local embeddedness varies according to the size of its home town, the rural/urban dichotomy and the type of town and location within it (Courtney et al. 2008). Customers may appreciate the local production of the final product rather than the production of raw materials (like hops, barley etc.), for which they do not express such a strong local preference (Atallah et al. 2021). In addition to origin, favourite type of beer and price can also play a role in a specific consumer's beer selection (Meyerding et al. 2019). Based on this

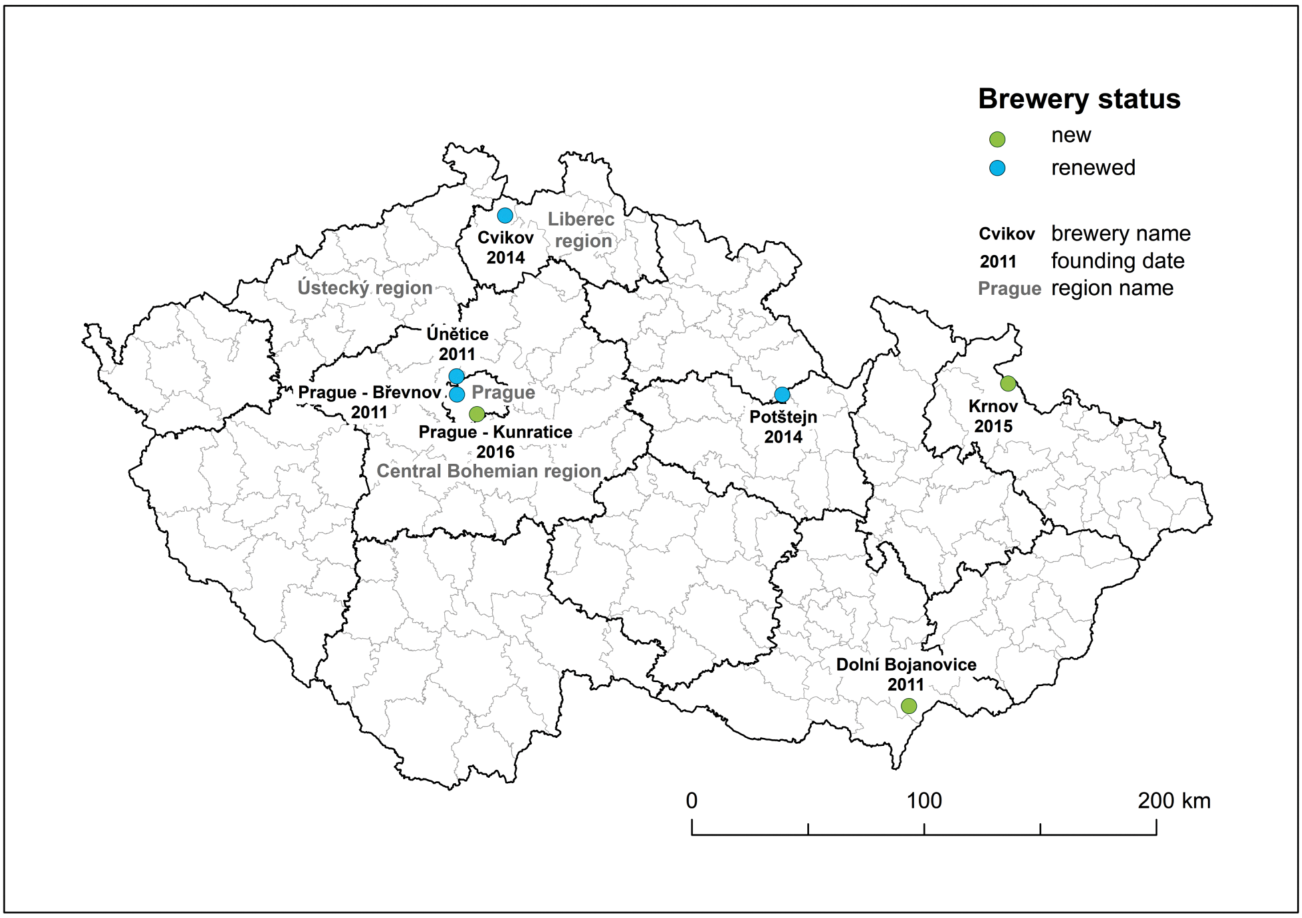

Fig. 2 Breweries included in the research.

presumption, we may also interpret a rising cultural position of more expensive local beer consumption as a marker of higher social status (Thurnell-Read 2018).

3. Methods

The empirical part combines quantitative and qualitative research. The quantitative part includes mapping the distribution regions of breweries at the level of 6,268 Czech municipalities and districts of Prague. First, longitudinal research was conducted on breweries that had the potential to establish new distribution regions at the start of this study (2015). For that purpose, newly established breweries had to be selected, whose output was growing rapidly and was likely to reach the 10,000 hl mark in the near future. These conditions were met by two breweries, which were thus included in the longitudinal research: Únětice (founded 2011) and Cvikov (2014). Both were restored breweries at their historical production sites.

The longitudinal research consisted of collecting data annually (2015–2020) on all outlets of both breweries in order to map how the breweries' distribution regions have evolved over time. The key data here were lists of all the breweries' outlets, including their addresses, which were available on both breweries' websites. However, as the data on the breweries' websites were not always completely up-to-date and accurate, they were further verified and supplemented by comparison with the websites of outlets and with databases beerborec.cz, pivnidenicek.cz, and untappd.com (for more about these databases see Hasman et al. 2016). The market share of the brewery in a municipality was then calculated as the number of outlets offering its beers to the number of all outlets in the municipality according to the beerborec.cz (2021) database. Since a substantial part of the distribution region of the Únětice brewery is the nearby capital city of Prague, all outlets in Prague were also mapped using their exact geographical coordinates.

Second, our data was supplemented by cross-sectional research on other newly established breweries that were able to develop relevant distribution regions. Inclusion criteria were therefore 1) an operating period of no more than ten years (i.e., a foundation year later than 2010) and 2) brewery size defined in terms of yearly production above 2,500 hl (according to the latest data as of 2018, see RIBM 2019) and supplying at least 100 different outlets (data for 2021; beerborec.cz 2021). The third criterion was willingness to participate in the second, qualitative part of the research. Out of the fifteen breweries that met the first two criteria, five responded positively (Figure 2); their distribution regions were subsequently identified based on data for 2021 from beerborec.cz (2021).

The qualitative part of the research was conducted to support and expand previous quantitative findings mainly in terms of the explanation of distribution strategies and thinking about the factors of these strategies. This part of research was inspired by methodological approach of Kuehn and Parker (2021). We intended to interview all 7 mentioned breweries. However, Krnov and Potštejn withdrew from the interviews due to time constraints; the information needed was then, when possible, replaced by secondary data from their websites and other public sources. The interviews were conducted in-person (or by

Tab. 1 Questions for structured interviews

Search for markets and product distribution
1) How much of your production do you sell in your brewery restaurant? Does that share tend to increase or decrease?
2) How do you obtain contracts with nearby outlets (your own activity, sales representative, distributor)?
3) What portion of your production do you sell at nearby outlets? Does this proportion tend to grow or decline?
4) How do you obtain contracts with distant outlets (your own activity, sales representative, distributor)?
5) What proportion of your production do you sell in remote outlets? Does this proportion tend to increase or decrease?
6) What proportion of your production do you sell in other ways (festivals, bottled beer…)?
7) Which outlets do you choose? And why?
8) Do you brew different beer styles? Do your outlets differ according to the beer styles you brew?
9) Which outlets do you not pursue and why?
10) Where and how do you find new outlets for your beers?
11) Do you plan to increase your brewery capacity and further expand your market?
12) Are you considering changing your current strategy for finding outlets for your beers?
The context of territorial identity
13) Does the fact that you are a local brewery have any influence on customers (outlet owners) from your region?
14) Do they mention it when ordering your beer? (and in what context, if any)
15) Are they also interested in the origin of the ingredients?
16) Do you communicate with customers (innkeepers) from your region in a different way than with customers (innkeepers) from other regions?
17) Do you use local symbols/names/labels to promote your beers?
The context of the market development
18) In terms of competition, do you consider large breweries (and multinational groups) a negative phenomenon (occupying distribution networks, enforcing exclusive contracts, offering cheap products, etc.), or a positive phenomenon (consumers are overwhelmed by standardised beers and prefer to look for something local, specific, and of high quality, which opens the door to success for regional breweries)?

Note: For an explanation of the categories and questions, see Figure 1 and the related text.

telephone, in the case of the Dolní Bojanovice brewery) with the breweries' owners or co-owners and lasted about 30 minutes. The questions (Table 1) covered three areas comes from the theoretical discussion in section 2. The most vital were (1) questions on the breweries' strategies for establishing distribution regions, which could provide a verification and explanation of our quantitative findings. We can consider the breweries' strategies as our dependent variable which were followed by questions on the characteristics associated with the two wide explanatory factors: (2) territorial identity and (3) market development.

4. Results

At the beginning of the observed period in 2015, the Cvikov and Únětice breweries achieved almost identical results in terms of beer production and number of outlets (see Figure 3). However, their further development was quite different. The Cvikov brewery, founded at the end of 2014, had a very strong entry into the market and was already present in 180 outlets after two years. However, it reached its peak and then it slightly declined in terms of production and number of outlets. In contrast, the Únětice brewery, founded in 2011, has been growing slowly but steadily throughout its existence.

The other researched breweries also performed well during the 2015-2018 period, either holding their production at a stable level or steadily increasing it (see Figure 4). However, the production of these breweries is not yet close to industry parameters and have not even exceeded 5,000 hl per year. However, for the newest breweries (Krnov and Praha – Kunratice, which did not exist in 2015), the sharp increase in production suggests that they could be classified as industrial breweries in the coming years.

4.1 Cvikov brewery

The sharp increase in the number of Cvikov's outlets in the first two years after the brewery's establishment (which, however, was not associated with production increase) illustrates its strategy at the time – there was a clear objective to gain brand awareness in the home region of the Lusatian Mountains (see Figure 5). The names of its beers also demonstrate the exclusive focus on this region – Sklář ("Glassblower") refers to the centuries-old tradition of the glass industry for this region in history, while Hvozd, Luž, and Klíč are the names of the highest peaks of the Lusatian Mountains.

This strategy, typical for emerging small breweries (Hasman et al. 2016) seeking to target a loyal local population with strong brand awareness and relationships (Reid and Gatrell 2017), was initially very successful. In 2015 and 2016, we observed a strong presence of the Cvikov Brewery throughout the northern part of the Česká Lípa district – it is commonly present in more than 25% of outlets of a given municipality, and in some areas more than 50% – these are excellent results for a new brewery competing with established industrial breweries. By contrast, at the beginning of its existence, Cvikov was virtually non-existent outside the Česká Lípa district.

The brewery is using this strategy to lay the groundwork for further expansion into more distant regions (see Hasman et al. 2016) such as the neighbouring districts of Děčín and Liberec, as well as in the direction of and in the country's capital, Prague. In these new outlets, however, the desire to gain a wide presence is already overwhelmed by the desire to gain permanent and lucrative outlets in larger cities where there is more competition but also a higher concentration of affluent customers demanding beer diversity (Sustersic and Sustersic 2013) and seeking local specialities (Holt et al. 2004; Ozsomer 2012; Hart 2018), even if these are not produced directly in the region of consumption. Thus, as time has passed, the brewery has partly relied on a relatively distant and challenging expansion, which has caused a slightly weakened presence in its own home region.

During the entire observed period, the number of outlets in Cvikov's immediate vicinity has thus decreased (in the towns of Cvikov, Nový Bor, Jablonné v Podještědí, and Česká Lípa from 35 outlets in 2015 to 11 in 2020), but at the same time, the number of outlets in the larger towns of neighbouring regions (Ústí nad Labem, Děčín, Liberec, and Jablonec nad Nisou) has increased from 3 outlets to 16. The number in the capital city of Prague has also increased from 21 outlets to 33.

Thus, the brewery changes the originally clearly dominant "contagion" strategy to some extent (cf. Hasman et al. 2021) and expands it with elements of the "hierarchy" strategy, targeting both nearby and distant larger cities and outlets with larger beer sales, at the expense of nearby rural outlets with smaller sales. However, the distance factor remains significant and sets the limit for expansion – in the more distant, larger cities (Brno, Ostrava and Plzeň), Cvikov was present only sporadically, and, if so, it was in multi-tap restaurants, especially in the early part of the observed period.

A representative of brewery management confirmed that the above-described transformation of the distribution region is the result of a targeted strategy. The brewery has two sales representatives, with one actively seeking new locations in its home region, and the other in the direction of Prague (these more distant outlets for cask beer now account for about 30% of the brewery's sales). He further states that it is logistically unprofitable for the brewery to ship beer to outlets more than 150 km away and that they are therefore not currently pursuing these outlets (with the exception of deliveries of bottled beer to retail chains, which account for about 20% of the sales but

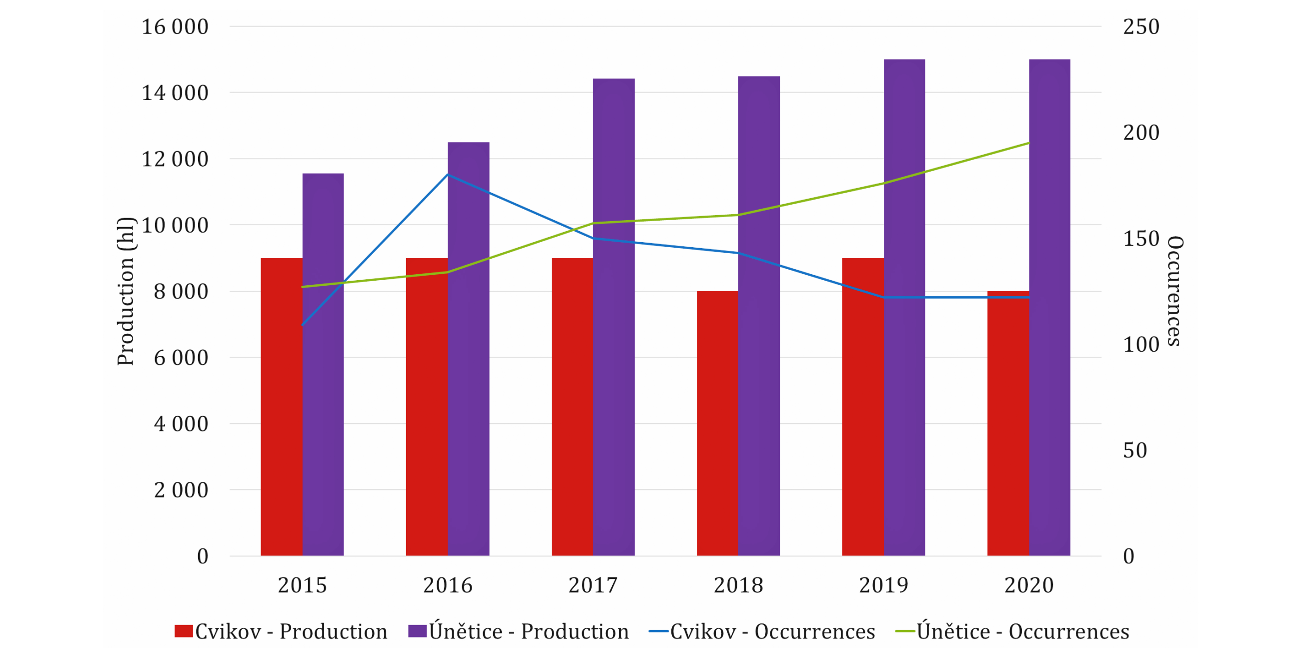

Fig. 3 Cvikov and Únětice occurrences and production (2015–2020).
Sources: RIBM 2019, interviews with breweries

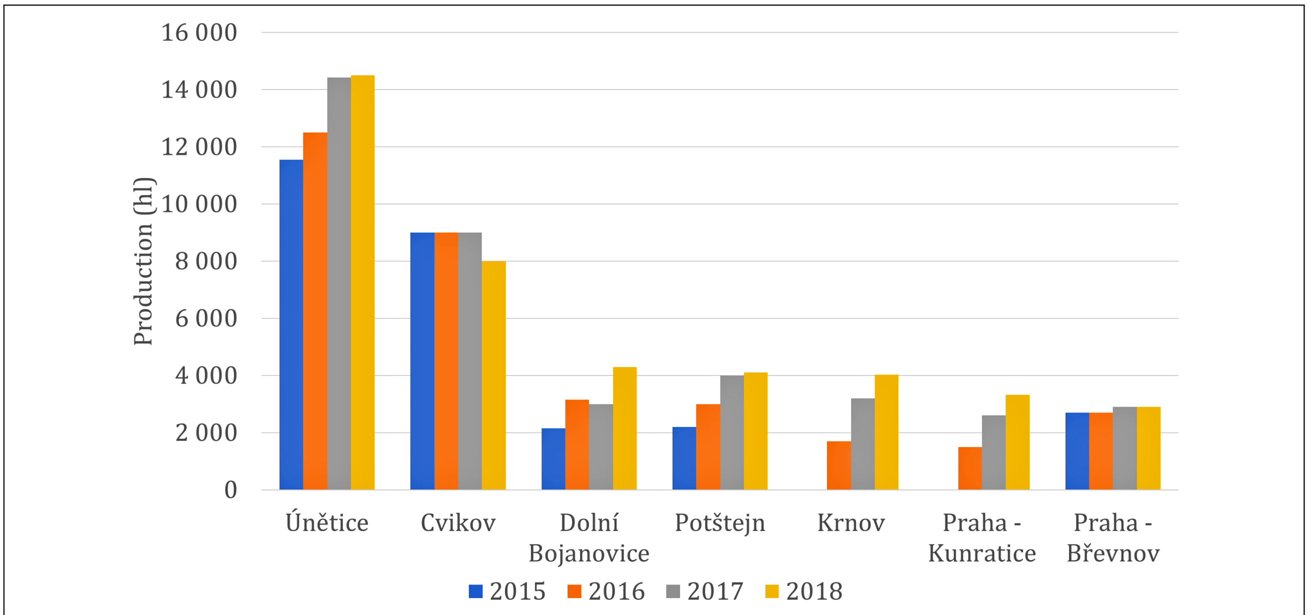

Fig. 4 Breweries production development (2015–2018).
Source: RIBM 2019

generally have a completely different distribution and sales strategy).

However, local presence in the nearby region remains important – sales of cask beer directly at the brewery's restaurant account for about 20% of sales and about 30% at other nearby outlets. The brewery benefits from its appearance and the regionally well-known story of the restored historic brewery building, which becomes part of the brewery's story and the identity of its local customers (see Schnell and Reese 2003; Reid and Gatrell 2017; Materna et al. 2019). Outside the region, it is not as well known, yet it still benefits from its regional embeddedness and relies on personal visits to the brewery by potential beer buyers, as they often express their surprise at how the building looks. Thus, for the Czech consumer, regional breweries can also have an important role as restorers and custodians of historic buildings of the brewing heritage, which is a strong aspect of the Czech national identity (Materna et al. 2019).

In the case of very close outlets in smaller villages, the brewery offered samples, but this often did not lead to long-term cooperation. Cvikov states that "you need to get the innkeeper on your side to actively offer your beer", otherwise visitors continue to prefer the established brands of the large industrial breweries.

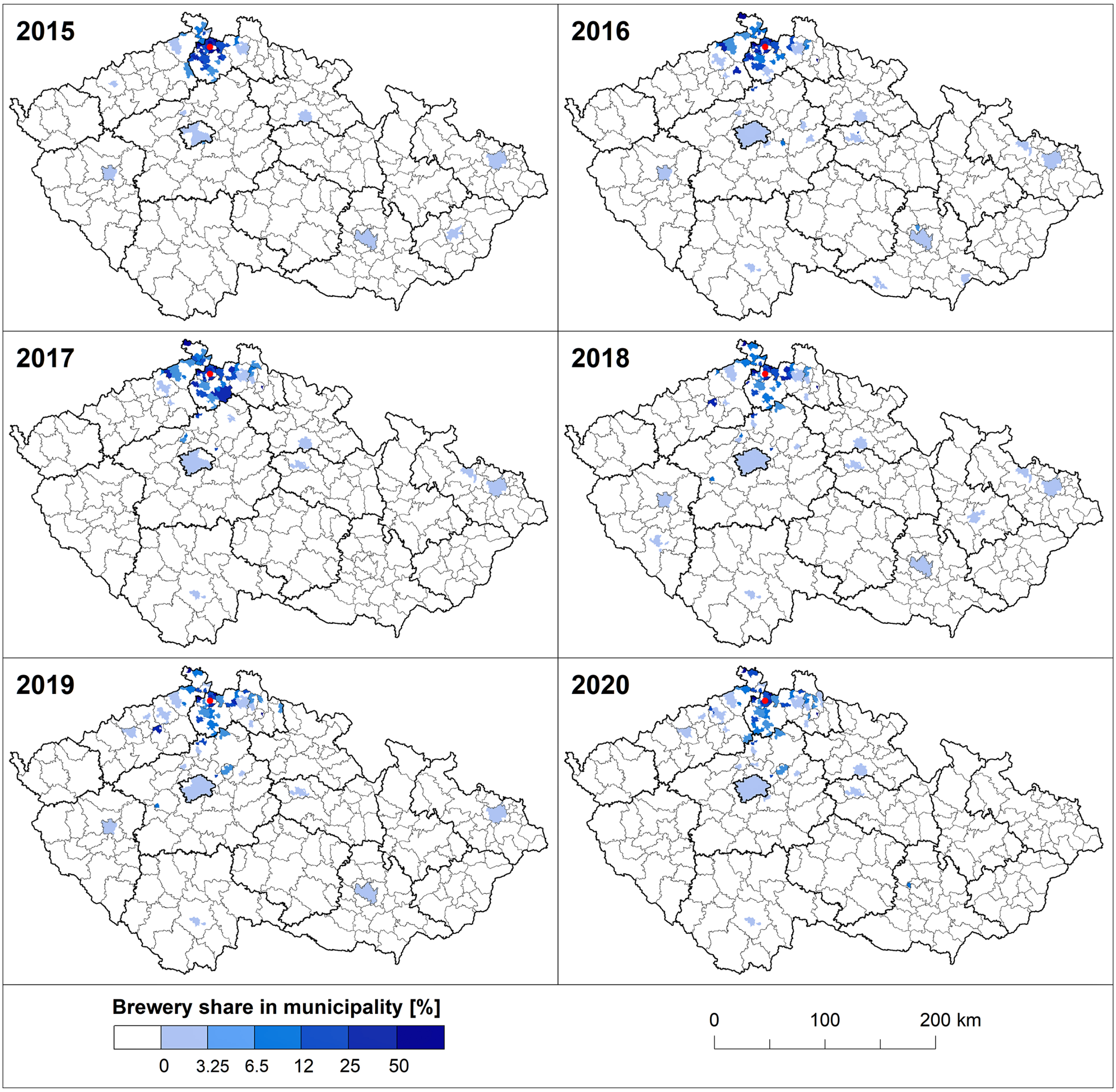

Fig. 5 The Cvikov share in Czech municipalities (2015–2020).
Sources: Beerborec.cz 2021, own research

This is consistent with the view that a local producer needs to convince customers of the uniqueness of its locally embedded production (Harvey 2010; Reid and Gatrell 2015), and in turn contradicts previous findings of customers preferring local specialities, which tends to be quite natural in response to global standardisation (see Flack 1997; Schnell and Reese 2003; Schnell 2013; Taylor and DiPietro 2020), often as a matter of moral commitment (Siemieniako et al. 2011) rather than systematic action by the brewery. In addition, the brewery mentions that there is often a problem with the outlets' quality assurance of the beer in more remote outlets with smaller taps, which then leads to a deterioration of the brewery's reputation. In some cases, Cvikov has therefore actively terminated cooperation (the brewery representative literally says: "some innkeepers are just dirty slobs, we don't have to be everywhere").

In 2020, Cvikov opened its second brewery restaurant at an exclusive address in Prague centre, where it expects significant sales in the future. The brewery is thus counting on the fact that the wealthier Prague clientele will be more in favour of the "local" brand than consumers in the production region itself. The long-term decline in the number of outlets is thus offset by an overall increase in their attractiveness, and total production remains just below 10,000 hl per year in the long term (according to the brewery, also in 2019 and 2020, for which official data are not yet available). After the expected decline caused by the covid-19 pandemic, the brewery plans to increase production to a target of between 15,000 and 20,000 hl per year in the future.

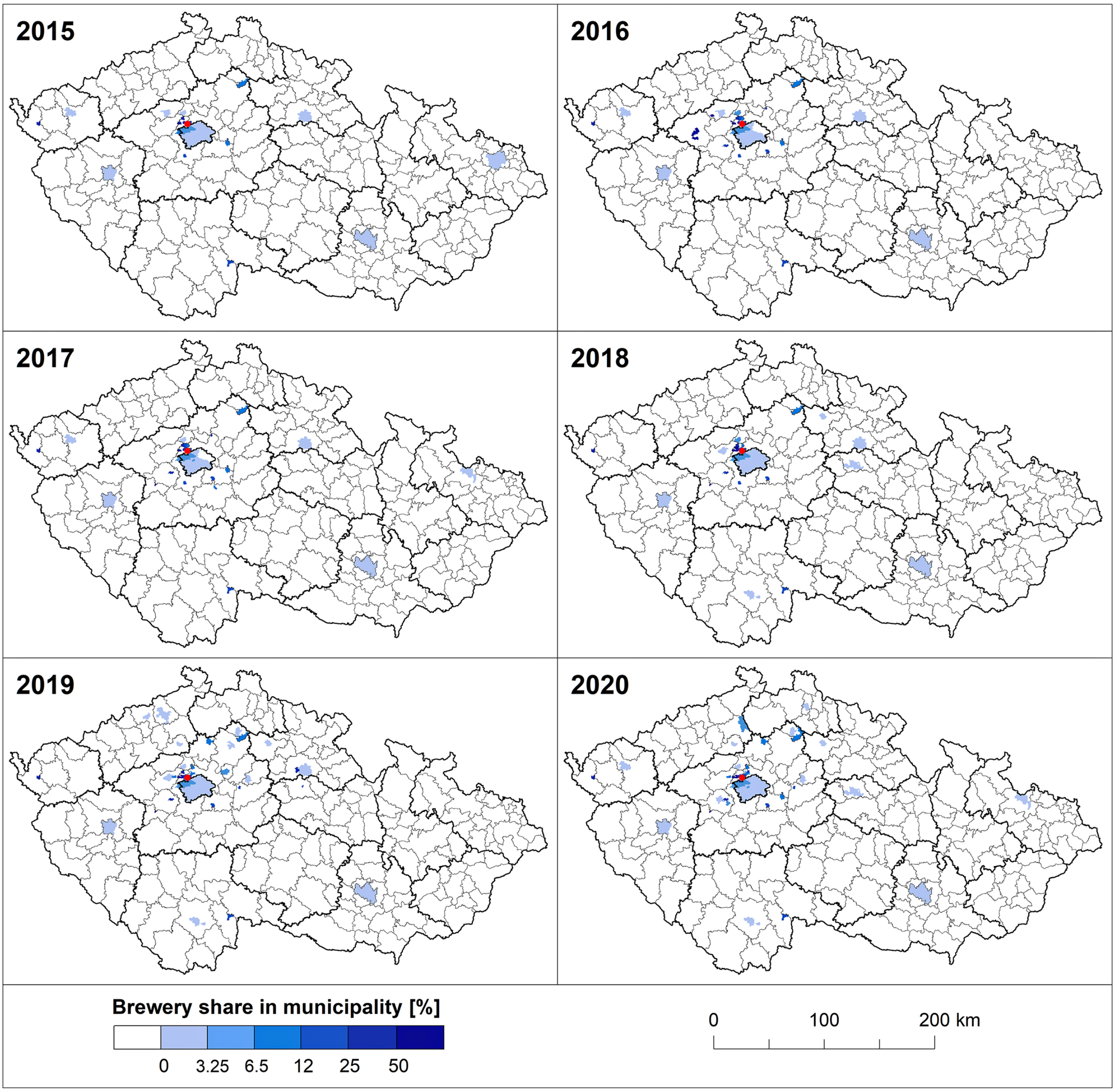

Fig. 6 The Únětice share in Czech municipalities (2015–2020).
Sources: Beerborec.cz 2021, own research

4.2 Únětice brewery

The Únětice brewery benefits from its very advantageous geographical location in the close vicinity of the capital city, Prague, and it is surrounded by attractive nature in the Únětický potok valley. Thus, it has a plethora of potential nearby outlets, while it can also be a destination for a large number of Prague day-trippers, who form a relationship with the local brewery through its association with a popular afternoon excursion location (see Williams 2009 for the connection between neolocalism and tourism). In terms of its diffusion, the brewery orientation towards "contagion" and "hierarchy" strategies, therefore, needs to be carefully distinguished, as in their spatial expression the two strategies may overlap to a large extent – the most hierarchically attractive Prague outlets are in fact located in the brewery neighbourhood.

Indeed, Prague makes up the vast majority of the brewery outlets, with only a slight decrease from 77% in 2015 to 73% in 2020, but the absolute number of outlets in Prague increased from 98 to 143 in the same period. However, a closer look at its distribution maps (see Figures 6, 7) still shows the crucial importance of neighbourhood distribution – it is particularly dominant in the small municipalities surrounding it and also has a strong presence in the immediate neighbourhoods on the north-western outskirts of Prague. Únětice maintains a permanent but marginal presence in several multi-tap restaurants in Brno and Plzeň. Otherwise, outlets beyond the Central Bohemian Region are virtually non-existent. Thus, it is also

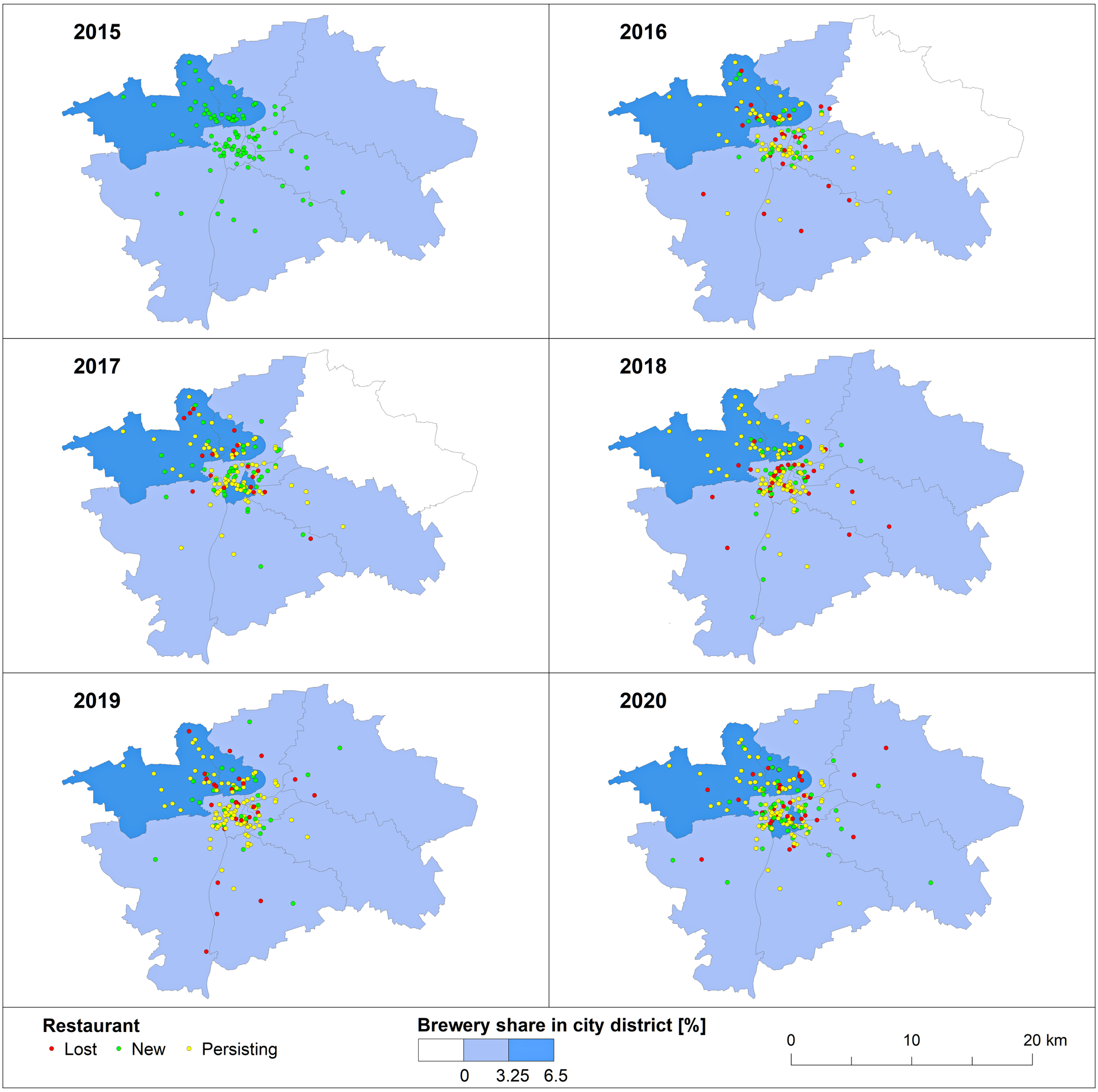

Fig. 7 The Únětice share in Prague districts (2015–2020)
Sources: Beerborec.cz 2021, own research

confirmed that the regional brewery uses primarily a contagion strategy to build its distribution region (see Hasman et al. 2016). However, it seems that in contrast to Cvikov, it does not need to abandon it, as it is already using this strategy to build a base in the hierarchically most interesting market.

In a more detailed view of Prague (Figure 7), we find that the Únětice brewery is also undergoing some changes in its strategy of dissemination. Since the beginning of the observed period, the brewery has maintained a stronger presence (in more than 3.25% of the outlets) in the nearest districts of Prague 6 and Prague 7 (see Figure 7), in which we can see the manifestation of a contagion strategy. In 2020, however, representation in Prague 2 (the lucrative part of the historical centre of Prague) increased. This shift can be seen as utilising the nearby neighbourhoods as a basis for gaining a good reputation among Prague citizens and expanding into the city centre, i.e. a manifestation of hierarchy strategy (see Hasman et al. 2016).

This shift can also be observed when comparing the share of individual Prague districts within the total number of all Prague outlets (see Figure 8). While the share of outlets in Prague 6 and 7 near the brewery has dropped from 40% to less than 30%, the share of outlets in the city centre (Prague 1 and 2), as well as in other more distant parts of Prague, has been growing in the long term. It is also interesting to look at the qualitative structure of the outlets: the brewery's current, strong orientation towards more

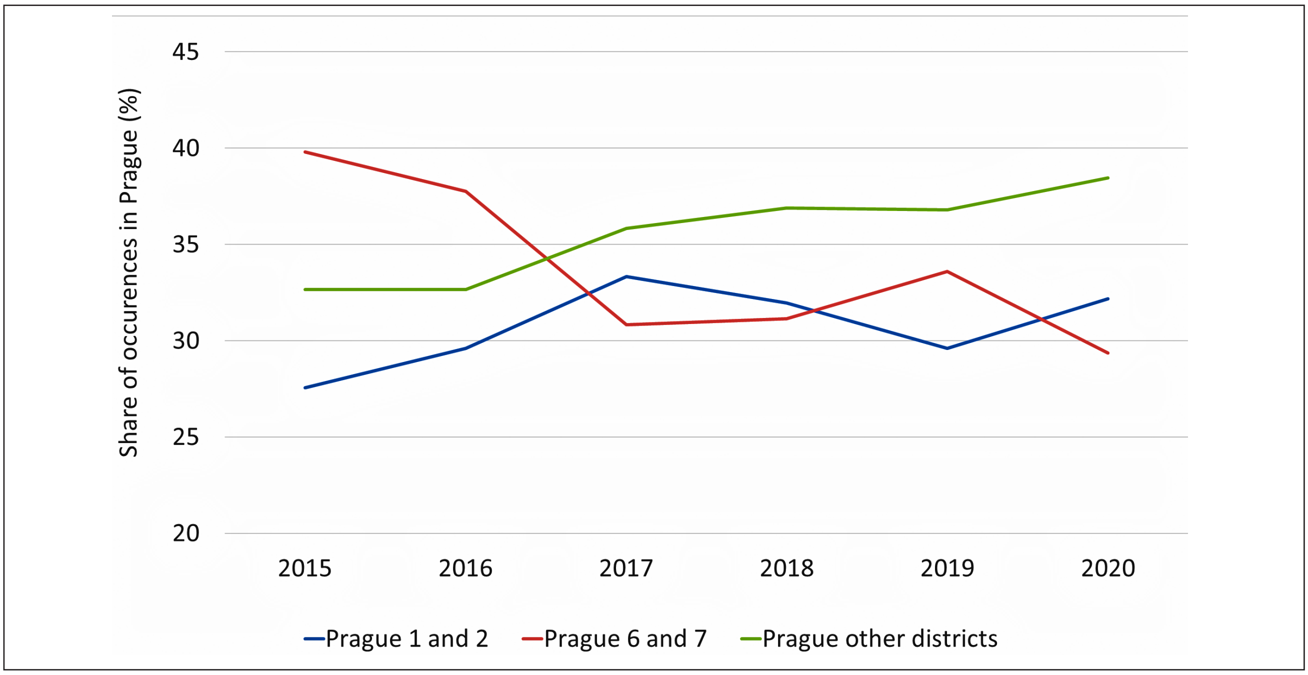

Fig. 8 Únětice brewery in Prague districts.
Sources: Beerborec.cz 2021, own research

luxurious outlets in hotels, cafés and theatre restaurants is evident, enabling the sale of popular beer at premium prices. This focus is a consequence of the fact that Únětice beer has a reputation as a very high-quality product in Prague. This may be largely linked to the fact that it is a local product, which is generally perceived as of higher quality (see Winter 2003; Aquilani et al. 2015).

The co-owner of the brewery confirmed a clear orientation towards nearby markets, with Prague and the municipalities beyond its northwestern border accounting for more than 90% of sales of cask beer (including around 10% in the brewery's own restaurant in Únětice), corresponding to a clear orientation towards the brewery's immediate surroundings. Although the brewery has two sales representatives, it is in a favourable situation where demand outweighs supply. Around 80% of the newly acquired outlets contacted the brewery on their own, and only around 20% of the new outlets are actively acquired by Únětice brewery on its own initiative. The brewery does not explicitly avoid distant outlets (for example, it exports beer to four restaurants in Malmö thanks to a contact from a person with a difficult-to-obtain licence for importing alcohol into Sweden), but merely states that the beer volume that is worth exporting increases with distance due to transport costs, so they only accept larger orders. Conversely, they deliver any quantity of beer to nearby outlets. Logistical and financial simplicity are the reasons that regional breweries prefer the contagion distribution strategy (see Hasman et al. 2016).

But even this strategy is not without problems. According to a brewery co-owner, contagious distribution is surprisingly hitting limits in terms of consumer interest. The brewery perceives a clear difference between its non-Prague and Prague clientele. While consumers in nearby rustic outlets consider local beer "boring" and prefer more "worldwide" brands from more distant, large Czech industrial breweries (often owned by multinational companies), in Prague outlets, a beer from a regional brewery associated with a particular (not necessarily nearby) location is more often perceived as a positive beer offer diversification. Therefore, there is a clear distinction between the more affluent clientele of larger cities, who have a taste for beer diversity (Sustersic and Sustersic 2013), and focus on the production of regional breweries, which they consider exceptional (see Harvey 2010; Reid and Gatrell 2015). In this context, however, it should not be forgotten that the higher price of the local products may also play a role, which may bias rural populations towards the cheaper standardised production of large breweries (see Meyerding et al. 2019) and may affect perception of special and expensive local production as marker of social status among the urban population (Thurnell-Read 2018).

At present, the Únětice brewery is not planning to change its current business strategy or to expand the brewery's capacity, because its annual production of around 15,000 hectolitres has already reached the desired volume. Also, the brewery building does not allow for further expansion of the production capacity. However, there has been a partial shift in the production structure towards bottled beer, which used to account for around 15% of sales, but this share (even excluding the temporary effect of the lockdown caused by the covid-19 pandemic) has risen to around 25%.

4.3 Other breweries

The diffusion strategies of the five other breweries (Břevnovský pivovar and Kunratice brewery in Prague, Potštejn brewery, Krnov brewery, and Dolní Bojanovice brewery) are largely determined by their geographical location – the two Prague breweries, similarly to the Únětice brewery, naturally focus almost exclusively on the capital city market, while the others, like Cvikov, are in their early stages and focus on a more coherent region of operation in their wider hinterland (see Figure 9). This, again, indicates that new regional breweries tend to focus on their own region in their distribution strategy (see Hasman et al. 2016).

At a closer look, however, the strategies of these breweries differ considerably. For example, the Kunratice and Dolní Bojanovice breweries do not operate their own brewery restaurants at all, while the Břevnov brewery, located in the tourist-attractive grounds of the Břevnov monastery near the centre of Prague, sells a full 35% of its output in its home restaurant. All breweries uniformly state that they do not seek out more distant locations, which are generally not worth supplying. Břevnov is more focused on restaurants, where it will be offered as the main beer. It is therefore another brewery that is perceived as high quality (see Winter 2003; Aquilani et al. 2015) and can set more strict terms in the local consumption area. The fact that it is the restored brewery of the oldest Czech monastery from the 10th century may also play a role, considering the historically strong position of its beer in the Czech national identity.

However, these breweries do not focus only on contagion strategy. All of these breweries are clearly seeking to sell in lucrative locations that allow sales at premium prices to wealthier customers. In practice, however, there are only two Czech cities with a sufficient number of multi-tap restaurants and other more expensive outlets to which it is worthwhile to transport beer from a greater distance – Prague and, to a lesser extent, Brno. Breweries located in Bohemia focus their hierarchy strategy almost exclusively on Prague, while breweries located in Moravia divide their hierarchy strategy roughly equally between nearby Brno and more distant but more lucrative Prague.

Compared to Cvikov and Únětice, the other researched breweries have a different composition of beer offer. While Cvikov and Únětice focus on the classic Czech style of bottom-fermented lagers, the other breweries focus much more on special styles (for example, Krnov and Dolní Bojanovice produce up to dozens of beer styles brewed annually). In these cases, we can thus speak of a partial application of a "segmentation" strategy, where the brewery attempts to occupy a certain free market segment (Hasman et al. 2016).

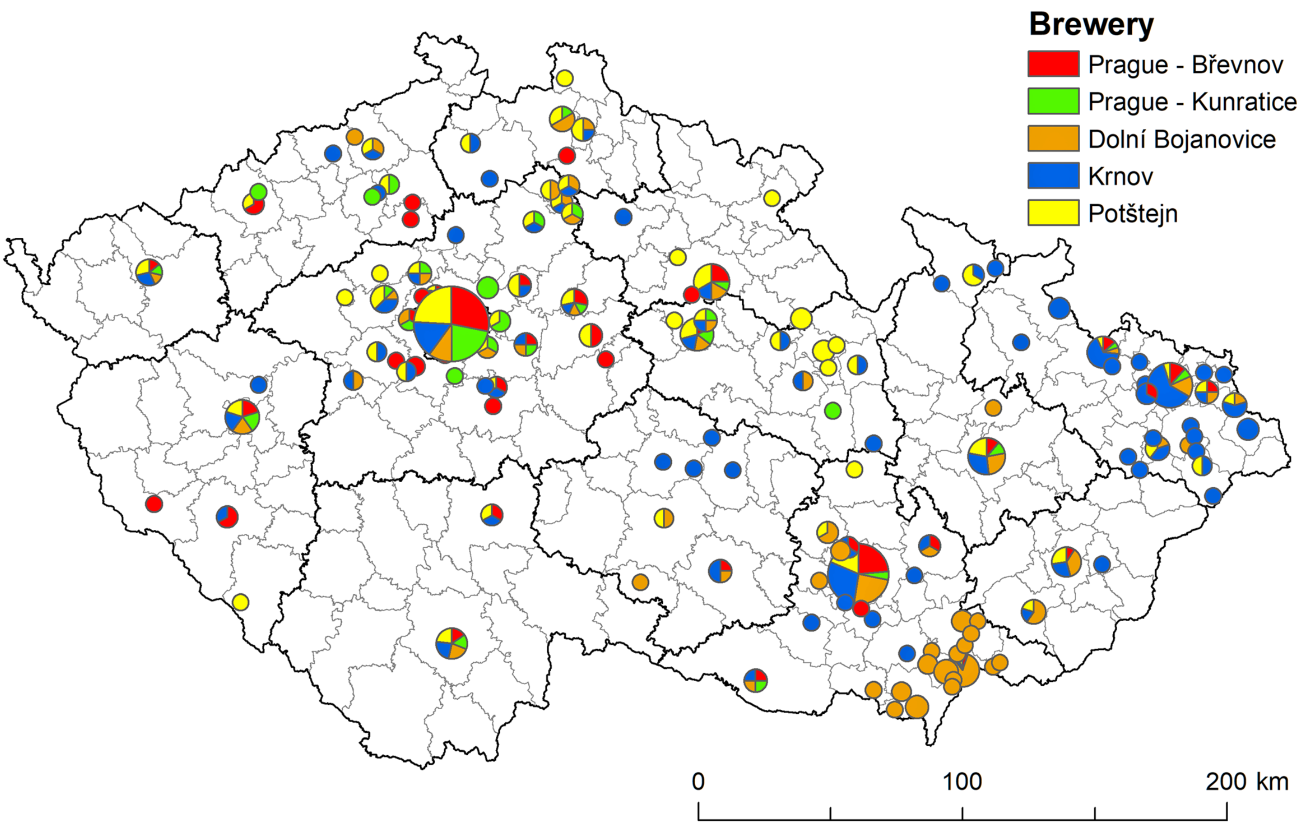

Fig. 9 Břevnov, Kunratice, Potštejn, Krnov, and Dolní Bojanovice breweries occurrence in Czech municipalities (2021).
Source: Beerborec.cz 2021

All breweries, (except for Břevnov, which is fully utilised in terms of capacity), are striving to acquire other outlets in the future. The Kunratice brewery, which is part of the “Czech Brewmasters” brewing technology manufacturer, has been expanding its activities in an original way. Dozens of novice brewers have brewed beer there for a short time as part of their training and then setting up their own microbreweries. Often, the Kunratice brewery then enters these new breweries of its ‘graduates’ into ownership, so that even at the level of regional breweries, there is partial use of the “acquisition” strategy typical of the segment of larger breweries and the entry of multinational corporations into the saturated beer market (see Materna et al. 2019; Hána et al. 2020). If this strategy also appears in the microbrewery segment, we can see signs of this new brewing sector moving into the next stages of its development (Hána et al. 2020), which has been happening in the US for at least a decade (Reid and Gatrell 2015).

None of the breweries reported using “avoidance” and “collusion” strategies (see Hasman et al. 2016). Regional breweries are practically not in competition with each other due to their limited distribution regions, and they also do not consider large industrial breweries as direct competitors, but as a different segment of the beer market that relies on low prices enabled by economies of scale (Materna et al. 2019). Regional breweries rely either on the diversity of their beer offer (see Sustersic and Sustersic 2013; Hart 2018), the quality of their product (Winter 2003; Aquilani et al. 2015), or on their regional embeddedness (see Schnell and Reese 2003).

5. Discussion and conclusions

The first research objective was to find out which strategies of establishing a distribution region are selected by new Czech breweries. The importance of contagion strategy (Bennison et al. 1995; Hasman et al. 2016) was confirmed for the breweries researched, especially in the first phase of their market presence. The logistically simple and inexpensive targeting of nearby outlets allows breweries to offer their product quickly to numerous potential customers and, thus, creates a stable base. If the product does not catch on in some outlets, it does not yet cause a major problem for the brewery. Interestingly, large breweries are not seen by local producers as direct competitors (cf. Mason and McNally 1997; Chen and Shieh 2016) but rather as a different segment of the beer market with low-priced, mass production. After establishing sufficient bases, breweries proceed to the second phase of expansion using the hierarchy strategy (Bennison et al. 1995; Hasman et al. 2016) where they target lucrative outlets that allow selling their products at premium prices and achieving higher profits. They usually focus on larger cities and tourist areas with a more affluent clientele, but also more competition. Hence, they need to invest more effort and resources to acquire such outlets. This strategy is already riskier, and distribution costs are higher. As distance increases, brewers are more concerned with the size and lucrativeness of the outlets to which it is worthwhile to sell their beer.

The second objective was to investigate which factors influence the breweries’ distribution strategies. The theoretical part of the article introduced two main groups of possible factors: territorial identity (e.g., Schnell and Reese 2003; Materna et al. 2019) and the level of market development (e.g., Hána et al. 2020). However, our research has shown that these two groups of factors cannot be evaluated separately, but rather the interaction between them should be considered. The advantage of regional breweries is undoubtedly their local or regional embeddedness (e.g., Reid and Gatrell 2015). Conversely to Courtney et al. (2008), in our sample Únětice brewery from urban and popular tourist hinterland of Prague is more embedded than those from smaller rather rural towns. On the other side, our data support claim of Courtney et al. (2008) that breweries from larger towns are more embedded than those from smaller towns. The more affluent consumers living in cities are more willing to pay for more expensive and better quality products (Winter 2003; Aquilani et al. 2015; Thurnell-Read 2018; Meyerding et al. 2019), more inclined to buy local products in the spirit of neolocalism (Schnell and Reese 2003; Siemieniako et al. 2011; Hart 2018), and more appreciative of diversity of beer offer (Sustersic and Sustersic 2013).[4] In practice, this leads to a paradoxical phenomenon where breweries encounter better evaluations of their local products in cities than in their own rural surroundings, where they instead have to actively persuade potential customers. As a result, it is relatively easy for a brewery to gain outlets in a nearby area with little competition, but the problem is to retain them, whereas the opposite is true in cities with a saturated market. Thus, neolocalism, understood as an interest in local products (Flack 1997; Schnell and Reese 2003; Schnell 2013; Taylor and DiPietro 2020), is observed more in cities than in the actual localities to which it applies. Thus, we not only see differences between markets in their perceptions of global standardisation and neolocal responses depending on their advance (Holt et al. 2004; Ozsomer 2012), but also between regions of a single country.

Specifically, restored breweries have an indisputable competitive advantage in the Czech environment in the form of a long tradition and a well-preserved

4 Probably less important for the customers of the interviewed breweries are the lower environmental impacts of local production, which were not mentioned by any of them (cf. Barnett et al. 2005; Hoalst-Pullen et al. 2014; Holtkamp et al. 2016).

brewery building. These breweries were usually built to a wider production capacity, have a locally known brand, and also often still have a number of living witnesses of their former beers in the area, for whom this is part of their local identity (e.g. Materna et al. 2019). In contrast to newly established breweries, they do not acquire or build new locations "from scratch" but have the spreading to some extent "in the genes" and often merely return to where they used to operate. In terms of expansion, they are the most dynamic part of the otherwise stable Czech beer market. A large part of their customer base may also be people who are impressed by the restoration and maintenance of historic brewery buildings, which are part of the industrial heritage and, thus, an important aspect of the Czech national identity (e.g. Materna et al. 2019).

Our research has shown that there are a lot of factors that may have a notable influence on the distribution strategies of new regional breweries in developed and saturated beer markets. The important ones are interconnected with a neolocalism concept which tells us an important story about changing consumers behaviour from orientation toward standardised industrial beer to locally or regionally embedded production. This behaviour is influenced by the history of the brewing industry in particular countries and by the market development of countries or regions. Therefore, it is actually a question of cities rather than of the countryside where the beer is often produced. The predominantly extra-regional neolocalism of consumers described above is thus rather an expression of their fashionable consumer culture than of local or regional patriotism.

Finally, it is necessary to state the limitations of the research in this article. These were mainly due to the restrictions associated with the covid-19 pandemic. The pandemic period was difficult for all breweries, which reduced their interest in participating in the research. Our sample size is therefore relatively limited and the results may be biased by which breweries were willing to participate in the research. Crucially, however, representatives of the two key breweries, Cvikov and Únětice, expressed interest in the research. More impact on our research was caused by the fact, that the long-term closure of all Czech restaurants prevented us from conducting the originally planned qualitative research, which would have been based on interviews with representatives of outlets tapping beers from the sampled breweries and their customers. This would have provided insight into (1) why the outlets themselves decided to switch to these brands and (2) why (and if at all) customers favour beer from brands in question, or, more generally, which factors influence potential customers' preference of new beer brands. This, along with the consumer interviews, leaves room for future research that can further contribute to understanding the emergence of the region by the new breweries' operations.

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