



Marie Skłodowska- Curie RISE
MAPS-LED
Multidisciplinary Approach to Plan Smart Specialisation Strategies
for Local Economic Development



Social Innovation and Territorial Milieu: the potentials of San Diego's Craft Breweries

MAPS-LED Second Mid-term Meeting
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San Diego State University (CA), USA
School of Public Policies

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Outline

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 - I. Some definitions of Milieu**
 - II. Breaking down the concept of Milieu in its main characteristics**
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 - i. Identity and sense of belonging**
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- III. The rise of craft breweries in the U.S.**
- IV. San Diego's craft breweries in numbers**
 - a) Not a Porter's strong cluster?**
 - b) Industry Growth**
- V. What's next?**
 - I. Identification of the social innovation practices connected to the milieu.**
 - II. Identification of the policy mix supporting the milieu or/Identification of the obstacles affecting the milieu's growth.**
 - III. Identification of the local networks, collective actions and governance scheme of the milieu (relationships with R&D institutions, Associations etc.).**
 - IV. Interviews of local stakeholders.**



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1. The choice of the case study

MAPS-LED Work Package 3: Social Innovation and territorial milieu.



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1. The choice of the case study

**MAPS-LED Work Package 3:
Social Innovation and territorial milieu.**



First task: To find a “milieu” in San Diego



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1. The choice of the case study

Breaking down the concept of milieu in its main characteristics

1.1 Some definitions of milieu

1. “un insieme permanente di **caratteri socio-culturali sedimentatisi** in una **certa area geografica** attraverso **l’evolvere storico di rapporti intersoggettivi**, a loro volta in relazione con le modalità di utilizzo degli **ecosistemi naturali locali**”
(De Matteis, 1994).
2. “un insieme di **componenti, localizzate in un certo luogo e specifiche del luogo stesso**, che costituisce contemporaneamente il fondamento territoriale di una **specificità identità collettiva** e il **substrato locale** dei processi dello sviluppo”
(Governa, 1997).

1.1 Some definitions of milieu

3. The milieu corresponds to a **territorialized**, outwardly open complex, that is, open to the technological and market environment, which incorporates and **masters know-how, rules and relational capital**. It is attached to a set of players and to organized human and material resources. It is the organization through which the autonomy of action and initiative of local organized systems is expressed (Maillat, 1998).

4. “the set, or the complex network of mainly **informal social relationships** on a **limited geographical area**, often determining a specific **external ‘image’** and a **specific internal ‘representation’** and **sense of belonging**, which enhance the local innovative capability through synergetic and **collective learning processes**”
(Camagni, 1991).

1.2 Breaking down the concept of milieu in its main features

Authors		Key Concepts emerged
Aydalot, 1986	}	Mostly informal relationships
Camagni, 1991		Different actors (Quadruple Helix)
Quevit, 1991		Local behavioral and cognitive models and rules, tacit knowledge
Massey, 1993		Collaborative and Competitive
Maillat, 1994		Specialized in specific productions
De Matteis, 1994		Explicitly attached to the territory (Identity and sense of belonging)
Governa, 1997		From the local to the regional scale
Dicken & Malmber, 2001		The production of Innovation occurs rather than being the milieu's aim
Crevoisier, 2004		
Fromhold-Eisebith, 2004		

1.3 Differences with Cluster and RIE Concepts

- Proximity is essential – a milieu may not be spatially agglomerated.
- Flows of knowledge are predominantly tacit rather than codified (local vs global).
- Sense of belonging and identity constitute the main differences from clusters and RIEs.

2. The choice of the case study

San Diego most recent history:

Life science cluster (beginning of XX century)?

Military and Defense (WWII)?

NO!

CRAFT BREWERIES ('80s)!



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2. Why the Craft Breweries?

2.1 Identity and sense of belonging:

Neo Localism

2. Why the Craft Breweries?

2.1 The concept of identity and sense of belonging

Identity



Static Concept:
People and Places simply have

Identity*
In a globalized,
highly mobile world



**Active, Conscious
effort**

*Schnell, S. M., & Reese, J. (2014). Microbreweries, Place, and Identity in the United States. In M. Patterson, & N. Hoalst-Pullen (Eds.), *The Geography of Beer. Regions, Environment, and Societies* (pp. 167-187). Springer.



2. Why the Craft Breweries

2.1 Identity and Sense of belonging

Craft Breweries are one of the several responses to break away from global capitalistic food & beverage system and create an own identity and connection with place.

HOW?

1. Craft Production (vs Mass Production)
2. Using imagery and stories associated with a particular place as a means of promoting their brews.
3. Community Engagement

Schnell, S. M., & Reese, J. (2014). Microbreweries, Place, and Identity in the United States. In M. Patterson, & N. Hoalst-Pullen (Eds.), *The Geography of Beer. Regions, Environment, and Societies* (pp. 167-187). Springer.



2. Why the Craft Breweries

2.1 Identity and Sense of belonging

How?

Craft Brewery definition:

Small: Annual production of 6 million barrels of beer or less (approximately 3 percent of U.S. annual sales). Beer production is attributed to the rules of alternating proprietorships.

Independent: Less than 25 percent of the craft brewery is owned or controlled (or equivalent economic interest) by an alcohol industry member that is not itself a craft brewer.

Traditional: A brewer that has a majority of its total beverage alcohol volume in beers whose flavour derives from traditional or innovative brewing ingredients and their fermentation. Flavoured malt beverages (FMBs) are not considered beers.

Brewers Association. (n.d.). Craft Beer Industry Market Segments. Retrieved May 2017, from Brewer Association:
<https://www.brewersassociation.org/statistics/market-segments/>

2. Why the Craft Breweries

2.1 Identity and Sense of belonging

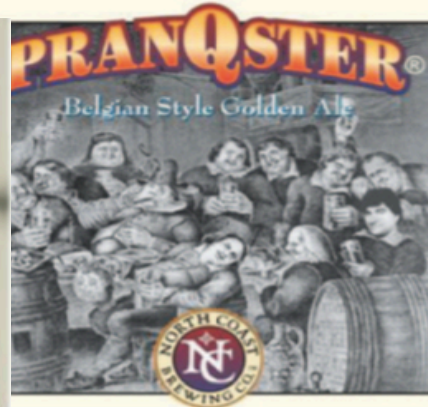
How?

Using imagery and stories associated with a particular place as a means of promoting their brews.



2. Why the Craft Breweries

2.1 Identity and Sense of belonging



2. Why the Craft Breweries

2.2 Civic Engagement

How?

- Training Programs to empower women in Craft brewing (Karl-Strauss Brewing Company, n.d.)
- Clean up initiatives within the neighbourhoods they are located (Karl-Strauss Brewing Company, n.d.; Craftalliance, 2016)
- Providing scholarship opportunities to attend craft brewing courses (American Brewers guild, n.d.)
- Providing free of charge spent grain to local famers to use as feed for livestock (Hobby farms, n.d.)
- Commitment in sourcing local (Brewery Climate Declaration, n.d.)
- Community engagement with local charities and no-profits (Arcadia Ales, n.d.)
- Advocacy to raise money for good causes such as literacy, local food, conservation, and food banks (Freemont Brewing, n.d.)
- Public Art (Freemont Brewing, n.d.)

2. Why the Craft Breweries

2.2 Civic Engagement

How?

- In 2012, the California craft brewing industry gave approximately **\$16 million by dollar value of in-kind contributions ranging from products to employee time.** (Richey & Watson, 2013).
- Stone Brewing Company became the 9th largest craft brewery in the U.S. with **ZERO marketing spend**, and Keurig became **the most popular** home pod brewing machine on the market (donationmatch.org, n.d.).

2. Why the Craft Breweries

2.3 Innovation

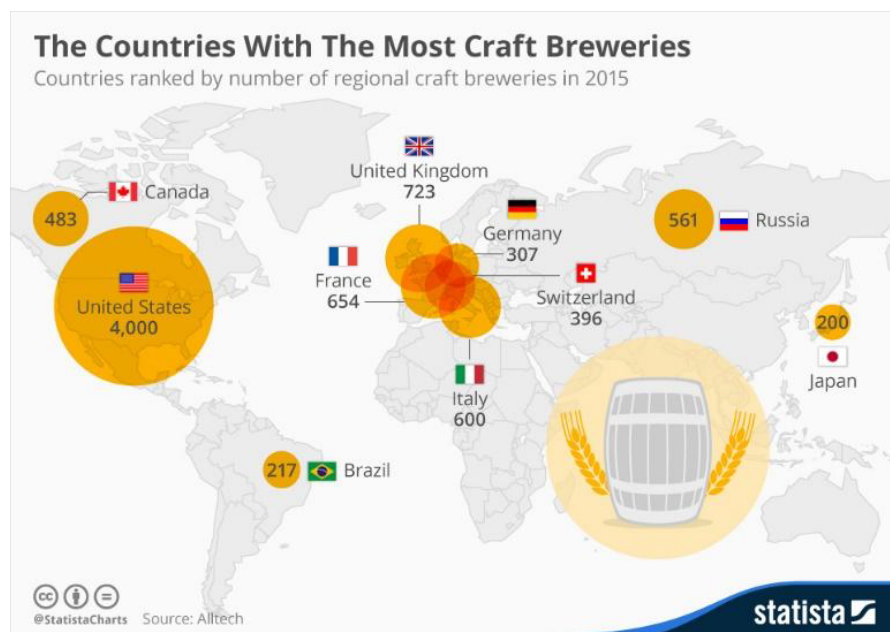
How?

- Reinforcing Urban-Rural linkages;**
- Experimental customers-based yeast production;**
 - Craft Beer Grants for R&D;**
- Diversification of services and products;**

3. The rise of craft breweries in the U.S.



3. The rise of craft breweries in the U.S.



NAME	DISTRIBUTION	PRODUCTION TRESHOLD
MICROBREWERY	Directly	15,000 (up to 75% off-site)
BREW PUB	Directly	25 percent or more of its beer on site
REGIONAL BREWERY	Three-tier	15000 – 6000000
LARGE BREWERY	Three-tier	Over 6000000

Source:

Brewers Association. (n.d.). Craft Beer Industry Market Segments. Retrieved May 2017, from Brewer Association:
<https://www.brewersassociation.org/statistics/market-segments/>

3. The rise of craft breweries in the U.S.

LEGISLATION CORNERSTONES

1976

Tax reduction for US breweries
producing fewer than 60.000
barrels yearly

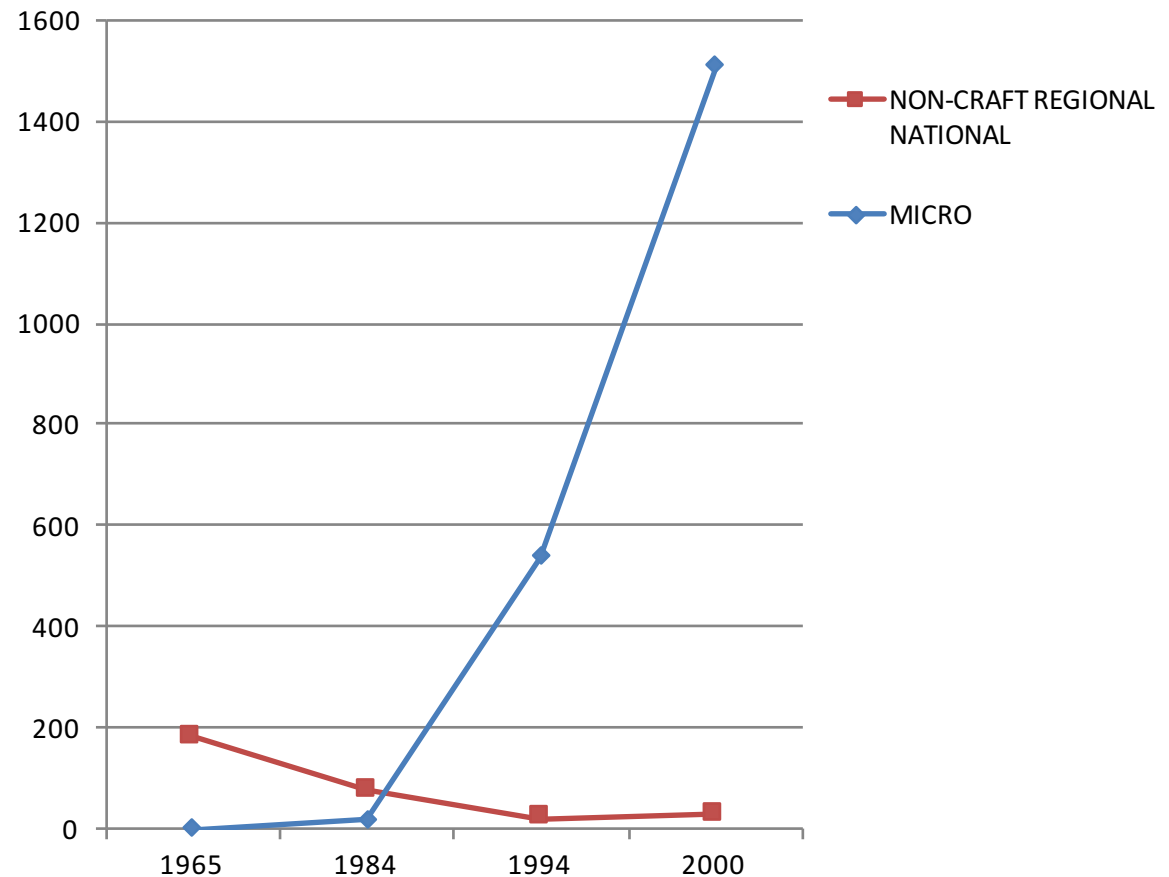
1978

Home brewing was legalized

1991

Taxes on beers per barrel doubled
from 9\$ to 18\$

Taxes on craft beers did not
change: 7\$ per barrel



Source: author's elaboration

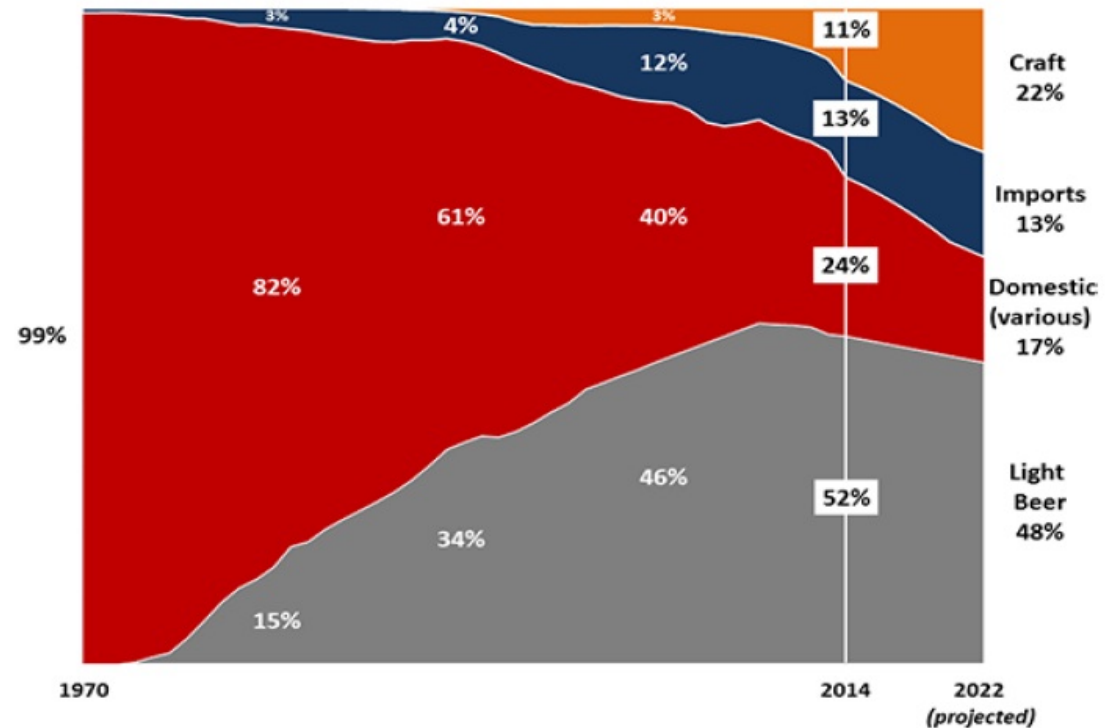
3. The rise of craft breweries in the U.S.

The tastes changes. Since the mid 1980s craft beers have been growing their consumers' base.

11% of the total Beer sold in US have been brewed in US.

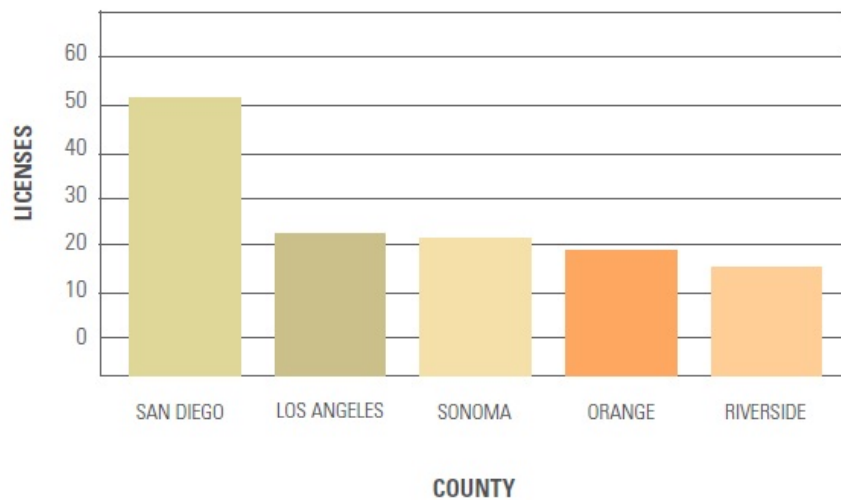
The volume is forecasted to be doubled by 2022

MARKET SEGMENT BY TYPE OF BEER OVER TIME



Source: Brewer's Association, 2014

4. The rise of craft breweries in San Diego



Sources:

Chart: NUSIPR – San Diego Craft Brewery Economic Impact, 2016

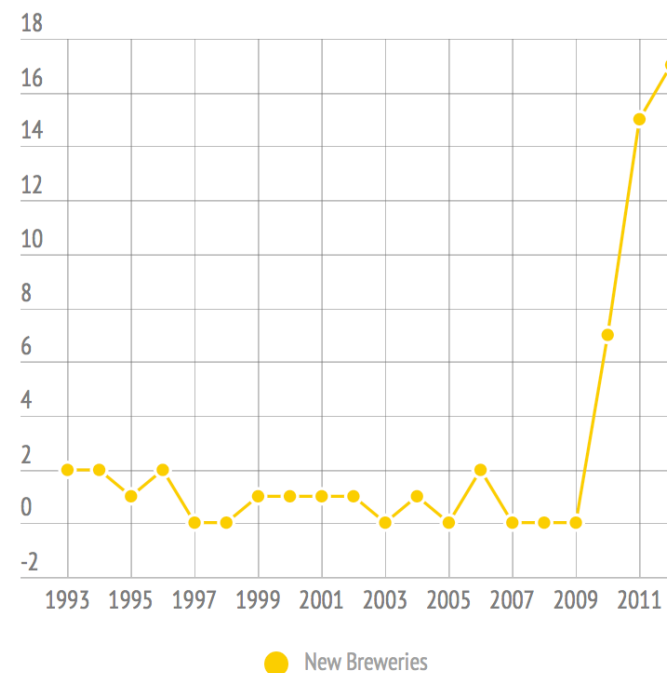
Photos: Ernie Liwag and Matthew Schiff, San Diego's Craft Brew Culture (2016)



4. The rise of craft breweries in San Diego



New Brewery Licenses in San Diego, by Year



The number of new brewery licenses issues each year since 1993, according to a NUSIPR study.

4. The rise of craft breweries in San Diego

CRAFT BREWERY JOBS IN SAN DIEGO (2011)

BREWERY WORKS	497
BREW PUB WORKS	1047
TOT. BREWERY INDUSTRY JOBS	1544
TOTAL JOBS CREATED/SUSTAINED BY BREWERY INDUSTRY	2796

- **Recognized quality:** 18 medals at the Great American Beer Festival in 2016.
- **Economic impact:** San Diego's brewing industry generated **\$851 million in 2015, and employed 4,512 workers.**
- **History:** Established in 1896, San Diego Brewing Company was the first pre-prohibition brewery in San Diego.

	2011	2012	2013	2014	2015 CRAFT	2015 TOTAL
BREWRIES & BREWPUBS	37	58	82	97	109	114
TOTAL ANNUAL SALES				\$726,6	\$734,7	\$851,0
INDUSTRY JOBS	1630	1820	2279	3752	4005	4512

Source:

Data : NUSIPR – San Diego Craft Brewery Economic Impact, 2016 | : NUSIPR – San Diego Craft Brewery Update 2016
<http://www.sandiegobusiness.org/sites/default/files/CraftBeer.pdf>

4. The reasons behind the success

- **specialist product;** *
- **flexible to adjust;** *
- Brewpubs **may sell beer directly to the consumer** ;*
- cater **local clientele** ;*
- **a lifestyle choice** ;**
- Big connection among **craft beer and foodie movement** (e.g. connoisseur);**
- **Cooperative attitude** rather than competitive

Sources: * Chapman, N.G. ; 2015 - Craft Beer in the US: A Production of Culture Perspective

** Lenhoff, L.L. ; 2016 - Craft Beer in San Diego: Social Consumption And A New Urban Identity



5. Economic Externalities

INNOVATION

- CERTIFICATES



UC San Diego Extension

- R&D CENTERS



RELATED CLUSTERS

- TOURISM



- WHOLESELLING
- RETAIL

5. Economic Externalities

EVENT	DATE	EST. ATTENDANCE
SAN DIEGO WINTER BREW FEST	Early Feb	2000
EPICE BEER FESTIVAL	Mid-March	2000
CITYBEAT FESTIVAL OF BEERS	Late April	2000
BEERFEST AT PETCO PARK	Early May	270548
SAN DIEGO INTERNATIONAL BEER FESTIVAL	Late June	9700
SAN DIEGO BREW FEST	Early July	2500
STONE BREWERY ANNIVERSARY CELEBRATION & INVITATION BEER FESTIVAL	Mid-August	n.a.
BEERFEST AT PETCO PARK	Early September	254039
SAN DIEGO FESTIVAL OF BEER	Early September	5000
SAN DIEGO BEER WEEK	Early November	20000

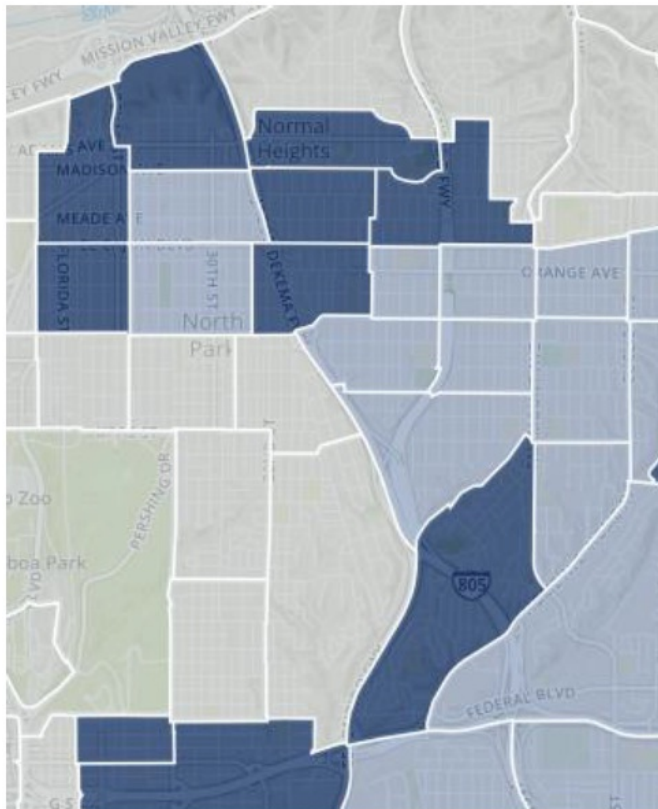
Source: NUSIPR – San Diego Craft Brewery Economic Impact, 2016

6. Social Externality: Gentrification

SPATIAL ANALYSIS

“When comparing the chronological and geographical spread of both craft beer consumption and gentrification in San Diego, an undeniable connection is visible.”

Source: Lenhoff, L.L. ; 2016 - Craft Beer in San Diego: Social Consumption And A New Urban Identity





What's Next?

- I. Identification of the social innovation practices connected to the San Diego's milieu.**
- II. Identification of the policy mix supporting the milieu or/Identification of the obstacles affecting the milieu's growth.**
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Thank you!

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