THE RISE OF THE BREWPUB

In a 1997 article the New York Post quoted a retail consultant who offered the following perspective: "The bloom is off the rose with brewpubs. Brewpubs are complicated businesses which require a lot of capital, a public that drinks a lot of beer and a lot of traffic, and we don't have these components here in the U.S."

The author could be forgiven for his largely unwarranted pessimism, since 1997 was the year that the first wave of craft beer growth had crested. As we all know, brewpubs and other craft breweries have been growing in numbers (along with sales) for over a decade. The Brewers Association reports that new brewpubs have opened in the U.S. at an average rate of over 230 per year for the last three years. The total, growing almost continuously, stood at 1,916 nationally at the end of 2016.

This performance could be considered even more impressive given that it comes at a time when bars, taverns, and nightclubs are generally facing some headwinds. Consumer research firm Nielsen reports that there was a 0.3% decline in the total number of on-premise drinking establishments in 2016.

Still, it must be pointed out that on the basis of numbers alone, the growth of brewpubs has been hugely overshadowed by the increase in the number of microbreweries and regional craft brewer In fact, while the number of brewpubs has grown impressively, that growth pales in comparison for microbreweries over the last ten years.

And yet brewpubs have seemingly gained far more than their fair share of attention. In part this is because brewpubs are cited as not only a place to sell beer, but as places to build brands – and, more significantly, they're increasing in cultural importance as a Third Place, a term sociologists and others use to describe non-home, non-work environments where people gather for a social and civic engagement and to build a sense of community.

And these human needs satisfied by Third Places are growing in relevance in consumer culture today.

The retail consultant cited above mentioned one financial factor and two cultural factors limiting the viability of brewpubs in 1997. The two cultural factors have both seen significant shifts in the last twenty years.

"...a public that drinks a lot of beer..." While per capita consumption of beer overall has declined over the last two decades, per capita consumption of craft beer – which is the more relevant metric for brewpubs – has increased, from an average of 1.5 bottles per year for every adult to over 6 bottles per year.

"...a lot of traffic..." Today there is more traffic in the sorts of urban areas where brewpubs tend to locate, a result of a small yet pronounced reversal in a long-term trend of close-in urban neighborhoods losing population. (To be clear: cities are generally still losing population to their suburbs. But within cities there has been a shift toward the center.) And, like so many recent trends, it's being led by the Millennial Generation.

Young adult professionals have increasingly chosen to live in downtown areas and other close-in neighborhoods. The School of Urban Planning at the University of Waterloo (Ontario) studied data for the 51 U.S. and Canadian metro areas with populations over one million and found that 25-34 year old accounted for more than twice their fair share of population in these neighborhoods.

To appreciate the forces underlying this dynamic, and how differently they've been trending in the last two decades, think about this: the year 2000 saw the publication of Robert Putnam's book Bowling Alone, which analyzed the decline of Americans' in-person social interaction. The book discussed the shrinking numbers of participants in everything from civic organizations to bowling leagues. As a political scientist, Putnam saw this as nothing less than a threat to American participatory democracy.

Of course, in 2000 the oldest Millennials were 20 years old, and had yet to make their first foray into adult civic life. The trend that so concerned Putnam was largely a Baby Boomer and Gen Xer phenomenon. And as it turns out, Millennials have a long-standing craving for community that their elder generations have only recently begun to embrace.

During the 90s, while adults were increasingly bowling alone, teenage Millennials were participating more and more in community service projects. According to research by the MacArthur Foundation, among students planning to attend college the participation rate for such projects increased from about 25% in 1990 to over 35% in 2005. Among non-college aspirants, the rate increased from under 15% to over 25%.

In a survey by The Futures Company (now Kantar Futures), people were asked whether being part of a close community was important in their personal life today. While 36% of Boomers said that it was, 45% of Millennials agreed on the importance of community.

And, beyond great beer, food, and fun, this is exactly what brewpubs offer their customers. Along with coffee shops they are today's Third Places, where people leave their status at the door to interact as equals, to share conversation that goes beyond the superficial, and to feel connected to their communities at a deeper level. Millennials are seeking this, and brewpubs provide it. It's almost as though the trends lamented by Putnam triggered a counter-trend, recognition that things had gone too far and that a new effort to build community back into their lives has taken hold.

> "I don't have Facebook. I don't really care for that social media thing," said Shannon, a 32-year-old interviewed in her local brewpub. "That might be why I like places like this...[to] have places for people within the community to go. We all have a common interest when we go there. The beer definitely brings people together."

As brewpubs have grown other types of on-premise accounts are facing headwinds and consequent declines in numbers. Nielsen also reported that neighborhood bars were down 0.9% in 2016, or a loss of over 500 such accounts. Has the growth of brewpubs come at the direct expense of these types of bars?

According to the BA there were 229 brewpub openings in 2016 (along with 44 closings). Given that this is less than half the number of neighborhood bar closings, it's clear that these "Old School"-type accounts are facing problems beyond any competition from brewpubs. But it's also likely that at least some beer drinkers are abandoning neighborhood bars because brewpubs do a better job of meeting the rising need for community.

In fact, brewpubs aren't replacing neighborhood bars. They represent the evolution of the neighborhood bar, offering all the same tangible and intangible benefits found in those establishments and more.

Recent comments by Jeff Alworth in his popular Beervana blog allude to this latter point. While he generally lamented the loss of neighborhood bars, Alworth did have this to say: "These old watering holes were never the kinds of places that inspired deep love (with a few exceptions), and they vanish without much mourning. There is no doubt that the landscape of drinking establishments we have now is far superior in just about every way. (The food's better, the beer's better, the environment is more family- and community-oriented.)"

Social and cultural change isn't always for the better, but it's hard to make any case about the rise of brewpubs that doesn't acknowledge what they've added to beer drinkers' lives. The cultural pendulum, whose arc had once peaked in a place unfavorable to community in general and brewpubs more specifically, has begun to swing back as Millennials have come of age – and older generations have seen fit to join them.

[1] The BA defines a brewpub as a restaurant-brewery that sells 25% or more of its beer on-site. A company is re-categorized as a microbrewery if its off-site (distributed) beer sales exceed 75 perce...