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Bruno Ferreira
Arizona State University

Yanjie Long
Arizona State University

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Ferreira, Bruno and Long, Yanjie, "Hop(e)s of rural revitalization in China? The craft brewers' perspectives" (2023). *Travel and Tourism Research Association: Advancing Tourism Research Globally*. 16.
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Hop(e)s of rural revitalization in China? The craft brewers' perspectives

Rural revitalization is a priority of the Chinese government, aimed to combat the country's rural decline. Local leaderships and entrepreneurs are encouraged to pursue non-traditional and innovative economic activities. With the craft beer scene on the rise in China, this study investigates the potential of craft brewing to support the country's rural revitalization effort. To this end, we inquired eight brewers about consumer motivation and demographics, business models, marketing, policy, challenges and opportunities. Results show that craft beer is predominantly an urban middle-class phenomenon, and that structural barriers and cultural differences may hamper a swift expansion into rural areas. However, there are reports of neo-rural craft beer entrepreneurship which, combined with a broader push for the premiumization of the beer market, may accelerate rural adoption.

Key words: China; microentrepreneurship; beer tourism; localness; rural revitalization.

Background

Although beer has not enjoyed the same historical, social, and cultural significance of tea or *baijiu* (Li, 2018; Sigley, 2015; Pilcher, 2016; Sandhaus, 2019; Slocum Jr et al., 2016), a renewed interest in recent decades turned China into the largest beer market in the world (Fitch Solutions, 2019). Even more recently, since 2008, China has witnessed what some have called a craft beer revolution (Bauman et al., 2021; Green, 2016). Li et al. (2018) identified four driving forces behind China's craft brewing trend: 1) growing purchasing power and urbanization; 2) adventurous craft beer drinkers and brewers; 3) entrepreneurs and increasing investments; 4) food safety concerns. On the consumer side, Green (2016) notes that craft beer is an "aspirational lifestyle product" comparable to wine but at only a fraction of the cost. Wang (2018) concurs that there is a perceived aesthetic and hedonic value among Chinese craft beer drinkers, in addition to the quality of the product.

The rise of the craft beer movement has played a significant role in the social and economic revitalization of depressed rural communities in many regions (Argent, 2018; Murray & Kline, 2015; Sjölander-Lindqvist, Skoglund, & Laven, 2019; Slocum, 2016). In this vein, Murray and Kline (2015) contend that craft breweries are important contributors to local development because they are usually locally owned, employ locally, try to source locally as much as possible, and express local history, symbols, and landscapes through their naming and labeling. Similarly, Sjölander-Lindqvist, Skoglund, and Laven (2019) theorize that craft beer production is a socio-cultural practice carried out by like-minded microentrepreneurs with the same background, cultural representations, and system of meanings. Moreover, Argent (2018) acknowledges breweries' importance in local economies but stresses their positive role in engendering social and symbolic capitals important in developing regional identities.

For the espoused reasons, craft beer-induced tourism development seems, at first glance, a good fit for China's "rural revitalization" strategy. This extensive set of policies and reforms aims to reverse the rural decline and reduce urban-rural inequalities, among other goals. On the ground, this means allocating public resources to rural areas and encouraging community action to attract and use other capitals to enable sustainable and prosperous rural livelihoods (Wu & Liu, 2020). However, the craft beer revolution is a phenomenon that is still limited to the affluent 1st tier and a few 2nd tier cities for reasons that have to do chiefly with higher income levels and exposure to Western culture (Green, 2018; Sandhaus, 2020). It is unclear whether the craft beer movement is fated to remain an exclusive "aspirational" urban middle-class phenomenon or if it will eventually permeate into rural spaces by breaking class and cultural barriers. Although a few studies have looked into trends and market forces (Li et al., 2018, Vezzoso, 2016), consumer preferences (Bauman et al., 2021; Pilcher, 2016), and consumer culture (Wang, 2018), researchers have yet to examine the potential contribution of craft beer in the rejuvenation of depressed communities in China. To that end, we opted for a qualitative approach, which best suits this research's exploratory nature.

Methods

We used a referral chain approach to interview eight craft brewers across China (Flick, 2014). We strived to include a broad range of brewers' and industry leaders' perspectives, determined by nationality, training, background, location and size of the operation, business model, and notoriety. Interviews lasted between 39 and 60 minutes, with an average length of 51 minutes. Five interviews were conducted online via Zoom, while three were conducted in person at the breweries. All but one interview were audio recorded and transcribed verbatim by the researchers. The researcher took ample notes for the one interview that was not audio recorded. The data was then thematically analyzed (Braun & Clarke, 2006), looking for specific themes that helped answer the research question. To ensure the trustworthiness of the analysis, we triangulated the interview data with observations and notes developed through in-person visits to breweries and tap rooms in Haikou, Hainan, and Kunming, Yunnan.

Results and discussion

Participants were eager to talk about beer. Most seemed passionate about it, extremely knowledgeable and up-to-date, and committed to producing a high-quality product and refining the palate of the average beer drinker. As expected, all participants expressed skepticism regarding craft beer expansion into rural areas. Identified barriers include less exposure to western culture outside urban centers, lower income levels in rural areas, localness as an add-on but not a driver of consumption, regulatory framework, and environmental protection laws. On the bright side, some participants hinted at a form of craft beer-induced neo-ruralism that may lead the way for a potential craft brewing expansion into rural areas.

Less exposure to western culture outside urban centers

China's rapid urbanization came with an equally rapid rural depopulation (Li, 2015). One participant noted that in the countryside, *"you've got a predominantly aging or older population that will be drinking more economical lager and baijiu"*. Moreover, the Chinese have historically favored sanitized lagers as a symbol of modernity (e.g., the absence of off-

flavors, no sedimentation) (Pilcher, 2016). Finally, baijiu is the “weapon of choice” in the highly ritualized Chinese drinking culture (Green, 2015). As such, beer is relegated to a secondary role of rehydration, for which a cheap watered-down lager will do a better job than a high-ABV craft brew (Sandhaus, 2020).

Lower income levels in rural areas

Bauman et al. (2021) found that the average price of craft beer is a significant barrier to adoption even for comparatively more affluent urban consumers. That said, the available per capita income is, on average, 2.68 times smaller in rural than urban areas (Ran et al., 2020). In this vein, one participant considered that very few in rural areas would see it worth spending 50 RMB on just a pint. He added, *“I don't see what would motivate them to go try craft beer, especially with a price point like that”*.

Localness as an add-on but not a driver

Localness is an important element of craft brewing culture, prompting brewers to use native, locally-sourced ingredients as much as possible to cater to a socially and environmentally conscious clientele (Garavaglia, 2020; Schnell & Reese, 2014). However, several participants say a key selling point in China is “all imported ingredients”. While most admitted to using locally sourced adjuncts whenever possible, it is seldom the expectation of a clientele for whom better quality beer trumps broader considerations of localness and community embeddedness (see Simoes Ferreira, 2022).

Environmental protection laws

Chinese authorities have cracked down on the brewing industry and other industries to ensure that untreated final effluents are not discharged directly into water bodies (Amenorfenyo, 2019). Accordingly, one of the participants had his brewery shut down twice for failure to meet water specifications, so he decided to opt for OEM (Original Equipment Manufacturer) brewing. This means he now rents out space and brewing equipment from licensed providers, usually in peri-urban industrial parks, to brew his own recipes. With a tendency for ever tighter environmental restrictions, it is unlikely that independent

microbreweries will have the technical and financial means to meet water specifications outside these spaces, which may hamper an expansion into rural areas.

Beer production legal framework

Breweries in China are bound by a burdensome regulatory framework that sets a minimum production capacity of 12,000 bottles per hour to receive a commercial distribution license (Green, 2016). One participant explained that brewers could only sell their beer on the brewery's premises, making it illegal to sell even to nearby restaurants or bars. Assuming that rural breweries would have fewer on-site clients, the inability to sell outside the premises would be yet another difficult hurdle to overcome.

Neo-ruralism

A global counter-movement of entrepreneurs is pursuing simpler and healthier lifestyles in rural areas, often earning their livelihoods through tourism microentrepreneurship (Cunha et al., 2016; Morais & Ferreira, 2022). In China, too, return migrants capitalize on human capital acquired through many years and many jobs in the city to succeed in their rural entrepreneurial endeavors (Démurger & Xu, 2011). Accordingly, one participant mentioned that a former business partner returned to his small hometown after getting married and established a microbrewery there and that he was doing “alright”. Another participant noted that, unlike when he started, there is a lot of information available for brewers, equipment, and raw materials for sale. He does caution about the learning curve but recognizes that the opportunity might be there for the taking.

Implications and further research

The breadth and depth of the challenges indicated by brewers, suggest that we may not see an established craft brewing scene in rural areas of China in the near future. Nevertheless, participants were also keen to remind us that the craft beer movement in the U.S. is over 40 years old. And that a true explosion was not visible until the 2000s when the number of breweries almost quintupled in only ten years (Garavaglia & Swinnen, 2018). It will be interesting to monitor the growth and expansion of the craft beer scene, including rural penetration, over the following years for three main reasons. First, the infamous Dynamic

Covid-0 policy was (un)officially dropped as of December 2022. In just a few months, we have seen a return of several craft beer festivals canceled or postponed indefinitely during the pandemic, as well as the opening of new brewpubs in prime real estate. Second, the movement will reach adulthood in 2025 (it was unofficially born in 2008, by the end of Gao Yen). It was at this stage that the craft beer movement in the U.S. started to take the shape of what it is today. Finally, a premiumization of the Chinese beer market is taking shape through a wave of "acquisitions of" and "investments in" small independent breweries by big-beer global players (Fitch Solutions, 2019; Green, 2016). Where some in the industry might interpret it as "craftswashing" (Howard, 2017), others are hopeful that the "multinational's splashy marketing campaigns" will go a long way to educate the Chinese clientele on the difference between an ale and the more familiar lager (Cendrowski, 2017). This, we argue, will accelerate the expansion of craft beer beyond metropolitan and into rural areas.

Conclusion

The craft beer industry has experienced tremendous development since its inception in the first decade of this century. An aspirational urban middle class has adopted it as a symbol of modernity and sophistication. Although sighting a craft brewery in the country's 1st and 2nd tier megacities is not uncommon, the craft beer scene has yet to expand into rural areas. According to the participating brewers and brand owners, such expansion may be hampered by a series of perceived barriers, namely less exposure to western culture outside urban centers, lower income levels in rural areas, localness as an add-on but not a driver of consumption, regulatory framework, and environmental protection laws. However, anecdotal evidence of craft-beer rural entrepreneurship in the scope of the broader neo-rural phenomenon in China aligns well with the "rural revitalization" national strategy. We conclude that the next years will be critical for the future of the craft beer scene in China as it approaches adulthood and regains momentum after a two-year paralysis.

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