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Evolution of Demand and recent dynamics of the brewing Industry in Italy: beyond the resource-partitioning Model

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The brewing industry has always stimulated the interest of industrial economics' scholars. Many empirical papers have emerged during the last decades, focusing on different themes and raising important questions for industrial economic theory. There are many phenomena about which is relevant to explain 'why?'. Probably the most striking aspect is that the evolution of the beer industry in the major industrialized countries has shown similar patterns. With few exceptions, the degree of concentration in almost all industrial countries experienced a rapid surge over the decades such that the brewing industry in the 21st century presents an oligopolistic structure. These considerations suggest that there are some imperatives and structural factors that shape in similar ways the evolution of the industries across countries.

Given this considerations, the most striking phenomenon is related to the wave of new entrants in the late-stage of the evolution of the industry. Contextually to the increasing concentration there is a clear increasing standardization of the products: a more standardized mass product means less variety, less selection, less distinction. This panorama evolved such that besides the big mass producers new regional producers and new micro producers entered the Italian beer industry. The purpose of this paper is to explain this phenomenon. In doing so, we refer to the theories of resource-partitioning and niche formation (Carroll and Swaminathan, 1997, 2000). The main question relates to the endogeneity or exogeneity of the explanation behind this wave of new entrants. The paper presents an empirical model that discusses the nature of late-stage entry in mature industries.

On the one hand, the resource-partitioning approach explains the emergence of new entrants as endogenously determined by the evolution of market structure: as a consequence of economies of scale, only few generalist firms survive and the industry concentrates. This process opens up niches of resources near the periphery of the market where new specialist organizations enter.

In this paper we claim that there is something missing in this explanation. We go beyond the resource partitioning explanation focusing on the role of consumers' demand. The thesis of the paper is the following: changes in demand drive market evolution, and the dynamics of the brewing industry is part of a more generalized exogenous change. We believe that rising concentration and the wave of new entrants are only indirectly correlated, while the explanation needs to be investigated in the general exogenous changes in consumers' preferences: i.e. we need to study the demand side. We, then, focus on demand in order to explain the dynamics of the brewing industry in Italy.