

Peru's emerging craft-brewing industry and its implications for tourism

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Abstract

While the body of research on craft beer production, consumption, and tourism is growing, some regions, such as Latin America, where beer products are also popular, have received much less attention. This study addresses this knowledge gap, exploring craft breweries in Peru, where in recent years gastronomy has gained significant momentum. In doing so, Porter's three generic competitive strategies and the resource-based view (RBV) frameworks are considered. Differentiation and focus strategies, coupled with firm resources, including symbiotic relationships between restaurateurs and craft breweries, camaraderie, and continuous partnership development emerged as key competitive factors, with key implications for tourism development.

Keywords: Microbreweries, craft brewers, craft beer tourism, Peru, resources, potential

1. Introduction

1.1 Craft beer tourism: Opportunities and challenges

Academic and industry publications highlight the emergence of the craft beer industry worldwide (e.g., Cabras, 2018; Donadini et al., 2016; Elzinga, Tremblay, and Tremblay, 2018; Kleban and Nickerson, 2012; Li et al., 2018; Sammartino, 2018; van Dijk, Kroezen, and Slob, 2018). Some studies also present a different dimension of the challenging and yet vital progress made by craft-brewing producers, including developing its tourism potential (e.g., Kraftchick et al., 2014; Plummer et al., 2005). Indeed, interest in craft-brewing's potential marketability and demand, alongside its valued links to tourism has grown in recent years. In line with conceptualisations of wine tourism (Hall, 1999; Macionis, 1996), Plummer et al. (2005) refer to 'beer tourism' in terms of visitation to beer shows, festivals and breweries, where experiencing the product and attributes of the beer region are key motivational elements for visitors.

In the United States, Murray and Kline (2015) shed light on various factors influencing brand loyalty among craft breweries, the increasing emphasis upon culinary and rural tourism, and the visitor experience as vital for the growth of the industry. Moreover, they cite tourism experiences in rural North Carolina as essential in developing customer loyalty to brewery brands. In Australia, Duarte Alonso and Alexander (2017) explored opportunities and challenges for developing craft beer tourism, indicating the value of internationalisation and taking a proactive approach in engaging consumers. However, some authors have also presented key challenges that prevent the tourism potential of craft beer, with Plummer, Telfer and Hashimoto (2006) presenting a critical longitudinal assessment of the rise and demise of a Canadian craft-brewing route.

1.2 Knowledge gaps and market potential

While the developments within the craft-brewing industry suggest opportunities for industry stakeholders and researchers, some regions have been and continue to be ignored from academic discourses. Such is the case of Latin America, and within this region South America, a continent that has received practically no attention from researchers. Reflecting the potential for craft-brewing, in terms of consumption, between 2008 and 2013, beer was the most significant alcoholic beverage in Latin America (Toro-Gonzalez, 2017). In citing the work of Ascher (2012), Cabras, Higgins, and Preece (2017) explain that between 2003 and 2012, there was a 50% growth in beer consumption in Latin America. Moreover, figures from

2018 (Kirin Holdings Company, 2019) illustrate that, after Asia (33.3%) and Europe (28.6%), the Central and South American regions (17.3%) represent the world's third largest in beer consumption according to volume. In terms of per capita beer consumption, Panama (76.7 litres), Mexico (68.7 litres), and Brazil (60 litres) are the only nations that appear in the world's top-30 consumer ranking, quite distant from per capita consumption in other nations, including the Czech Republic (191.8 litres), Austria (107.6 litres), or Germany (101.1 litres) (Kirin Holdings Company, 2019). Unsurprisingly, Toro-Gonzalez (2017) agrees that there are opportunities for the craft-brewing industry to grow in Latin America.

New knowledge generated within countries from the region could be insightful, informing members of this industry, as well as marketers about the potential for business opportunities here. Added knowledge could also be valuable for various entities, such as chambers of commerce, small and medium enterprise associations, or tourism agencies, in seeking to develop this emerging industry. Ultimately, consumers and travellers could benefit from new research, notably, through the various avenues undertaken by craft breweries to enhance their craft beer, culinary, and tourism experience and offerings.

1.3 The study's objectives

In examining craft breweries operating in Peru, the present study contributes to narrowing several research and knowledge gaps. While addressing these gaps, the study will fulfil its first objective, which is divided into two sub-parts:

1a) Identify the present and future growth of Peru's craft beer industry, which will be examined through a 'why' and 'how' question:

- Why did the participating craft brewery operators become involved in this industry?
- How could the burgeoning craft-brewing industry in Peru develop further?

Indeed, the reasons for entering the industry, or 'why', could reveal insightful aspects about motivations, perceived potential and value, and overall, the journey of the participant in establishing a craft beer business. The 'how' question gathers more precise information regarding such potential.

1b) Identify the potential for Peru's craft beer industry to become part of the current trends in Peru's hospitality and tourism sectors, for instance, as part of a destination image attraction, which will be explored through the following question:

- To what extent could craft-brewing contribute to Peru's wider tourism/hospitality industry?

From both a theoretical and practical perspective, Dunn and Wickham (2016) provide a number of useful research avenues. First, they identify "a tendency for craft brewery operators to underestimate the complexity of their craft beer and tourism-related operations" (p. 141). Consequently, a failure arises in finding ways to formulate optimised strategies targeting beer tourism or craft beer markets in which craft breweries compete (Dunn and Wickham, 2016). To remedy these shortcomings, Dunn and Wickham (2016) suggest the application of Porter's (1980) competitor strategies, and in particular focus upon approaches related to niche markets, as well as the theory of the resource-based view (RBV) (e.g., Barney, 1991). These tools could help "identify the salient strategic factors, as well as the interrelationships between them" (Dunn and Wickham, 2016, p. 141).

Responding to Dunn and Wickham's (2016) recommendations, the present study will adopt these pertinent theoretical lenses in the context of Peru's burgeoning craft-brewing industry to fulfil the following objective:

- 2) Develop a theoretical framework emanating from discourse on competitive strategies associated with craft-beer tourism, which includes insights of Porter's contributions, and the RBV literature.

2. Literature Review

2.1 Three generic strategies

The work of Porter (e.g., 1980, 2008) emphasises the significance of strategies as determinant factors in contributing to an industry's enhanced competitiveness. Consequently, such strategies entail searching for an advantageous competitive position, and focusing on the main arena where competition occurs (Porter, 2008). The choice of competitive strategy is underpinned by two key aspects, with the first being the attractiveness of an industry in terms of long-term profitability alongside factors that could determine such success, and the second revolving around the determinants a particular competitive position (Porter, 2008).

Miller and Friesen (1986) elaborate on three generic competitive strategies derived by Porter's (1980) research. First, the strategy of differentiation intends to create a service or product that is in some way unique; many enterprises can achieve differentiation through various ways, including by offering innovative, high-quality service and products (Miller and Friesen, 1986). Differentiation in tourism can be illustrated by such destinations as San Francisco, California (Evans, Fox, and Johnson, 1995), which have enhanced both the quality of their offerings and developed bespoke, specialised travel services, or through emphasising the 'classic destination', such as Napa Valley in wine tourism (Brown and Getz, 2005). Differentiation in craft-brewing can be achieved in various ways, for instance, through geographical region and style, or "European style ales with an American flair" (Woolverton and Parcell, 2008, p. 59). Furthermore, craft brewers have the ability and possibility of making use of both non-traditional ingredients, and their unique formulas, "hence developing new styles that have no precedent" (Kleban and Nickerson, 2012, p. 60). Furthermore, Murray and O'Neill (2012) identify the potential for operators to achieve differentiation and competitive advantage by demonstrating commitment through supporting events or the education of servers.

Second, the strategy of overall cost leadership entails becoming the lowest cost producers in a particular industry (Miller and Friesen, 1986). In the tourism industry, the success of the cost strategy is dependent upon tight controls, efficiency, a high market share, and economies of scale, such as in the cases of Myrtle Beach, South Carolina, or Atlantic City (Evans et al., 1995).

Arguably, cost leadership among craft breweries is extremely challenging to be achieved. On one hand, craft beer is costlier to produce than mainstream beer (Baginski and Bell, 2011). In addition, small craft brewers have the disadvantages of having limited space and capital, which prevent them from purchasing raw materials (e.g., malt) in bulk (Bastian et al. (1999). One alternative to overcome this issue is for craft breweries to operate in metropolitan areas, seeking to cater for residents who, on average, may have greater amounts of disposable income (Baginski and Bell, 2011). On the other hand, however, Woolverton and Parcell (2008) posit that craft brewers may indeed enjoy cost leadership to a certain degree. For example, large beer producers make, at times, substantial investments in order to avoid changing ingredients and therefore the flavour of their beer; in comparison, and based on the variety of craft beer style produced, craft brewers have more flexibility in changing flavours (Woolverton and Parcell, 2008).

Finally, a generic focus strategy caters to specialised and defined segments of the market, including narrowing the range of products, identification of certain customer types, or limiting geographic markets (Miller and Friesen, 1986). Firms in this strategy offer different types of products or levels of service unavailable elsewhere, and that destinations can take advantage of unique features (e.g., culture, climate), as in the cases of Aspen, Colorado and Hilton Head, South Carolina (Evans et al., 1995). Like differentiation, a focus strategy is similarly strongly associated with elements of the craft-brewing industry, notably, as it has also been referred to as ‘niche strategy’ (Miller and Friesen, 1984; Tanwar, 2013). Likewise, many studies associate the craft-brewing industry with a niche product, a niche industry, or an industry focusing on niche markets (e.g., Baginski and Bell, 2011; Cannatelli, Pedrini, and Grumo, 2015; Garavaglia and Swinnen, 2017; Murray and O’Neill, 2012; Sammartino, 2018; Woolverton and Parcell, 2008).

According to Bastian et al. (1999), a niche market entails providing “a product to a small, often specialized, market segment” (p. 553); importantly, this market with unique needs is prepared to pay to have its needs met. Moreover, craft breweries seek to offer diverse products, by creating unique styles and flavours; the mass production focus of mega breweries creates opportunities for craft breweries for niche marketing through their specific differentiation (Bastian et al., 1999).

Based on these notions, a first proposition is put forward, focusing on the growth of the craft beer market internally (objective 1a), as well as on potential for tourism development (objective 1b):

Proposition 1: The strategies of differentiation, cost leadership and market focus are also illustrated in the way in which craft breweries of an emerging economy operate, both in developing a consumer market, and in creating craft beer tourism potential.

2.2 The resource-based view (RBV)

Various seminal studies contributed to the development of the RBV. In one of them, Wernerfelt (1984), suggests the usefulness in examining the firm from the point of view of resources, or what could be perceived as the strength or weakness of a particular firm, as opposed to focusing on its products. Resources include, and are not limited to, trade contacts, machinery, capital, in-house knowledge of technology and brand names (Wernerfelt, 1984). Moreover, “by specifying a resource profile for a firm, it is possible to find the optimal product-market activities” (Wernerfelt, 1984, p. 171), which suggests the value in exploiting the ‘resources’ within or available to the firm. These notions are extended further by Barney (1991) and Barney, Wright, and Ketchen (2001) when they emphasise the significance of valuable, rare, imperfectly imitable, and non-substitutable resources as the strategic foundation of firms’ competitive advantage. Moreover, complementing the work of Wernerfelt (1984), Barney et al. (2001) posit that these four key characteristics of resources, also known as the VRIN framework (e.g., Talaja, 2012) can be perceived as bundles of both intangible and tangible assets (Barney et al., 2001) that, together, help firms achieve competitive and sustained competitive advantage. Barney et al. (2001) illustrate these resources and capabilities in the form of managerial skills, knowledge and organisation controls, also referred to as organisational routines and processes.

Contemporary research has considered the RBV and VRIN frameworks to examine different tourism-related dimensions, including culinary tourism (e.g., Horn and Tsai, 2012), or destination competitiveness (e.g., Duarte Alonso, 2017; Zhou et al., 2015). For instance, in studying tourism development in an emerging economy, Duarte Alonso (2017) developed a

framework that associated the VRIN elements with the findings, identifying clear implications for policymaking and the resourcing of the firm. In particular, an internationally established tourist destination (e.g., Punta del Este) was not only identified as rare under VRIN, but similarly was the ability to attract new tourist segments, or develop cottage industries (food, wine) (Duarte Alonso, 2017). Furthermore, imperfectly imitable resources emerged through the cultural links with the main tourism market in Argentina, and via the proximity to another (Brazil). Finally, non-substitutable resources were revealed through the country's political stability, policies encouraging investment in the tourism sector, and accumulated knowledge and experience by local tourism entities (Duarte Alonso, 2017).

Various authors have also incorporated the RBV and VRIN to examine craft-brewing and craft beer tourism. Among these, Zhang, Topolansky Barbe, and Baird (2015) researched Scotland's burgeoning industry; through studying the cases of craft brewery firms, they identified various tangible and intangible resources contributing to their development. In three cases, they noticed the availability of an attached bar or an owned/co-owned pub to directly-market their products. In another case, the brewery had established 13 bars internationally, while in other instances, breweries provided tours, tastings, personalised brewing, or had the advantage of a unique location (Zhang et al., 2015). Overall, however, the fundamental unique resources of Scotland's craft-brewing industry reside in its exclusive taste, quality, and flavour, followed by geographic location (Zhang et al., 2015).

In investigating craft breweries from three European nations, Duarte Alonso, Bressan, and Sakellarios (2016) found a number of key resources contributing to these firms' competitive strengths. In a proposed framework depicting the links between the RBV and their findings, Duarte Alonso et al. (2016) established that product/service quality correlated with valuable resources. The knowledge accumulated by the owner, manager, or brew master, as well as the uniqueness of the craft beer products reflected VRIN's rare resources. Imperfect imitability emerged in the form of the reputation of the craft beer product, as well as local knowledge of consumers and suppliers. Management strategies here were associated with un-substitutable resources. Duarte Alonso et al. (2016) also incorporated additional attributes, notably, water quality and sustainable practices at the craft brewery.

The above literature discussing the association between VRIN attributes and craft breweries' resources leads towards a second proposition. As is the case of Proposition 1, the following proposition also seeks to ascertain the extent to which further development and growth could be achieved (objective 1a), including in terms of creating a craft beer tourism alternative (objective 1b):

Proposition 2: The elements encapsulated in the RBV framework, including valuable and rare resources, are also fundamental in the case of craft breweries of an emerging economy, notably, in terms of the development of the consumer market and craft beer tourism.

2.3 Brief overview of the craft beer industry

Over the last decade, the establishment of craft breweries has experienced consistent growth in numerous nations. For example, in the United States (US), the number of craft breweries increased from 4,803 in 2015 to 8,275 in 2019 (Brewers Association, 2020). Concerning microbreweries, a group the present research focuses upon, data from the Brewers of Europe (2020) also demonstrate significant expansion. During 2012 and 2019, the number of microbreweries in the United Kingdom (UK) grew from 1,032 to 1,978, in Spain from 114 to 395, in the Czech Republic from 20 to 440, and in France from 433 to 1,450. In the case of Italy, which is featured in the present study, microbreweries increased from 407 to 692

(Brewers of Europe, 2020). Today, there are over 6,000 microbreweries in the European Union (Brewers of Europe, 2020)."

Based upon official figures from the interviewees in this study, some of whom were members of Peru's craft beer association, at the time of the study there were some 60 craft breweries with a physical address scattered across the nation. According to Peru's Ministry of Trade and Tourism (MINCETUR, 2018), craft beer in Peru is beer elaborated in small batches and almost always free of pasteurisation, with the main ingredients being water, yeast, malt, and hops. One key characteristic differentiating craft beer from industrially produced beer is the absence of artificial or chemical additives (MINCETUR, 2018). Further, the production process of craft beer in Peru is primarily manual, without the aid of machinery, from the grinding of the malts through to bottling (MINCETUR, 2018). In addition, brew masters use their own specific and individual recipes which allows for uniqueness in the body, aroma and flavour of the craft beer (MINCETUR, 2018).

3. Methodology

In examining the potential of Peru's craft-brewing industry, including in terms of its further development as a tourist activity, the present research addresses an existing knowledge gap, as craft-brewing and craft beer studies have to a great extent neglected the Latin American region. In doing so, the study will also fulfil the study's first objective (1a), which is to identify the potential for craft beer to grow domestically, as well as (1b) its potential as a tourist attraction, creating a craft beer tourism product, for instance, as a complement of Peru's gastronomic tourism. With the advent of the country's positioning as a culinary destination (Nelson, 2016), learning more about this industry could provide valuable insights. For instance, through its dissemination in various forms (online publications, presentations, workshops, discussions, conferences), this research could inform the craft-brewing and tourism industries of opportunities in amalgamating gastronomy and craft-brewing, thus, further enhancing the country's destination image.

Data from MINCETUR (2019) indicate that international tourist arrivals to Peru have steadily increased, from 1.4 million in 2014, to 4.4 million in 2018. Tourism in Peru contributes nearly 3.3% to the country's gross domestic product (GDP), and generates 1.1 million jobs directly or indirectly, for instance, through accommodation, financial services, entertainment, hospitality/restaurant operations, or travel agencies (Peñaranda Castañeda, 2018).

Second, responding to calls by Dunn and Wickham (2016), the study considers Porter's competitive strategies alongside the RBV framework; further, by applying one of the core principles of inductive analysis, it proposes a conceptual model. According to Thomas (2006), through a general inductive analysis approach, researchers can summarise and identify clear associations in the raw data, which results in the development of models or theories that accurately reflects the dataset.

Associated with the chosen inductive approach, the intent of the study was to gather qualitative data from craft brewery operators in Peru. Qualitative research is holistic and discovery-oriented to question underlying assumptions or understand processes; in addition, the data collection is open-ended, the sampling is purposeful, and findings can be generalised to settings that exhibit similarity to those in the study (Forman et al., 2008). Here, the research seeks to understand the different processes involved in the development of the craft-brewing industry and its future potential, including in tourism offerings.

Furthermore, aligned with one of the characteristics of qualitative research, a purposeful sampling approach was selected. This method consists of the strategic selection of information-rich cases, and by their very substance and nature, their inclusion will help shed

light on the key questions being examined (Patton, 2015). Thus, in purposeful sampling, researchers have specific goals in mind, including participants who would suit the aim of the study (Etikan et al., 2015), particularly knowledgeable experts (Tongco, 2007). For the purposes of this study, the following criteria were utilised for selecting participants and their firms:

1. They had been involved in core activities at a craft brewery (e.g., production, sales).
2. Had at least two years of experience in the craft-brewing industry.
3. The craft brewery was already operating and based in Peru.

To further fulfil the objective of selecting information-rich cases, craft breweries were selected in the capital city of Lima, Peru, as well as nationwide. Lima was the preferred setting as a major conurbation with growing demand and expansion in the establishment of craft breweries. To enhance inclusivity, other craft breweries nationwide were also approached to ensure a more holistic interpretation of the results. While at the time of the study participants indicated the existence of approximately 35 craft breweries nationwide, a recent report (Flanders Investment and Trade, 2018) suggests that there are 60 registered craft breweries in Peru. An initial search of craft breweries with website presence helped identify five in the city of Lima, with these businesses subsequently being contacted by electronic correspondence. The five participants were selected as they were both heavily involved with the operations of the brewery and were members of Peru's national craft beer association. Thus, in line with Patton (2015), these participants were very knowledgeable individuals. Together, they had pioneered the industry in Peru, first establishing craft beer plants, followed by incorporating hospitality operations (pub, pub-restaurant, bar). In addition, they were significantly involved in the organisation of craft-beer events, and participated in already established culinary events (e.g., Lima's Mistura).

A summary of the aims of the study, informed consent forms and an invitation to participate were included in the electronic communication. All five operators of these craft breweries responded positively to the invitation; subsequent face-to-face interviews were carried out between December of 2016 and January of 2017. The interviews, which were conducted in Spanish by one member of the research team, lasted on average 120 minutes each, and were audio-recorded with participants' consent, and were complemented by on-site observations, and gathering of firms' information.

With the assistance of these five individuals, who provided additional email messages and names of other operators nationwide, an online questionnaire was further disseminated to 55 craft breweries nationwide that were operating at the time of the study. The online medium was preferred in view of the substantial geographic distances (outside Lima) separating the businesses, and the inherent logistical difficulties in accessing them. Eight responses were received from craft breweries nationwide. In total 13 respondents participated in the study, returning an overall response rate of 22% (13/60).

Contemporary research exploring craft beer entrepreneurship and tourism, including research examining opportunities, challenges and collaboration (e.g., Duarte Alonso, 2011; Murray and Kline, 2015; Plummer et al., 2005, 2006, Slocum, 2016), or considering the RBV (Duarte Alonso et al., 2016; Zhang et al., 2015) was consulted in designing the questions of the study. The initial questions within the interview/online questionnaire focused upon the demographic characteristics of participants and their firms (Table 1). The second section presented the following open-ended questions that were broadly associated with the two main propositions of this study:

- Why did participants become involved in the craft beer industry?
- What do they perceive to be the most significant resources of their craft-brewery business?
- How are these resources exploited?
- How are they innovating in their craft-brewing business?
- What opportunities do they foresee for their industry, including the potential for craft beer tourism?

The first four questions are particularly related to the first part of the first objective (1a), where the potential for growth of the craft beer industry was the main focus, while the last open-ended question relates more specifically to the second part of the first objective (1b).

Once the interview and other qualitative data (online questionnaire) were transcribed and translated into English, members of the research team crosschecked the content for clarity and consistency. The predominantly qualitative data were analysed through qualitative content analysis (e.g., Elo and Kyngäs, 2008). The use of NVivo version 11, a data management software, further supported this analysis, through identifying nodes or themes that were subsequently developed into thematic depictions. The software further supported the identification of thematic associations within the dataset, and ultimately the design of the conceptual model (Figure 1).

3.1 Demographic characteristics of participants and breweries

As illustrated (Table 1), most participants (9) are owners of the craft brewery and most (11) are male. Only two of the firms are a decade old or older, clearly reflecting the recent growth of this industry in Peru; similarly, 11 of the 13 participants have only recently become involved in this industry. According to Arbulú (2006), Peruvian legislation defines small businesses as those employing as many as 50 staff, while micro businesses employ 10 or less staff. Thus, all participating businesses in this study qualify as micro enterprises or microbreweries. In the following sections, abbreviations will be used to label respondents; for instance, Respondent one: R1, Respondent two: R2, and so forth.

Table 1 Here

4. Results and Discussion

The interview questions and the ensuing qualitative content analysis revealed various aspects strongly associated with Porter's (1980) three generic strategies. Already when queried about their reasons for entering the industry, many of the comments pointed at aspects that arguably act as antecedents of competitiveness. As illustrated (Table 2), three such aspects were the entrepreneurial attitude, the passion, and the initiation to craft beer in previous years, with the first being illustrated through the perceptions of the growth of the industry (opportunity recognition), the second through the will to make beer that suits one's taste, is different and new (innovating), and the third emanating from previous experience (knowledge/expertise). As the following selected comments identified:

R3: I studied in Colorado, and lived in Oregon... states where craft beer is part of life. I love good beer and I liked the idea to return to Peru, produce and sell craft beer... I then did it!

R4: I decided to work in this sector because it is in its first stage of growth and there is so much to do!

R5: *I learned craft-brewing in Brazil... I feel this industry very rewarding; I especially like the constant innovation.*

Table 2 Here

However, it was when respondents reflected on the question regarding the craft brewery's resources that revelations associated with both frameworks (three generic competitive strategies, RBV) were emergent. In line with Miller and Friesen (1986), all 13 participants recognised the quality of the beer product as the most relevant resource. Arguably, the quality element could interchangeably be perceived as both a competitive strategy, as well as a valuable resource. Quality was also crucial for the more established craft breweries. The case of R1 illustrates the pioneering role of her father, who introduced her to craft-brewing at the age of 12, the importance of succession, and the process of accumulating a decade of knowledge and expertise, as key resources of the firm:

It's a family tradition; my father was the first craft brewer in Lima... His idea was to combine Peru's gastronomy (e.g., seafood, Ceviche) and craft beer... Years went by and I started to take charge of the production plant, developed recipes, brewed, did the maceration, boiled, fermented, bottled, barrelled craft beer, and developed up to 10 different craft beer styles.

Not satisfied with her achievements, R1 constantly looked for ways to update her knowledge of craft beer production, thereby staying competitive. In 2014, she recognised the need to become more professional: "*I needed to make improvements on the science side. I decided to study and become a beer judge. I took an online course from the USA... I also created my own craft beers, producing both in Lima and in Chile.*" These efforts, which reflected a continuous ascendant journey towards excellence through competitiveness, was complemented with other differentiating and focus strategies. Indeed, R1 and her partner, also a craft brewer, had established a craft beer academy, taught sensorial aspects and how to brew beers, and were undertaking paid consulting work for other craft breweries.

Regarding cost leadership, there were mixed comments, with some respondents contradicting this strategy (R5): "*all the products we use go through a selection process to ensure that they are appropriate for our production, and price is secondary.*" At the same time, and in agreement with Woolverton and Parcell (2008), it could be posited that cost leadership among the participating firms was partly illustrated through the more flexible nature of microbreweries, for example, in maximising existing resources (R9): "*...at times we have to work with what raw materials are available locally.*" In comparison to the more standardised practices of larger beer companies, maximising the availability of raw materials could result in savings. At the same time, these practices could allow for stronger demonstrations of creativity and for more personalised, and therefore unique, ways of expression in terms of craft beer production.

The focus strategy, which is already illustrated through conquering or targeting niche-markets, thereby reflecting evidence from past research (Baginski and Bell, 2011; Cannatelli et al., 2015; Garavaglia and Swinnen, 2017; Murray and O'Neill, 2012; Sammartino, 2018), was further demonstrated through the more handcrafted approach to microbrewing. Regarding this point, R6 recognised that one key resource of his firm was "*the precision to follow the recipes in each batch. When you are producing small quantities, you need much more attention to detail.*" Similar to the case of R9, this approach could benefit the firm through savings, while ensuring product consistency.

Overall, the findings illustrating the significance of differentiation and market focus, and arguably to a lesser extent cost leadership support Proposition 1.

4.1 The RBV in the context of the findings

The gathered data identified various key resources that strongly highlight the potential for competitiveness of Peru's craft-brewing industry. As illustrated (Table 3), some points, particularly product quality, or knowledge accumulated by operators, are in line with contemporary studies (e.g., Duarte Alonso et al., 2016; Zhang et al., 2015). However, contrary to previous craft-brewing research, the majority of participants (10) agreed that the growing international popularity of Peru's gastronomy provided a key supporting and complementing factor to craft beer products. As various research studies underline (e.g., Fan, 2013; Nelson, 2016), today Peru has unequivocally succeeded in selling its gastronomy well beyond its borders. That the country has distinctively and consistently carved a niche in the extremely competitive world of gastronomy, for instance, presenting an alternative to other culinary leading countries such as France or Italy, suggests clear implications. In fact, the emergence of Peru's gastronomy provides an amalgamating component for other products that, as in the case of craft beer, can also express the country's variety and diversity of foods, which has been recognised in previous research (e.g., Duarte Alonso, Kok, and O'Brien, 2018). Among other comments, R8 reflected on how his brewery had benefitted from such strong linkage:

One of the first clients we had was a very famous Peruvian chef who owns high-end restaurants. This was a defining moment [for us], because from the get go our product was already positioned quite highly; it was perceived to be in the big leagues, and it sets an excellent precedent for our future. It means that craft beer has become associated with fine gastronomy; today, craft beer is offered in numerous restaurants.

Table 3 Here

Along the lines of maximising an existing internationally recognised gastronomy, and in contrast to recent research (Alfeo et al., 2019), which recognised "the limited use of local raw materials among brewers" (p. 1751), some participants were also strategically maximising Peru-grown products, thus, adding a component of uniqueness and rareness. For example, R1 and R9 had already identified the potential of the nation's wide range of fruits and spices, which they fully utilised to develop new craft beer styles: "*Every fruit has its complexity; I currently make one single style every month...*"; "*We are developing new craft beer styles with Peruvian spices.*" Thus, the incorporation of local products provides a differentiating as well as rare, unique, and therefore a key competitive factor, rendering replication by other craft brewers outside Peru more complex and challenging. Aligned with this finding, Duarte Alonso et al. (2016) equated the uniqueness of craft beer products developed by the firm alongside the knowledge of the craft brewery operator as rare resources.

The importance of differentiation once again becomes vital, particularly given the relative youth of Peru's craft beer industry. Because consumers increasingly search for specialty types of products, differentiation becomes a necessity for firms entering existing markets, as is the case of the craft-brewing industry, where consumers search for local products (Smith et al., 2017). Further supporting these notions, Carr, Shin, and Severt (2019) examined the demand side through a survey on visiting intentions of microbrewery consumers. Their work identified the need for breweries to improve various elements of the visit, including the value,

variety, and beer cost, alongside “the embodiment of local culture in the atmosphere” (p. 303). Furthermore, Alfeo et al.’s (2019) report on Sicily’s craft breweries concludes emphasising, among other aspects, the significance of diversification of craft-beer products. The strategic relevance of paying attention to consumers, notably, by developing unique and difficult-to-replicate profiles by using Peru’s resources, are vital for the future survival of microbreweries (R4): *“In Peru, consumers are very straightforward and when they dislike a product, they will let you know. Hence, there will be a natural selection... If people [craft brewers] do not step up, they will go down.”*

A final fundamental resource recognised by four participants resides in the close-knit relationship among craft brewers. As R12 posited:

We do have a lot of camaraderie. We have experienced a lot of growth as a whole, and we continue to have a nice relationship. Obviously, each of us wants to grow individually, but we respect each other, and understand that it is more important for the cake to become larger, than each trying to take the other's slice... we want [the best] for the entire craft beer industry because by growing we will all benefit at an individual level as well.

Given the relatively recent growth of the craft-brewing industry in Peru, also reflected through the establishment of a craft brewers’ association in 2014 (R1, R3), such relationships could go a long way, particularly in the form of the sharing of resources, or participating as a block in events. Two illustrations underscore the significance of this last aspect. First, some participants referred to the recent establishment of Lima’s Beer Week, which is an event where local craft breweries gather and one which has been received well by members of the public. As R2 acknowledged, the event allowed the participating firms *“to see what works, what does not, and make improvements for the future... it created an antecedent, a first step that can be used as a springboard for the future.”* Second, and perhaps more importantly, participants recognised the recent achievement of participating at a popular Peruvian gastronomic festival (Mistura):

R7: We did not have money [to attend the event]... We entered the event as an association, and were able to accumulate a certain amount to pay. We were 26 different craft breweries... We made a lot of noise and people learned about us; they tried our products... it was a success.

Related to this comment, Dunn’s and Wickham’s (2016) reference to craft breweries operating in the UK and US stressed the value in adopting various tourism practices, to include craft beer events, tasting bars, and brewery tours. Moreover, Dunn and Wickham (2016) agree that the establishment of touring routes, for instance, has paved the way for craft breweries to build collaborative networks. Similarly, in the case of the present study, camaraderie can lead to stronger collaboration, or to initiatives that generate beneficial outcomes for the engaging firms. Moreover, there are multiple benefits to be gained from collaboration, including but not limited to resource sharing and collaborative brews (Drakopoulou Dodd et al., 2018; Said, 2019). As Said (2019) posits referring to the strong collaborative spirit in Seattle’s craft beer scene, in the end, “a rising tide lifts all boats” (p. 355).

Participants’ comments highlighting their perceived importance of valuable and rare resources, in particular, the amalgamation of gastronomy and craft beer, the uniqueness

related to developing craft beer profiles based upon Peru's variety of fruits, and strong camaraderie confirm Proposition 2.

4.3 Conceptual framework

Following the inductive approach adopted in the present research, further supported through the findings, the subsequent qualitative content analysis illustrated in Tables 2 and 3, and through the fundamental underpinnings of the three generic strategies and the RBV, a conceptual model is proposed (Figure 1). Both theories conform the foundation of firm/industry competitiveness, with various elements arguably being aligned to both. For instance, accumulated knowledge and expertise, together with firms' focus on quality and constant improvements are interpreted as both generic strategies and VRIN-related strengths. Quality and flavour, for instance, were identified as unique resources in previous craft-brewing research (Zhang et al., 2015); similarly, quality of product and service at the craft brewery were associated with valuable resources (Duarte Alonso et al., 2016).

As previously noted, in the case of the three generic strategies, cost leadership did not emerge as a strong strategy. Instead, and as suggested in one of the comments (R9) cost leadership could be the result of effective maximisation of differentiation and focus strategies. While not explicitly formulated in the additional comments, various participants cited a lack of suppliers with appropriate offerings for the craft-brewing industry, and the high costs of importing equipment and overall production. Thus, in order to make their product appealing in a country still affected by the multiple challenges associated with socioeconomic development, finding ways to be cost effective is a continuous endeavour.

Specifically regarding the RBV and associated VRIN elements, the maximisation of local products can not only contribute to uniqueness, rarity, and overall value added to the craft beer experience for consumers, but also potentially reduce costs. The fact that various participants are constantly seeking to create and develop new flavours, styles and recipes also highlights the importance of ongoing improvements in an effort to maintain creative and innovative approaches. As six participants recognised, Peru's craft-brewing industry is currently enjoying an upward trend; hence the importance to avoid the temptation of repetition, or even complacency.

The burgeoning Peruvian gastronomy directly and indirectly aligns with the VRIN elements, particularly in terms of being imperfectly imitable and non-substitutable, which are fundamental in providing the country with a distinctive image as a culinary destination, and virtually impossible to replicate by potential competitors. Finally, the acknowledged strong camaraderie and collaboration are associated with both imperfect imitability and non-substitutability.

The model illustrates key implications for the development of Peru's craft-brewing industry. In addition, and given that collaboration among craft brewers led to the joint participation in a craft beer event, coupled with the fact that increasingly craft breweries are offering food and that a craft beer trail had been developed in Lima, the model also suggests the potential for craft beer tourism development. Importantly, the emergence of the craft-brewing industry and its potential extension into tourism can have implications for Peru's culinary tourism. Indeed, craft beer could become a key complementing factor for those visitors looking for distinctive products that, given the characteristics of Peru's multifaceted food production, are not found elsewhere. Overall, these forms of tourism could have positive impacts on Peru as a destination. Finally, the model suggests that these impacts further support the development and consolidation of the local craft-brewing industry, whereby competitiveness, and the understanding of generic strategies and key resources once again become essential.

Figure 1 Here

5. Conclusions

The present study makes various empirical and theoretical contributions to the tourism literature. First, it addresses existing knowledge gaps, namely, the scant literature focusing on the potential for craft-brewing, including its links with tourism, from the perspective of micro craft beer operators in Latin America, and more specifically, in Peru, where this industry is experiencing market growth (Inga, 2019; MINCETUR, 2018). To this end, face-to-face interviews and online questionnaires were utilised to gather qualitative data from Peruvian microbrewery operators. Second, the study responded to a recent call (Dunn and Wickham, 2016) encouraging the consideration of two theoretical frameworks, notably, Porter's three generic strategies, and the RBV. Associated with both empirical and theoretical notions discussed in the literature review, two propositions were presented and, aligned with the chosen inductive approach, a conceptual framework emerged (Figure 1).

The findings revealed the significance of mainly differentiation and focus strategies, with associations for cost competitiveness. These strategies were complemented by elements related to the VRIN framework, particularly through the strong links between Peru's gastronomy and the burgeoning craft beer industry. In addition, the strategies were reflected through the development of recipes using the country's fruit and spice repertoire, alongside the apparent camaraderie among craft brewery operators. Together, these key elements suggest strong potential for the future of Peru's craft-brewing industry and its catalyst for different forms of tourism, positively affecting the nation's destination image.

5.1 Theoretical implications

One key theoretical implication supported through the findings is illustrated in the usefulness of viewing the potential of a nascent industry through the lens of competitiveness, notably, adopting the three generic strategies (Porter, 1980) and the RBV. The three generic strategies, while not fully emergent through cost leadership, nevertheless allowed for reflection of the key role played by both differentiation and focus strategies. Arguably, however, and as depicted in Figure 1, these two strategies can make a substantial contribution towards cost efficiencies. With the numerous challenges faced by micro firms that also include their vulnerability to financial distress (Gupta, Barzotto, and Khorasgani, 2018), focusing on their key strengths is paramount to their long-term sustainability. In the case of the present research, a key partner was identified in Peru's emerging gastronomy, which presents huge potential for food-beer pairings, and undoubtedly can be utilised to enhance even further the already established image of the country as a tourist destination.

The ability to source Peru's unique food products and spices (R1, R9), and the acknowledged camaraderie and collaboration among craft brewers, for instance, in attending events to educate consumers and build momentum within their industry, also illustrates the value of considering the RBV in combination with the three generic strategies. The explicit linkages of these two theoretical frameworks with a firm's competitiveness also emerges when considering the opportunities, but also the challenges, of further developing the craft-brewing industry. For instance, the comment made by R4 concerning the apparent sensibility of Peru's consumers regarding their perceptions of products, and their potential implications for businesses, clearly highlights the importance of building a foundation based upon VRIN-related strengths and generic strategies. Thus, the conceptual model (Figure 1) represents an insightful contribution of this research, which could increase interest, understanding, and

appreciation for what firm operators must consider when vying for a robust development of their industry and competitiveness along the way.

5.2 Practical implications

The findings have clear practical implications for the hospitality, tourism, and craft-brewing industries. First and fundamentally, in view of competitiveness and the high mortality rate among smaller firms (e.g., Kücher et al., 2018), operators seeking to develop their industry need to achieve early competitive advantage. In the case of Peruvian microbreweries, and as previously suggested, the already established image of Peruvian cuisine represents a key ally and opportunity. However, a key implication is that in order to benefit from such partnership, both the restaurant and craft-brewing industries need to continue their shared journey based upon consistent product/service excellence. Moreover, both industries lend themselves to the trialling of new foods to develop food and drink recipes, which contribute to the constant value-adding proposition, uniqueness, and impracticality of imitability by potential competitors. Synergies here contribute to uniqueness and with it success.

Regarding camaraderie, which was acknowledged by four participants, and associated with Plummer et al.'s (2006) research, ensuing competition and sustainability-related issues might pose threats along the way. Reflecting on evidence highlighting the dangers of weakened collaborative relationships, including an early case of Canadian craft breweries (Plummer et al., 2006), another vital implication that emerges is that Peruvian craft breweries should avoid following the path of individual interests and gains. Instead, they should continue to focus on the strength of the group in order to vie for the long-term success of their industry, which undoubtedly would produce financial and other gains.

5.3 Limitations and future research

While this study represents a first foray into Peru's craft-brewing industry and provides useful clues regarding its potential and its amalgamation and contribution towards Peru's destination image and tourism, the study has some limitations. For instance, at the time of the study, the industry was (and still is) under significant development, including new entrants. Future research could follow and update this initial effort, particularly examining other more established craft-brewing industries, where 'natural selection' has already taken place. Indeed, Duarte Alonso et al.'s 2016 study, predominantly conducted among microbrewery owners, managers, and brewing masters of Italy, Spain, and the UK highlighted such 'natural selection' stage, notably, through comments from Spanish and Italian participants. Related to this developmental issue, given various challenges, including the lack of contact details or more efficient and direct means of communication, particularly due to weak internet connection or lack of a web page, unfortunately not more microbreweries were able to participate in the study. While qualitative studies can be reasonably generalised to settings that are similar (Forman et al., 2008), which can be applicable to this study, given the sample size, these limitations should be considered when making broader generalisations on the applicability of the research findings. With improved communication, future investigations could extend the scope of the present study, gathering data from participants in different Peruvian regions and through different means (face-to-face interviews, interviews undertaken using teleconferencing, or internet communication).

A further limitation is that the study only focuses on the nation of Peru. However, given that other South American or Latin American nations are in the process of developing their own craft-brewing industry, future research could also consider neighbouring nations. These additional future efforts could not only provide more insights of how this industry can become competitive in emerging economies, but also inform tourism 'stakeholders' on how

best to maximise the potential of craft-brewing as a key destination image factor. Along these lines, the proposed model could be tested in Peru as well as in other nations; this attempt could lead to confirming its usefulness, or even to identifying the value of incorporating other theoretical underpinnings.

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