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| <b>Institution: Staffordshire University</b>   |
| <b>Unit of Assessment: 19 – Business and Management Studies</b>  |
| <b>Title of case study: SME promotion: the case of small breweries</b>   |
| <p><b>1. Summary of the impact</b><br/>         Research published by Pugh, Wyld and Tyrrall (2001) was adopted by the Campaign for Real Ale (CAMRA) and the Society of Independent Brewers (SIBA) to provide the theoretical and empirical underpinnings of their lobbying campaign for a sliding scale of excise duty for small breweries (also known as “progressive beer duty”; henceforth, PBD). This campaign led to the introduction of PBD in the 2002 Budget. Subsequent evaluation (Wyld, Pugh and Tyrrall, 2010) established that PBD has helped to generate new businesses (well over 100) and new jobs (at least several hundred) that otherwise would not have been brought into existence.</p>  |
| <p><b>2. Underpinning research</b><br/> <b>Context, nature and key findings/insights of the research:</b><br/>         Research published by Geoff Pugh, John Wyld and David Tyrrall (2001), all three of whom were then full-time permanent staff at Staffordshire University Business School, was adopted by the Campaign for Real Ale (CAMRA) and the Society of Independent Brewers (SIBA) to strengthen the analytic and empirical underpinnings of their lobbying campaign for a sliding scale of excise duty for small breweries (PBD). The research was an ex-ante evaluation of the likely effects of introducing PBD. The published research comprised a theoretical model – derived from classical theories of goods market monopsony - together with empirical analysis of a large longitudinal dataset (entry, survival and exit data for every brewery in the UK from 1988) and value chain analysis of where value was added in the journey from the hop fields to the final consumer. The findings of this study were that PBD would not – on the whole - increase the profitability of individual small breweries, but would increase the number of small breweries able to make normal profit, thereby increasing the number of small breweries sustainable in the long run and, correspondingly, increasing competition in the beer industry and consumer choice. These findings informed the CAMRA/ SIBA campaign and its eventual success.</p> <p><b>Dates and key research outputs:</b><br/>         This research began in 1999. The first paper was published in 2001, although a pre-publication version was already having an impact on the CAMRA/SIBA campaign. This early impact is demonstrated by CAMRA’s decision in December 1999 to support the further development of this research with a small grant (£5,000). This project gave rise to further papers in 2004, 2010 and 2012 (see Section 3, below). Wyld, Pugh, Tyrrall (2010) is an econometric evaluation of the impact of PBD, which reported findings broadly supportive of contemporary practitioner claims that PBD had added substantially to the dynamism of the small brewery sector, in particular with respect to the pace of net business formation.</p> <p>This research was the first of what became an agenda of research on public policy interventions to support small business development. The latest outcome is a completed evaluation of innovation support programmes for SMEs in traditional manufacturing industry: GPrix, a European Union Framework 7 project commissioned by DG Research: <i>Good Practices in Innovation Support Measures for SMEs</i> (a 27-month research project completed in February 2012) (<a href="http://www.gprix.eu/">http://www.gprix.eu/</a>). The findings and recommendations arising from the econometric analysis completed at Staffordshire University (the lead partner in this respect) have already – as of Autumn 2013 - had a demonstrable outcome – i.e. a joint project between Professor Geoff Pugh and colleagues at the National Endowment for Science, Technology and the Arts (NESTA) to design and evaluate the Technology Strategy Board’s (TSB) Innovation Voucher Programme for SMEs in the “Built Environment” and in the “Agrifood” sectors. At the time of writing, the research outputs have been disseminated as</p> <ul style="list-style-type: none"> <li>• project deliverables (all publicly available from <a href="http://www.gprix.eu/">http://www.gprix.eu/</a>),</li> <li>• public presentations for practitioners – including dissemination events in Brussels and in each of the seven EU regions of the project partners and, in the UK, a Staffordshire University Public Lecture, a “Business Breakfast” event of the West Midlands Economic Forum (WMEF) and a</li> </ul> |

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plenary session at the 2012 Annual Conference of the WMEF

(<http://westmidlandseconomicforum.co.uk/index.php/pages/event/sustaining-competitiveness-session-on-Stimulating-Innovation>) and through

- conference papers (e.g. at the 2012 Conference of the Institute for Small Business and Entrepreneurship).

Submissions are currently being made to peer-reviewed journals to validate this research. In Section 5 we give the name of senior practitioners at NESTA and at the TSB who can corroborate the continuing impact of the research completed at Staffordshire University.

**Names and positions of the key researchers:**

Geoff Pugh and John Wyld are still at Staffordshire University as, respectively, Professor of Applied Economics and Senior Lecturer in Accounting and Finance. David Tyrrall is currently a member of the EU's "Greek Task Force" and is a Visiting Professor at Staffordshire University Business school (see REF5).

### 3. References to the research

**References to key outputs from the research:**

At each stage, the research was validated by publication in peer-reviewed journals. The ex-ante theory and corresponding empirical analysis was presented in

- Pugh, G., Tyrrall D. and Wyld, J (2001). Will progressive beer duty really help UK small breweries? A case study in profit appropriation, *Journal of Small Business and Enterprise Development*, Vol.8, No.4 (Winter) pp.311-338. DOI: 10.1108/EUM0000000006828

This first paper was supported financially by CAMRA and SIBA. The subsequent publications were not supported financially by CAMRA and SIBA but we involved these previous partners as stakeholders and shared our findings with them.

A development of this research agenda investigated web sites as a practical means for small independent breweries to gain market access and made corresponding managerial and policy recommendations.

- Fry, J., Tyrrall, D., Pugh, G. and Wyld, J. (2004). The provision and accessibility of small business Web sites: a survey of independent UK breweries, *Journal of Small Business and Enterprise Development*, Vol.11, No. 3 (2004 E-commerce Special Edition) pp.302-14. DOI: 10.1108/14626000410551564

Ex-post evaluation of the effects on the small brewery sector was reported in:

- Wyld, J., Pugh, G. and Tyrrall D. (2010). Evaluating the impact of progressive beer duty on small breweries: a case study of tax breaks to promote SMEs, *Environment & Planning C: Government & Policy*, Vol.28 (2) (2010) pp.225-40. DOI:10.1068/c0930b

In addition, the theoretical framework – essentially a development and application of goods market monopsony – informed a critique of the exclusively consumer focus adopted by UK competition policy, which – so we argue – is inconsistent with the declared government priority of SME promotion.

- Wyld, J., Pugh, G. and Tyrrall D. (2012). Can powerful buyers "exploit" SME suppliers? *Journal of Small Business and Enterprise Development*, Vol.19, No.2 (Summer) pp. 322-334. DOI: 10.1108/14626001211223928
  - At the time of writing, David Tyrrall was a senior official in the Department for Business, Innovation and Skills, although – of course – writing in a personal capacity.

**Evidence of the quality of the research:**

According to *The Association of Business Schools (ABS) Academic Journal Quality Guide* (Version 4, last updated 17 November 2010), the *Journal of Small Business and Enterprise Development* typically publishes papers of REF 2\* standard; and *Environment & Planning C: Government & Policy* typically publishes papers at REF 3\* standard.

- see <http://www.associationofbusinessschools.org/node/1000257>. For the rankings:

<http://www.associationofbusinessschools.org/sites/default/files/Combined%20Journal%20Guide.pdf>

### 4. Details of the impact

**How the research underpinned the impact:**

By the late 1990s/early 2000s, CAMRA and SIBA had developed an effective campaign for PBD.

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However, campaign proposals lacked the analytic foundations needed to survive initial screening by the Government Economic Service and other officials in Her Majesty's Treasury (HMT). In the words of Iain Lowe, the then Research Manager at CAMRA, "CAMRA has been pressing for such a system for a long time ... I am still unclear exactly what we need" (e-mail of September 25<sup>th</sup> 1998 – a copy can be made available on request). The research published in Pugh, Tyrrall and Wyld (2001) gave CAMRA and SIBA what they needed: i.e. rigorous evidence rooted in economic theory (in particular, identifying the market failure to be corrected by PBD). These analytic underpinnings gave "bite" (as CAMRA put it) to their proposals in negotiations with Government (especially HMT). Accordingly, this research helped to change the Government's response to the campaign from "Ministers are not convinced that a tax concession was an appropriate way of encouraging competition in the beer market" (Fax dated 23<sup>rd</sup> March 1999 to CAMRA from Anne Locke, Assistant Director, EC Competition Policy, Department of Trade and Industry; a scanned pdf can be provided on request) to being "minded to introduce" a reduced rate of duty on the beer produced by small breweries (March 2001 Budget Statement, Alcohol and Tobacco Duties: <http://webarchive.nationalarchives.gov.uk/20070101084430/http://hmrc.gov.uk/budget2001/ce2.htm>). In particular, the research promoted PBD by demonstrating that it could be an instrument for promoting SME development, which by then was established as a major Government policy agenda.

Early results of the research reported in this impact study were submitted to Her Majesty's Custom and Excise as early as December 1999 ("The Market Access Case for Progressive Beer Duty: A Submission to Government by the Society of Independent Brewers"; the original or a scanned pdf can be provided on request). The research was well received by CAMRA, SIBA and the trade press. It was subsequently presented to a meeting of CAMRA's Industry Committee with the Chair of the Parliamentary Beer group in attendance (January 29<sup>th</sup> 2000) and then formally submitted to HM Treasury by CAMRA. The sliding scale was introduced in the 2002 Budget.

***The nature and extent of the impact:***

The evidence for impact is two-fold.

1. The research provided the analytic foundations for a joint consumer-group and producer-group campaign to bring about a change in public policy.
2. The benefits claimed ex-ante in the research have been subject to a rigorous ex-post evaluation, which demonstrated the positive impact of the 2002 reform on business formation in the small brewery sector. In short, the 2002 reform enabled a substantial number of small breweries to set up that otherwise would not have been able to get started in the industry.

The Abstract of Wyld, Pugh and Tyrrall (2010, p.225) summarises the "nature and extent of the impact".

We examine whether the 2002 introduction of progressive beer duty (PBD) in the UK has had its desired or predicted effects. The purpose of the new tax relief was, in the words of the then Chancellor of the Exchequer, to "encourage one group of small businesses: the nation's small brewers". A dataset has been created of all small breweries in the United Kingdom from 1988 to 2008, recording the dates of their creation, progression, and, where relevant, extinction. We find ... evidence of an increase in the rate of formation of small breweries. These findings are consistent with predictions from standard economic theory and thus may be relevant to wider policy debate on the use of targeted tax breaks to support small and medium enterprises.

These claims were endorsed by Colette Henry, the then President of the Institute for Small Business and Entrepreneurship at the Royal Veterinary College, University of London, who commented on the ex-post evaluation of Wyld, Pugh and Tyrrall (2010) as follows: "... this paper makes an important contribution to the policy literature by lending further support to the argument that financially based policy incentives can often encourage new entrants to the market place."

Guest Editorial: SME policy and the role of government, in: *Environment and Planning C: Government and Policy* 2010, Vol. 28, pp. 191-194; here, p.193. DOI:10.1068/c2802ed.

In sum, the research reported in Section 3 made a significant contribution to a successful policy innovation; namely, a targeted tax reform to support small breweries. Subsequent claims by both HMT and CAMRA/SIBA as to the success of the reform were endorsed by rigorous evaluation

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undertaken by Wyld, Pugh and Tyrrall (2010). This research demonstrably played a role in change that continues to generate new businesses (well over 100 by 2008) and new jobs (at least several hundred by 2008) that otherwise would not have been brought into existence.

In 2011, this research was selected as an example of “useful” research to showcase to the media during the national “Universities Week”. (This can be documented by e-mail correspondence, which is available on request.)

One additional aspect of the impact of this research is that it helped to level the imbalance of intellectual resources between a group of small producers on the one hand and powerful large producers on the other (large breweries have no interest in promoting increased competition from small/microbreweries). In this respect, the research has also played a modest community development role.

**5. Sources to corroborate the impact*****For the existing impact of the research:***

- CAMRA’s Research and Information Manager for 23 years and throughout the campaign on PBD; but retired in March 2012.
- Member of the CAMRA National Committee during the period of the campaign and its aftermath.
- In addition, both before and in the immediate aftermath of the introduction of PBD in 2002, this research was widely reported as an integral part of the campaign by the regional and trade press. Examples include: *Burton Mail* (October 20<sup>th</sup> 2001) (Burton is a national centre for brewing); *Uttoxeter Advertiser* (October 23<sup>rd</sup> 2001); and the *Birmingham Post*, 23<sup>rd</sup> October 2001. One example still to be found on the web is from the *Birmingham Mail and Post*, which in 2002 reported this research in the context of CAMRA’s campaign for PBD: <http://www.thefreelibrary.com/Small+breweries+find+cheer+if+they+have+inn.-a082366278> Most prominent among media attention to this research was BBC Radio 4’s *Today Programme* (evidenced by an e-mail from a BBC Radio 4 journalist on June 11<sup>th</sup> 2002).

***For the continuing agenda of research on public policy interventions to support small business development:***

- NESTA: Director, Creative Industries in NESTA’s Policy and Research Unit.
- TSB: Relationship Manager, Technology Strategy Board.