

# Does Ethnicity Influence Beer Consumption and Brand Choice?

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## **Abstract**

The beer industry in the US represents more than \$350 billion dollars of total economic impact (2016). This makes the industry one of the largest consumer product sectors in America. As a category of consumer goods, beer is one of the most dynamically changing products in the country. The industry responds quickly to changes in consumer preference and shifting consumer demographics. The continued ability to understand and predict shifting consumer demand is paramount to the industries' ability to continue to innovate and selectively appeal to the heterogeneous consumer. It is well known that consumer demographics play a key role in determining consumer preference. Lopez and Matschke (2012) examine consumer preference for beer, in characteristic space, using market level data. The authors assume a heterogeneous agent model with age and income variation across consumers. Consistent with expectations, they find a strong relationship between increased age and income and lower sensitivity to price. However, the study omits other relevant consumer demographic variables, such as ethnicity. This study seeks to understand more deeply how additional consumer characteristics influence preference for beer; and in particular, how ethnicity influences beer consumption and brand choice. The methodological approach taken in this study is to estimate a differentiated demand for beer using a random coefficients discrete choice model. IRI Brand level data will be used as well as consumer level demographic data from the Current Population Survey.

# 1 Introduction

According to a study by the Pew Research Center (2016), by the year 2055 the United States will not have a single racial or ethnic majority. In 1965, 84% of Americans were non-Hispanic Whites, 11% Black, 4% Hispanic, less than 1% Asian and less than 1% other. By 2015 the ethnic distribution had shifted with non-Hispanic whites now representing 62% of the U.S. population, 12% Black, 18% Hispanic, 6% Asian and 2% other.<sup>1</sup> Over a 50 year period the American demographic landscape had changed with large increases in Hispanic and Asian representation. These divergent trends are expected to continue long into the future at variable rates depending on how immigration policy morphs with fluctuations in the political landscape.

When discussing racial and ethnic trends it has become important to define these terms precisely. Unfortunately this is not a trivial task. The classical definitions of race and ethnicity used by sociologists and anthropologists are given by the following:

- Race - refers to a category of people who share certain inherited physical characteristics, such as skin color, facial features, and stature. Using physical differences as their criteria, scientists at one point identified as many as nine races: African, American Indian or Native American, Asian, Australian Aborigine, European (more commonly called “white”), Indian, Melanesian, Micronesian, and Polynesian. (Smedley 1998)
- Ethnicity - refers to the shared social, cultural, and historical experiences, stemming from common national or regional backgrounds, that make subgroups of a population different from one another. Within the context of ethnicity, an ethnic group can be defined as a subgroup of a population with a set of shared social, cultural, and historical experiences; with relatively distinctive beliefs, values, and behaviors; and with some sense of identity of belonging to the subgroup. (Barkan 2016)

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<sup>1</sup>Whites, Blacks and Asians include only single-race non-Hispanics. Asians include Pacific Islanders. Hispanics are of any race. Source: Pew research Center estimates based on adjusted census data.

## References

Barkan, S. E. (2016). *Sociology : understanding and changing the social world*. Minneapolis: Minneapolis, MN : University of Minnesota Libraries Publishing.

Smedley, A. (1998). “Race” and the Construction of Human Identity. *American Anthropologist*, 100(3), 690–702.

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