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How craft beer saturation led to Anchor Brewing's demise

The oldest brewery in the U.S. fell victim to a crowded market and high costs as it tried to remain relevant to younger consumers, a Marcum executive told Food Dive.

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Chris Casey
Associate Editor

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This month, alcohol giant Sapporo USA announced it will shutter the operations of the oldest craft brewery in the U.S., San Francisco-based Anchor Brewing, after 127 years. Experts believe saturation and shifting trends in the craft beer industry — which has ballooned in popularity over the past decade and now contains over 9,500 breweries — is now driving longtime players out of business.

David Oksenhorn, director of tax and business services at accounting firm Marcum, told Food Dive the current most popular varieties of craft brews like hazy IPAs — which are brewed with more oats and wheat and feature a cloudy texture — have taken precedence with consumers over the more traditional styles that Anchor Brewing and others have specialized in. But when the over a century-old Anchor tried to appeal to new trends, it backfired, he said.

"They lost people when they decided to pull a 180 and try and jump on... things like hazy IPAs and go away from their staple," Oksenhorn said.

Anchor also experimented with cans in recent years, while its beer was known for being sold in bottles. Oksenhorn said this broke with what its core consumers were used to.

Japan-based Sapporo, whose U.S. branch acquired Anchor for about $85 million in 2017, bought the brand at a time when craft beer was booming. In the press release announcing the closure, Sapporo said the brewery made "repeated efforts over the last year to find buyers for the brewery and its brands, but none have come to fruition," and floated the potential of a buyer emerging as part of the liquidation process.

It's possible the brewery could fall into the hands of its employees. Anchor told Fortune this week a group of workers is embarking on an effort to repurchase the brewery, and it would consider an offer consisting of "a verifiable source of funds," but warned time is running thin.

According to Oksenhorn, there are a variety of factors that will continue to determine how a craft brewery will fare, such as the costs of their location — like Anchor in the expensive San Francisco region — along with the brand identity and marketing costs.

The craft beer industry has experienced flat growth over the past few years, and saw a 4.7% decline in 2022, according to Circana data shared with BevNet. The Marcum executive attributed this to an overcrowded alcohol space, particularly with trendy beverages like hard seltzers and ready-to-drink cocktails, which he said is driving some attention away from IPAs.

Non-alcoholic beer is becoming a greater factor among younger consumers, according to Oksenhorn, with players like Brooklyn Brewery and Heineken investing heavily in the space. This could be harder for smaller players who lack a specialized process or technique.

“Non-alcoholic beer is something breweries can expand on, but you need to have specialized process or a technique for it, so it’s not always cost effective, especially if you’re really small, but middle or larger ones are starting to look into that more and more,” Oksenhorn said.

While there’s still interest in craft beer, he said, large beverage companies will be more aware about the market dynamics in their craft beer investments going forward.

“The unfortunate failures of some of the more recent breweries are definitely going to probably give people some more caution and lead them to be more specific as to who to go after,” Oksenhorn said.