



The Business Case for Protein Diversification



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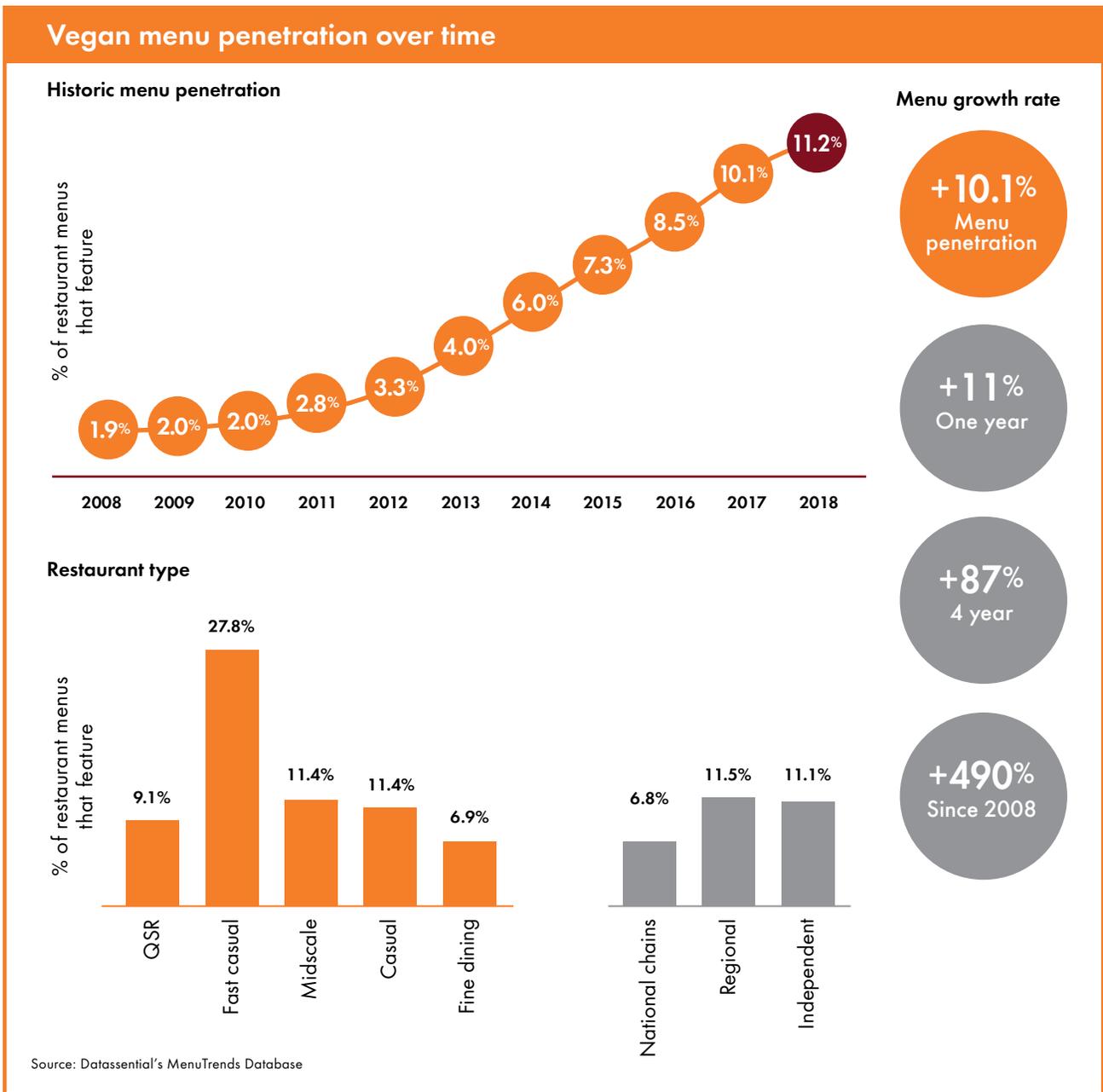
The past few years have witnessed a global shift toward plant-based eating. Diners are seeking meat alternatives for many reasons, including better health, animal welfare, and sustainability. Forward-thinking restaurateurs have demonstrated that featuring plant-based proteins can increase foot traffic, boost sales, attract new customers, and encourage lapsed customers to return—all while lowering ingredient costs and providing valuable differentiation from competitors.

Plant-based foods are experiencing a huge surge in popularity as consumers seek healthier, more humane, and more sustainable options. Nielsen Product Insider reports that sales of meat alternatives grew by 30% in 2018,¹ and Barclays forecasts that the global meat alternative market will be worth \$140 billion in the next ten years.²

Restaurants such as Burger King, Dunkin', Subway, Denny's, TGI Friday's and White Castle have added plant-based products, such as the Impossible Burger and Beyond Meat sausage patty, to their menus with tremendous financial success as measured by increased sales and foot traffic.

U.S. retail sales of plant-based foods grew by 11% in 2018, bringing the total plant-based food market value to \$4.5 billion. In contrast, total sales in the U.S. retail food market grew by just 2% during the same period. Clearly, plant-based foods are a key driver of growth for retailers nationwide.³

The growing demand for plant-based offerings is having a long-term effect on restaurant menus. Datassential's MenuTrends shows that the penetration of "vegan" offerings on U.S. menus has grown by 490% since 2008. Up to 11.2% of U.S. menus now offer this dietary choice. Plant-based eating is trending upward, and 24% of the top 100 restaurants increased their meat alternative offerings between 2017 and 2018.⁴



Source: Cameron, Brianna, and O'Neill, Shannon. (Jun. 2019). Vegan Menu Penetration Over Time. [gfi.org. https://www.gfi.org/non-cms-pages/splash-sites/soi-reports/files/SOI-Report-Plant-Based.pdf](https://www.gfi.org/non-cms-pages/splash-sites/soi-reports/files/SOI-Report-Plant-Based.pdf).

The benefits of offering meat alternatives

Increased foot traffic

Many restaurants are reporting that diversifying protein options attracts new customers. During testing, Burger King locations selling the Impossible Whopper saw foot traffic soar by 18.5%, while foot traffic at its other U.S. locations declined by 1.75%.⁵ Similarly, in 2017, Umami Burger started carrying the Impossible Burger, which is now the top driver of new sales chain-wide and accounts for one-third of all burger sales.⁶

“Since introducing Impossible to our menu last year, it’s been in the top 3 burgers sold in nearly all locations, increased overall sales by 27% during first 6 weeks of launch (began in 9 locations in LA, now at 20) and representing 20% of overall sales.”

Daniel del Olmo, CEO

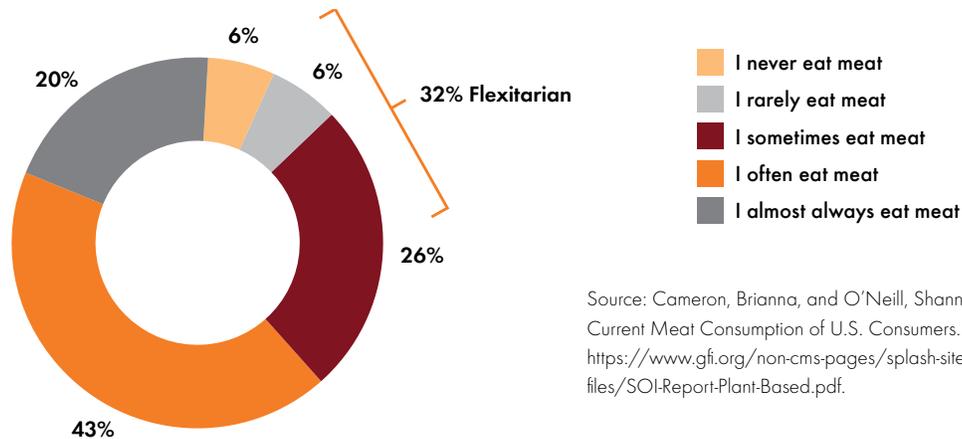


Greater appeal to millennials

Millennials, the largest generation in history, are driving the global shift toward plant-based foods. Millennials account for 25% of the U.S. population and spend an average of \$1,672 on dining out annually.⁷ They are far more likely than other generations to eat meat alternatives in a restaurant. The USDA reports that, among all the generations, millennials dedicate the smallest share of food expenditures to grains, white meat, and red meat.⁸

The rise of the flexitarian

Current meat consumption of U.S. consumers

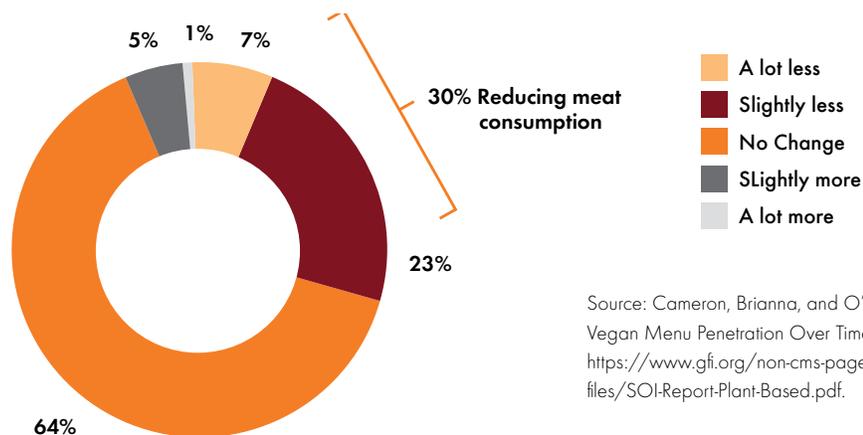


Source: Cameron, Brianna, and O'Neill, Shannon. (Jun. 2019). Current Meat Consumption of U.S. Consumers. [gfi.org](https://www.gfi.org/non-cms-pages/splash-sites/soi-reports/files/SOI-Report-Plant-Based.pdf). <https://www.gfi.org/non-cms-pages/splash-sites/soi-reports/files/SOI-Report-Plant-Based.pdf>.

The demand for protein diversification is being driven by flexitarians who consciously choose to reduce their meat consumption—not by vegans or vegetarians. A recent study, *The Future of Plant-Based*, found that 90% of those consuming plant-based meats are neither vegetarian nor vegan.⁹

The population of those who identify as vegan or vegetarian has remained relatively constant over the past decade, but flexitarianism is being adopted more widely, particularly among health- and environmentally conscious millennials.¹⁰

Changes in meat consumption of U.S. consumers



Source: Cameron, Brianna, and O'Neill, Shannon. (Jun. 2019). Vegan Menu Penetration Over Time. [gfi.org](https://www.gfi.org/non-cms-pages/splash-sites/soi-reports/files/SOI-Report-Plant-Based.pdf). <https://www.gfi.org/non-cms-pages/splash-sites/soi-reports/files/SOI-Report-Plant-Based.pdf>.

“The Beyond Burger was a 6–7% sales lift compared to our previous meatless burger, which was a black bean patty... It’s definitely bringing in new people. We have been trying to ‘age down’ our brand, and the Beyond Burger has been bringing in a lot of younger people.”

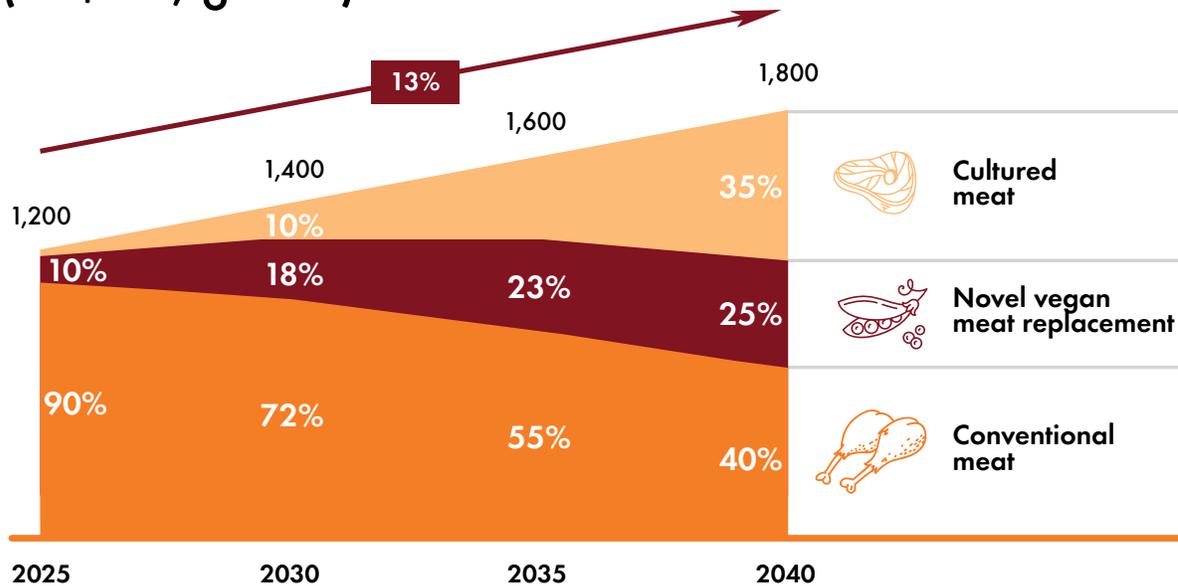
DaVIDE Spirito, Senior Director of Culinary Innovation



Increased sales

Many restaurants are increasing sales by diversifying protein options. New product introductions are generating greater publicity, attracting a new customer base, and building consumer excitement. In 2019, Burger King rolled out its Impossible Whopper to 7,000 restaurants across the United States in what has become “one of the most successful product launches in brand history.”¹¹ Burger King’s sales rose by 5% in the third quarter of 2019 and the chain announced testing of three new Impossible-based menu items at 180 U.S. locations. This was the chain’s strongest growth since 2015.¹²

Global meat market forecast (in \$ bn, global)



Source: Gerhardt, Carsten, et al. (16 Jul. 2019). Global Meat Market Forecast. atkearney.com.

<https://www.atkearney.com/retail/article/?a/how-will-cultured-meat-and-meat-alternatives-disrupt-the-agricultural-and-food-industry>

New customer acquisition

Many consumers first encounter new trends at restaurants, which are an important target for producers of plant-based foods. What's more, companies offering meat alternatives are seeing an increase in new customer acquisition as well as lapsed customers returning to try the new, plant-based products. Indeed, Grubhub saw a 25% increase in orders of plant-based dishes in 2019.¹³

“What’s especially exciting is that the sales of the Impossible Whopper have been highly incremental and have attracted new types of guests into our restaurants. It’s really been something to see as I visited stores across the country, and our team has been getting a lot of questions as to just who this guest is that’s coming in for the Impossible Whopper.

We’ve done a lot of research and found that the appeal is quite broad-based across several types of consumers. We see a lot of millennial and Gen Z customers who tend to really connect with the message around sustainability. We also see older guests that perhaps used to come to Burger King but haven’t visited in a while.”

José E. Cil, President of Burger King



Lower ingredient costs

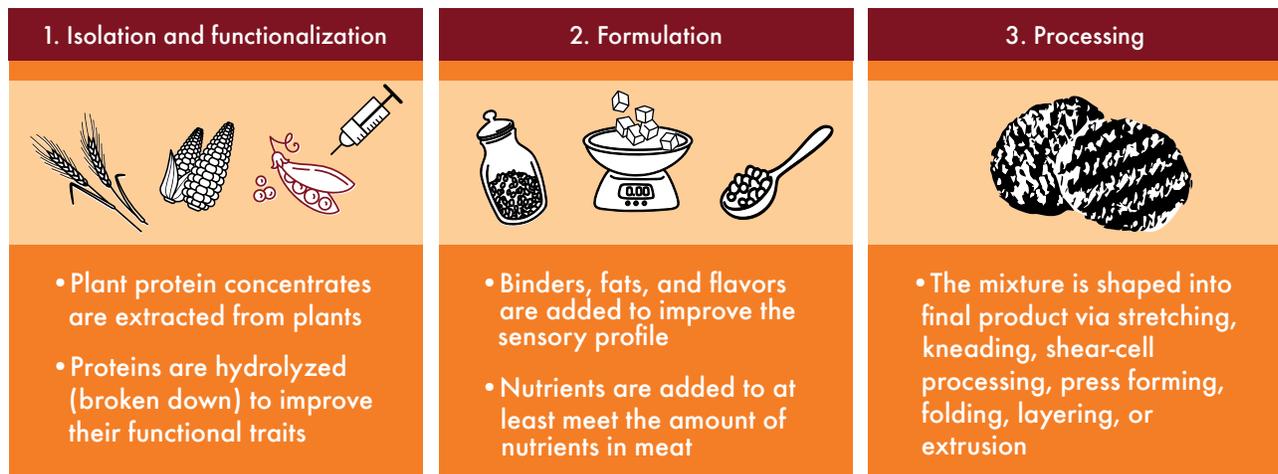
Plant-based foods are made with protein-rich ingredients like legumes and grains. Compared to their animal-based counterparts, these protein alternatives offer numerous benefits including lower costs, a longer shelf-life, and less price volatility. Andy Wiederhorn, the CEO of Fat Brands, told Markets Insider that while some meat alternatives are priced higher, consumers appear willing to pay a premium for these products.¹⁴

Sustainability

Consumers are growing increasingly concerned about the planet and are looking for ways to reduce their personal impact on climate change. A 2019 national poll by *The Washington Post* and the Kaiser Family Foundation found that 53% of adults say they have taken actions to reduce their carbon footprint.¹⁵

Peer-reviewed studies and authoritative sources ranging from the Chatham House think tank to the United Nations have demonstrated the harmful effects of intensive animal agriculture on the environment.¹⁶ By diversifying protein offerings, restaurants have a unique opportunity to demonstrate their commitment to creating a more sustainable future. For example, the Impossible Burger is tied to 87% less water use, 96% less land use, 89% fewer GHG emissions, and 92% less nutrient pollution (responsible for dead-zone creation) than its ground beef counterpart.¹⁷

Process to create novel vegan meat replacement



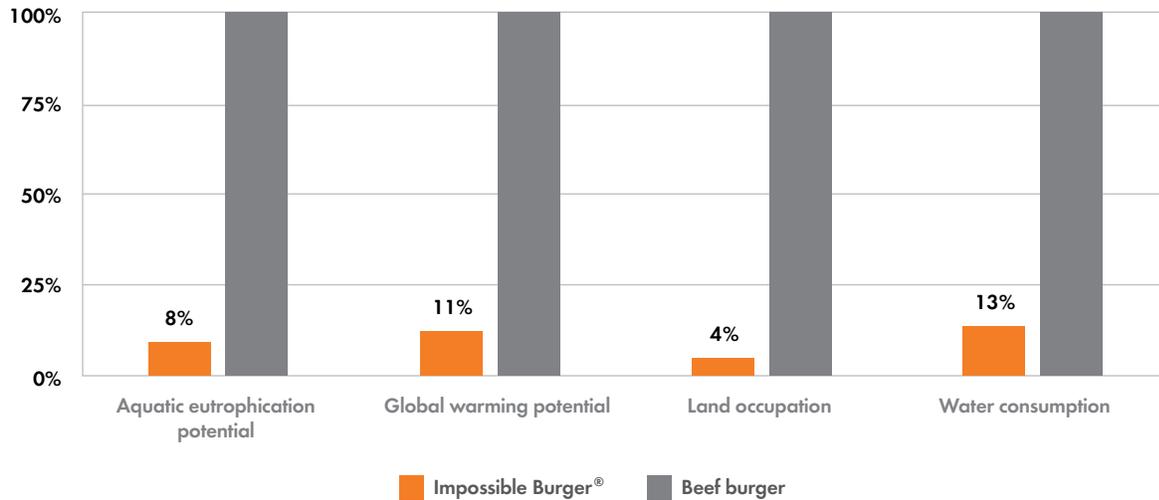
Source: Gerhardt, Carsten, et al. (16 Jul. 2019). Process to Create Novel Vegan Meat Replacement. atkearney.com.
<https://www.atkearney.com/retail/article/?/a/how-will-cultured-meat-and-meat-alternatives-disrupt-the-agricultural-and-food-industry>.

Competitive advantage

Restaurants are facing stiff competition in a saturated market. Adding plant-based entrées can provide an important point of differentiation, add interest to menus, foster innovation, and align brands with customer values regarding health, animal welfare and environmental sustainability.²¹

As plant-based entrées continue to grab attention in the press and on social media, restaurants can capitalize on this interest by offering more protein-rich, plant-based menu items.

Results comparison of Impossible Burger® and beef burger (Impact 2002+ v2.28).



Source: Khan, Sofia, et al. (20 Mar. 2019). Results Comparison of Impossible Burger and Beef Burger (Impact 2002+ c2.28). impossiblefoods.com/mission/lca-update-2019/.

Protects animals, workers, and communities

Conventional meat is derived from animals cruelly confined on factory farms, where animals are treated as mere machines and unable to engage in natural behaviors.

Workers at these intensive agricultural facilities are in many cases treated just as cruelly as the animals. They are often subjected to workplace hazards, including life-threatening injuries, sexual abuse, slave labor, respiratory illnesses, and exposure to dangerous, antibiotic-resistant bacteria.¹⁸

Furthermore, factory farms are predominantly located in low-income communities and communities of color. One study examined 67 factory farms in Mississippi and found that most were located in low-income areas and areas with a high percentage of African-Americans.¹⁹

Factory farms have been caught spraying feces and urine into the air to dispose of the waste, often resulting in nausea, high blood pressure, respiratory issues, asthma symptoms, and a lower quality of life for children and others living in the vicinity.²⁰

Restaurants that opt to serve meat alternatives can rest assured that a growing customer segment will appreciate their efforts to avoid contributing to such problems, rewarding the restaurants with greater foot traffic and sales.

Lessons from the dairy industry

Concerned about the environmental toll of dairy, animal welfare, and their own health, Americans are moving away from cow's milk and switching to plant-based dairy alternatives. This shift has come at a cost to America's dairy farmers. The USDA reported nearly 3,000 dairies went out of business in 2018.²²

Despite milk consumption being in decline, the dairy industry continues to overproduce and lobby for unsustainable government subsidies. Because the dairy industry willfully ignored the shift in consumer demand and didn't invest in plant-based alternatives, some of the largest dairy companies have been forced to file for bankruptcy.²³ To avoid a similar fate, the food industry should invest in protein diversification and meat alternatives.

“In 20 years, only 40% of global meat consumption will still come from conventional meat sources.”

A.T. Kearney

The logo for AT Kearney, featuring the letters 'AT' in a smaller, bold, dark red font, followed by 'Kearney' in a larger, bold, dark red font. The 'K' is particularly large and stylized.

Source: Gerhardt, Carsten, et al. “How Will Cultured Meat and Meat Alternatives Disrupt the Agricultural and Food Industry?”. atkearney.com. 16 Jul. 2019. <https://www.atkearney.com/retail/article/?/a/how-will-cultured-meat-and-meat-alternatives-disrupt-the-agricultural-and-food-industry>.

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