

**Disrupting the
Status Quo:
How Plant-Based
Earned a Seat at
the Table**

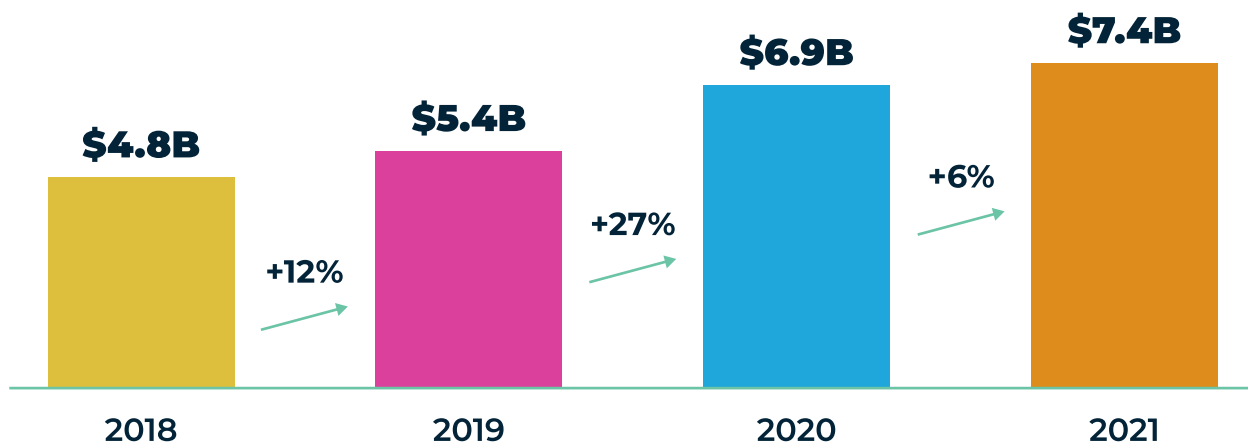
By the end of 2021, numerous news articles and reports were posing questions such as “why did the alternative meat industry fail?” in their headlines, painting a grim portrait for the future of the plant-based industry.

Late November saw reports published on popular food websites indicating that, despite an increase in year-over-year sales¹, companies like Beyond Meat experienced significant downturns in their stock value.

The news, carried across sites like The Spoon² and publications such as Canada’s The Globe And Mail³ cast doubt on the future of the plant-based market by May 2022. With bold titles like The Globe’s “Fake meat was touted as the ‘future of food.’ Why did it fail to deliver?,” the consensus seemed to indicate the popularity of alternative meat products was waning.

But, with some of the same sources publishing reports of refrigerated plant-based meat sales up 19% from the previous year,⁴ discovering the truth became dependent on sourcing a variety of information. **In actuality, plant-based food dollar sales showed continued growth between 2018-2021. During the three-year timeframe, the revenue growth totalled 54%, with an annual compound annual growth rate (CAGR) of 15.5%.⁵**

Total plant-based food dollar sales, U.S. retail (2018-2021)



Plant-based is one of the most innovative disruptors in the food space. As a result, focusing analytics on how its ascendance has cooled may fail to accurately represent the resilience and staying power of a now-established segment of industry.

As consumers become increasingly aware of what plant-based dietary choices mean for them, the noise associated with new product releases may naturally diminish, replaced by a subdued but universally understood knowledge of where to find these products on store shelves.

These days, the more impactful and important messaging surrounds the significance of sustainable dietary habits that are environmentally responsible and cost-comparable for today's consumers.

Shifting the focus from the sales viability of plant-based products to examining their staying power and future contributions towards sustainability initiatives highlights the resilience of an expanding marketplace with new categories emerging all the time.

Here's how plant-based options have earned a permanent seat at the food-industry table.



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Plant-based foods have faced a tremendous amount of scrutiny compared to other segments of the food industry. It is important to note this as it speaks to the traction that the plant-based foods industry is getting. This industry represents the beginning of a paradigm shift in how we think about food and how we tackle feeding the growing world population. Plant-based foods are now being seen as a true disruptor and a challenger to the status quo.

**- Rachel Dreskin,
CEO Plant-Based Food Association**

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How the plant-based industry is demonstrating resilience

The rise of plant-based food sales that had begun prior to the global COVID-19 pandemic continued to climb as families spent more time experimenting with new foods at home.

As restrictions were lifted and restaurants opened up, statistics regarding the consumption of plant-based foods dissipated amongst a wider number of channels. Grocery store sales statistics no longer represented the totality of food purchases.

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The plant-based food industry has seen exponential growth in the past few years with many new innovations coming to market. This industry is so diverse now, it's no longer one category. We're coming off two years of COVID-19 market fluctuation, and the plant-based food industry saw unprecedented growth during this time — and sales are continuing to rise. In 2020, U.S. retail sales for plant-based foods totaled \$6.9 billion and in 2021, sales hit a record \$7.4 billion. When looking at the plant-based foods industry for marketplace development opportunities, we need to be looking at all the categories around the store comprehensively, as well as doing deep dives into specific categories such as plant-based meats.

- Rachel Dreskin,
CEO Plant-Based Food Association

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Without the ability to track 1:1 sales across now-open restaurants, venues and events, the sales numbers across a single-channel source declined.

But what if this buzz-worthy trend is now simply a lasting dietary preference?

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I think the general interest in plant-based as a category remains strong, even if the individual companies are losing share.

- Corey Chafin,
Associate Partner, Kearney

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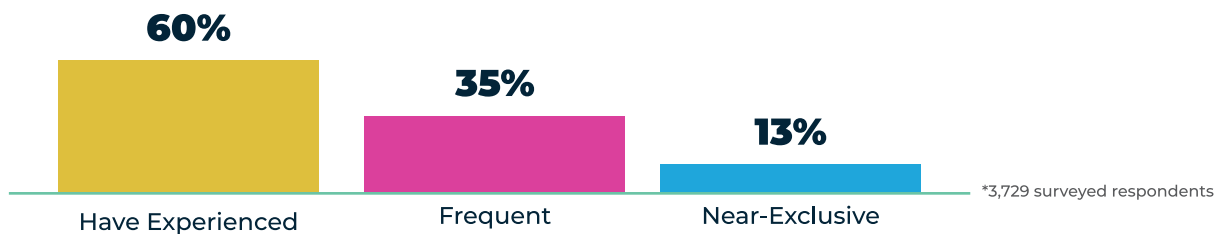


UK-based polls indicated that over 2 million people⁶ participated in Veganuary 2022 — the month-long consumption of only plant-based foods. The number, up dramatically from 500,00 in 2021, showcases a growing commitment to supporting the environmentally-conscious lifestyle.

A study of over three thousand consumers across seven countries in North America, The Middle East, Europe and Asia⁷ notes the adoption of plant-based foods by many individuals during the pandemic. The main motivators cited for the trial of alternative proteins were the desire for a healthier diet and ongoing concerns regarding the environmental effects of consuming meat.

Of the 3,729 surveyed respondents, 60% had experienced some form of alternative protein whilst 35% were listed as frequent users and 13% claimed to be exclusive or near-exclusive consumers.

Alternative Protein Use by Consumers*



As many as 6% of American consumers⁸ report that they now totally follow a vegan diet, representing a 500% increase.

It's not just vegans who are eating plant-based. Flexitarians — those who eat primarily plant-based but occasionally consume meat and animal products — are contributing to the staying power of this culinary choice.



Accurately assessing demand

Whilst vegans and flexitarians represent a healthy, visible segment of the plant-based community, gearing marketing campaigns and focusing analytics specifically on these demographics devalues the reach of the industry as a whole. By exclusively targeting early adopters of the plant-based dietary and lifestyle community, projections fail to account for the largest segment of plant-based consumers: the mainstream.



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We've overly relied on early-adopters to drive the messaging in the plant-based sector. In doing so, we've overlooked the mainstream audience who may absorb alternative eating habits into their daily dietary regime. How many families have a child or loved one who eats plant-based? How many social functions feature potluck-style dinners inclusive of plant-based food choices? We devalue the appeal of and scope of our collective reach when we focus on what is being consumed — and by whom — instead of how these options are making their way to the dinner table.

- Indy Kaur,
UK Plant-Based Expert

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Although retailers are responsible for assessing consumer demand, they also possess the ability to help their customers maintain what they're looking for. Grocery store shoppers have become familiar with the differences between premium and value-based offerings for their favourite products. A cut of Wagyu beef demands a cost that is not reflective of a similarly sized cut of flank steak.

However, with plant-based being a relatively new vertical, marketing and merchandising could benefit from educating consumers as to the difference between their alternative products.

Shelving both premium and cost-effective alternatives will steadily grow the knowledge of what the market has to offer. Grocers can promote true 1:1 value for plant-based alternatives by stocking the options that are cost comparable. The media could look to source and publish statistics that capture a variety of pricing models when contrasting plant-based product sales against what may be misaligned alternatives.

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Plant based eating can be cheap and healthy, but we need to keep context: Beyond is higher price, more aligned with a premium beef burger. We need to focus metrics and marketing efforts around true competitors, not generalise based on one popular brand that may not represent the full offerings.

- Indy Kaur,
UK Plant-Based Expert

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Responsible retailing

It isn't just consumers driving the demand for plant-based offerings on grocery store shelves. Retailers in the UK are still backing plant-based alternatives, although the current economic climate may be contributing to a reduction in the range of offerings competing for shelf space.

Sustainability and a commitment to Environmental, Social and Corporate Governance (ESG) initiatives are a priority for all segments of business. Grocers and retailers fall under the category of organisations seeking to create enterprise value by expanding their objectives to include sustainability-related opportunities to stakeholders and consumers alike.

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The sentiment of retailers in food services is that plant-based is still very much a part of their agenda. At the moment, sustainability is the key driver for plant-based eating, and this pivot is representative of retailer's high level motivation for continuing to offer plant-based products.

- Indy Kaur,
UK Plant-Based Expert

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By adopting a variety of products and services that support environmentally-responsible business practices, organisations benefit from more than the profit that the sale of their plant-based products generate. They contribute to environmentally responsible initiatives that appeal to the board of directors and the consumer base in equal parts.



These initiatives are part of a larger strategy deployed by the UK government to achieve Net Zero emissions by 2050.⁹ An ongoing debate regarding the implications of associated guidelines revolves around the question of the consumer protection framework as a tool for reducing the consumption levels of products that are not ethically or sustainably sourced.

Legislation mandating the promotion of alternative and sustainable animal products, for example, has not yet been widely adopted, however there is debate over the value of nudging consumers towards sustainable consumption patterns. Incorporating issues of sustainable consumption habits into consumer education campaigns is an increasing area of focus.

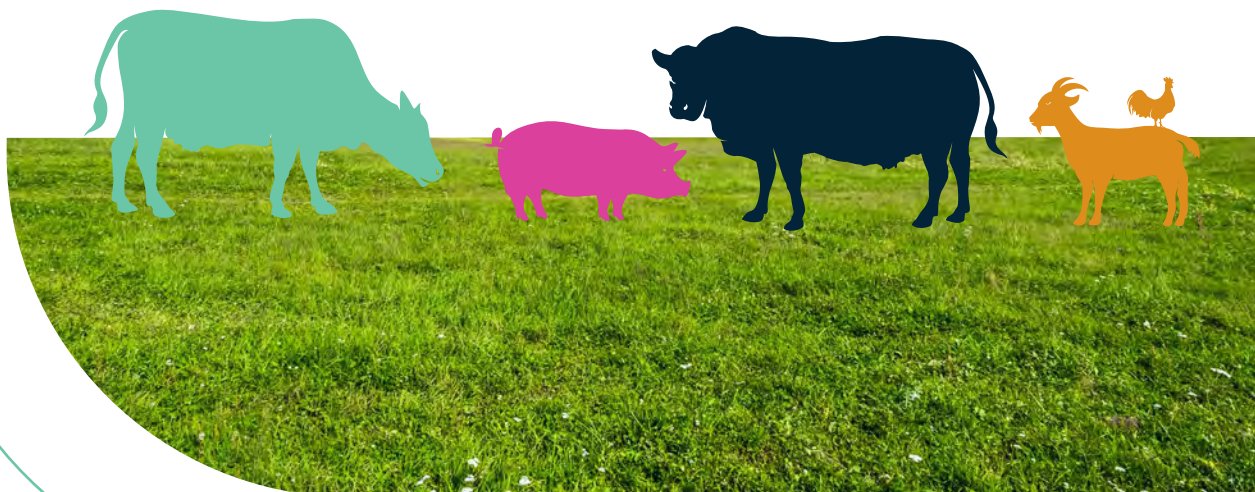
The city of Harleem in the Netherlands is the first to ban the advertisement of meat products. The city, located to the west of Amsterdam, will enact the measure in 2024.¹⁰ The ban is the result of continued education regarding how meat contributes to the global climate crisis.

A recent United Nations report reveals that global livestock produces 7.1 Gigatonnes of Co2-equivalent per year, representing almost 15% of all anthropogenic greenhouse gas emissions.

Beef and dairy cattle produce incredible amounts of manure and draft power, and are the species responsible for 65% of the livestock sector's total emissions.¹¹

Retailers who shelf plant-based options count themselves amongst businesses deploying sustainability initiatives in accordance with ESG guidelines and growing legislative support for environmentally-friendly business practices.

Global livestock represents almost 15% of all anthropogenic greenhouse gas emissions.





The future state of plant-based

Like any emerging industry, a number of players enter the space, each hoping to grab a piece of a hot market. Over time, the established brands grow, while the smaller competitors fall off, and eventually, the market stabilises. Grocery stores may be reducing their efforts to add new plant-based brands to their shelves, but the well-known names are bringing secondary offerings to retailers.

Some grocers are even adding their own label versions of top-selling products. As a result, many of these established brands are tinkering with the nutritional content of their offerings, resulting in new versions of established favourites on store shelves.

Alignment with sustainability initiatives serves to facilitate the introduction of proprietary grocery brands offering their own takes on popular products. Not only does it behove the retailers from a revenue generation standpoint, but it also progresses the increasingly mission-critical deployment of sustainable and green products on store shelves.

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When you have these other criteria and the people who are eating both plant based options as well as animal-based foods, what you're looking to do as a brand is change that ratio, to skew it more towards the plant based.¹²

- Scott Dicker,
Market Analyst, SPINS.

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Growth in these markets could be assessed alongside a perceived decline in the foothold of larger brands to identify if the same options are in fact still on store shelves, with simply the brand names changing. **This data would contrast reports that foretell the decline of the market by focusing on the overall penetration of a few key players in the space.**

At restaurants, even limited-time offerings like the Beyond Meat/KFC nugget¹³ could spark an interest in plant-based food that will contribute to statistically significant differences in consumption patterns down the road.

As the plant-based diet continues to “stick,” limited engagements offered in popular restaurants will continue to grow to regular features ... in some cases, even replacing traditional offerings.

Fast-food giant Burger King is normalising plant-based¹⁴ in a big way: The classic Whopper is now 100% plant-based in Austria. Upon ordering, a customer is presented with the options “regular” or “meat-based,” flipping the paradigm of plant-based as an alternative order.

In the UK, Pizza Hut has embraced plant-based by offering vegan cheese¹⁵ and meat substitutes for popular pizza offerings, while replacing salad dressings with plant-based options. The shift is part of an endeavour to quietly move towards sustainable business practices without the need for media fanfare.

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What’s funny about the plant-based community is that it’s both modern and old-fashioned at the same time. We can’t take methodologies that work in other segments — like tech, or even fashion — and apply them to this industry. I can’t remember another vertical that had a sustainability initiative that backed a food category. I suppose that ‘eat less red or processed meat’ was the closest comparison...although when consumers shifted to white meat, it was more of a transfer from one problem to another, than a sustainable solution.

- Indy Kaur,
UK Plant-Based Expert

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In the midst of these developments, **meat and dairy alternatives are expected to continue growing.¹⁶ The plant-based dairy and meat industries are expected to see market value growth of \$7.9 billion and \$2.6 billion, respectively, by 2024.**

Expected Market Value Growth by 2024





Down grocery aisles and on restaurant menus, the availability of plant-based offerings is proof of the resilience of an industry that has become a fixture of our daily lives.

Continued education, backed by analytics and metrics that truly compare the price points between traditional food sources and their emerging plant-based alternatives will only serve to further define the viability of these options.

As businesses and consumers continue to support sustainability initiatives, education surrounding the importance of environmental responsibility will drive new consumers to seek alternatives for their traditional eating habits.

If Apple's shares took a substantial dive — and, as recently as 2020, they most certainly have¹⁷ — would we posit the end of the iPhone? Would the average smartphone user even notice? The statistics indicate that they most certainly would not.

Over the past decade, iPhone users in the United States have consistently grown each year, with 2022 representing the largest user base¹⁸ to date. Over 118 million Americans trust the iPhone as their smartphone of choice, with an additional five million consumers adopting the brand since the latest stock devaluation.

The Apple example highlights the disassociation between statistics and a true understanding of consumer engagement. Although late 2021 saw a wealth of news articles and reports touting a decline in the viability of all things plant-based, in reality the vertical is continually establishing itself as a viable and growing segment of the food and beverage sector.

To truly gauge the resilience and staying power of the plant-based industry, look beyond the headlines. Let the grocery store shelf, or the menu at your favourite restaurant tell you the true story.

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