

# Plant-based protein is here to stay



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When I wrote my initial article on plant-based protein less than six months ago, I considered myself to be one of the more bullish people covering this sector. However, when I look at where things stand today, it seems that even I underestimated how rapidly this sector could grow and gain market adoption.

## **The Impossible Whopper Now on the Menu**

The best evidence of this is the recent news that Burger King's US comparable sales jumped 5 percent in the 3<sup>rd</sup> quarter following the launch of the Impossible Whopper, which is a strong indication that alternative protein is going mainstream quickly. According to an October 28, 2019 earnings call, given by José Cil, CEO of Restaurant Brands International, Burger King's parent company, "The Impossible Whopper is a huge hit with our guests and has quickly become one of the most successful product launches in Burger King's history. 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." Although it is easy to be bullish on the sector based on the tremendous performance of the Impossible Whopper, I wonder, when the novelty wears off, whether these new customers will make return visits to Burger King, or whether current Burger King customers who tried the Impossible Whopper, will order Impossible Whoppers on future visits or go back to eating the traditional beef Whopper.

Nevertheless, success in the fast food industry is not limited to Burger King: Dunkin' Donuts recently moved forward the nationwide rollout of its Beyond Meat breakfast sandwich by two months, following the success of the item in its New York City initial release. We also have seen plant-based protein offerings showing up at Carl's Jr., KFC, McDonalds, and Subway. As articulated by Mr. Cil, the fast food sector has struggled to attract new types of customers, so the success that plant-based proteins have had in bringing in new customers will likely drive more fast food restaurants to offer at least one plant-based protein product for breakfast, lunch, and dinner. With the recent roll-outs of these new food options, which have led to long lines and sold-out products, the fast food industry recognizes that plant-based protein is a product offering that must be on the menu. As long as the fast food industry continues to attract consumers looking for new plant-based protein products, we should expect this trend to accelerate.

With the strong market traction achieved by Beyond Meat and Impossible Foods during the past two years, incumbent animal protein companies have no choice but to develop products that appeal to this growing customer segment. It is particularly impressive how effective Beyond Meat and Impossible

Foods have been in branding their burgers, as beef is generally not a branded product in supermarkets and fast food restaurants. The fact that Beyond Meat and Impossible Foods have been so successful in gaining market share and brand recognition in the beef-burger segment—the largest and most established fast food product offering—provides a strong incentive for companies working towards bringing to market other animal protein substitutes like poultry, pork, and seafood.

## **Looking Beyond Beef**

I want to share with you additional growth drivers that I either overlooked or underestimated in my prior article, based on conversations I have had over the past six months with FoodTech industry thought leaders like Bruce Friedrich, CEO, The Good Food Institute; Dan Altschuler Malek, Partner, New Crop Capital; and Paul Shapiro, CEO, The Better Meat Co.

Firstly, there has been significant growth in the range of plant-based protein product offerings for poultry and seafood. While beef has been the initial focus for most of the plant-based protein sector, more attention is shifting to poultry and seafood, which together are almost as large a market opportunity in the US as beef, and a significantly larger market globally. It should come as no surprise, then, that established meat producers and leading consumer packaged goods (CPG) companies also are getting serious about plant-based proteins, with recent product launches by Conagra, Kraft Heinz, Nestle, Purdue, and Tyson.

Secondly, the trend for blending plant-based protein with animal protein has been steadily growing. The advantage of blending is that it allows consumers to enjoy the benefits of reducing their meat intake without having to give up meat entirely. Moreover, blending provides health benefits by offering lower cholesterol and calories than 100 percent animal proteins. Blending provides a particularly interesting avenue to increase consumption of plant-based proteins as many consumers, who are not ready to move to 100 percent plant-based protein, are more likely to consume blended products, where they still feel that they get the meat taste.

Another benefit of blending is that by decreasing the amount of animal protein consumed, it could lessen the environmental impact of the consumption of animal protein, including reducing overfishing. Blending is becoming more mainstream with Purdue working with the Better Meat Co. on a blended chicken nugget and Tyson developing its own blended chicken nuggets. Poultry isn't the only area where blending is gaining traction; Ocean Hugger Foods has been providing Ahimi, a plant-based alternative to raw tuna, for blending with tuna in Google's cafeterias.

One more factor likely to help increase future consumption of plant-based proteins is that most consumers eat meat that either is ground and/or comes with lots of sauce or spices. The more consumers add flavorings, the less they are able to taste the actual meat. Consequently, the threshold for plant-based protein adoption for ground meat is much lower than it would be for the replacement of a steak or pork chop.

## **Consumer Tastes are Evolving**

There is no doubt that the consumption of plant-based proteins is a trend that is only going to grow, and will thus have a significant long-term impact on both the animal protein industry as well as the plant-based protein ingredients sector (i.e. lentils, peas, soy). I also am hopeful that, as future generations of plant-based protein offerings are developed using fresher and healthier ingredients, this will also have a

positive impact on human health and nutrition. Although the science-based evidence is still pending, incumbents will do well to take a leadership role in providing a healthier and more nutritious product offering or fear getting leapfrogged by new entrants. Customers believe they have a good understanding of the food they eat and have traditionally made their purchases based on a variety of factors, including brand name, cost, and taste. Today, new factors are playing a part in consumer decisions, including environmental impact and ingredient lists, making developing products with a clean label and that are more environmentally sustainable more important.

Despite my bullish long-term views, it would not be surprising to see a slowdown in sales growth, following tremendous growth in 2019, once the hype around plant-based protein fades and some consumers return to a meat-filled diet. It would be naive to believe that the current plant-based protein movement is being driven by an increasing trend of vegetarianism/veganism and that consumers are starting to abandon animal protein for good; rather this should be seen as more of a pivot towards a flexitarian diet, where consumers forego meat occasionally. In the longer-term, there are signs that younger consumers (Millennials and Gen Z) are showing a higher likelihood to identify as vegetarian/vegan due to concerns about climate change and animal cruelty.

With much more information available today about how consumers feel about the alternative protein sector and an increasing number of food options available to consumers, I expect consumption levels to continue to grow rapidly. Also, as consumption of foods with plant-based proteins accelerate and fast food and other food retailers devote an increasing portion of their menus and marketing dollars to respond to a younger generation of consumers focused on more environmentally sustainable food options, there is no doubt that the animal protein sector is poised for significant disruption in the coming decades.