

Price Pressure, Competition Coming for BYND But Demand Not Slowing

Companies: BYND, COST, DNKN, KR, MCD, MLFNF, NSRGY, QSR, SY, TSN, UL, YUM

January 22, 2020

Report Type: Initial Coverage Previously Covered Full Report Update Rating: **3.5/5**

Research Question:

Can Beyond Meat get the cost of its plant-based meats competitive with animal products?

Summary of Findings

- [Beyond Meat Inc.](#) (BYND) is not close to getting the cost of its plant-based meats competitive with animal products, but that is not necessary—for now. It does, however, need to lower its price and/or differentiate with ingredients in the face of oncoming competition.
- Customers have not yet balked at Beyond's price, as they are not making their purchase decisions based on this factor. The company has created a new food category and many customers buy both meat and meatless products. Still, the company is likely to face price pressure in the next six to 12 months.
- Beyond can get its prices lower by bringing production in house instead of using co-packers, which adds 20% to 25% to its price, according to a supplier. Beyond is adding capacity, improving its manufacturing process, and seeking cheaper ingredients.
- Some sources, though, said it is more important for Beyond to find cleaner ingredients to improve the nutritional value on the label, innovate, and improve the taste than it is to bring price down.
- Beyond is offering more frequent promotions in the grocery channel rather than racing to the bottom on price, a strategy supported by grocery executive sources. Store sources also said Beyond is a core product accepted into the mainstream, with good real estate in coolers and freezers instead of being relegated to the vegan and organic sections.
- Beyond's advantage comes from its first-mover status and marketing prowess. The strength of its brand among customers had one grocery source looking for a chicken substitute preferring it from Beyond, rather than [Nestlé SA](#) (NSRGY) or anyone else.
- Sources noted the similarity of plant-based meats now to the plant-based dairy market 10 years ago. Plant-based dairy has 13% of the dairy market, while plant-based meat only occupies 1% of its category, according to an industry specialist, articulating how much room for growth exists for Beyond and others.
- Competition is fierce, with more-expensive [Impossible Foods Inc.](#), the biggest threat, as well as private label efforts from [Kroger Co.](#) (KR) and others. This will bring Beyond's price down. One source said a Beyond partnership with [McDonald's Corp.](#) (MCD) would outweigh accounts lost to competitors.
- The market is not rushing to get cell-cultured meat, as it is difficult to scale, newly regulated, and may take five years before a steak grown in a lab appears on a restaurant menu, and at a hefty price.

Silo Summaries

1) Distributors

Plant-based meats are disrupting the industry and becoming a daily part of distribution. Beyond is working on purer ingredients as an advantage in taste and marketing. **Lowering price will not drive more demand.** Beyond is scaling production and increasing efficiencies, which will bring its costs down. **Beyond at \$7 per pound has a price advantage over Impossible, which is \$10 per pound, according to one source.** Advertising its improving and cleaner ingredients will allow Beyond to continue its lead over less expensive brands that are trying to win on price alone.

2) Suppliers

Two of three sources said Beyond's marketing is as responsible for its success as anything else, as is its first-mover status. Beyond, however, has room for improvement with regard to innovation, taste, and cleanliness of its label.

3) Retail and Grocery Executives

Beyond appears to have solved its production issues and is now in a better position to meet high demand. **The category is similar to where kombucha was when it arrived.** Customers are not pushing back against higher prices, though there is some shock compared to conventional beef, while it would be more appropriate to compare it to organic grass-fed beef. **Beyond is being promoted more in big box and conventional grocery stores to attract new customers.** Competition is raising the profile of the category.

4) Restaurant Executives

The McDonald's source said that, if customers demand it, the company will ensure it is on the menu. **Price is not a major deterrent as customers understand it is/will be a more premium product and will pay for it if the quality is there and it is not outrageously priced.** Beyond is getting a lot of press for these trials, increasing its name recognition. **An independent restaurant owner said Beyond changed its recipe recently, cutting out beet juice so it does not "bleed" like it once did.**

5) Industry Specialists

Beyond must work to lower prices with cheaper ingredients, cost-effective manufacturing, preferably in house, and distribution. It also needs to have cleaner nutrition labels. **One source expects McDonald's to be aggressive in its partnership with Beyond.**

Beyond Meat Inc.

	Demand for Plant-based Meats	Beyond In 2020	Price Pressure
Distributors	↑	➡	No
Suppliers	↑	↑	Yes
Retail and Grocery Executives	↑	↑	No
Restaurant Executives	↑	↑	Yes
Industry Specialists	↑	↑	Yes

Background

Beyond Meat's revenues are exploding as more and more distribution points for its plant-based burgers, sausages, and other foods become available. [Q3 revenues were up 250%](#) to \$92 million, paving the way for the company's first-ever quarter of net income. The results led executives to increase their full-year revenue forecast to about \$270 million. Shares of Beyond Meat have soared since it priced its May 2019 IPO at \$25. The stock closed its opening session at \$65.75, [the best first-day IPO in nearly 20 years](#), and has since pushed as high as \$234 in late July. It has beaten a steady retreat over the last six months but is still trading around \$75.

Beyond Meat's selection of fresh and frozen alt-meats are now sold at almost 60,000 retail and food service outlets, including Amazon.com Inc.'s (AMZN) [Whole Foods Markets](#), some [Costco Wholesale Corp. \(COST\) stores](#), TGI Friday's Inc. restaurants, and [Dunkin' Brands Group Inc.'s \(DNKN\) stores](#). Crucial tests of Beyond Meat products are underway with [Yum! Brands Inc.'s \(YUM\) KFC](#), Subway, and [McDonald's](#). Sales to restaurants and other food service providers accounted for 45% of Beyond Meat's Q3 revenue, and one analyst said such partnerships represent [the path to \\$1 billion in revenues](#).

Alternative meat will be [a \\$140 billion market](#) within 10 years, according to Barclays. Dollar sales of plant-based meat have grown 37% in the last two years, but in the United States, plant-based meat still represents only about [1% of all meat sales in terms of dollars](#), and even less by volume. A key issue for gaining broader adoption will be getting the cost of plant-based products down. Beyond Meat said its net selling price per pound was \$5.74 in Q3. To get costs down, producers will need to scale their manufacturing operations, as well as gain leverage with raw material suppliers. The soy and pea proteins that are key ingredients for plant-based meats are [mainly produced for other uses](#), such as animal feeds and oils. Beyond Meat's CEO has said his company is also looking at other ingredients—including lupin and sunflower seeds—with a goal of [dropping prices below that of animal proteins](#) within five years for certain products.

Beyond Meat faces significant competition for restaurant partnerships and grocery store shelf space. Its best-known rival, Impossible Foods, [started selling its burgers](#) in supermarkets in September and [has earned rave reviews for its Impossible Whopper](#), sold at some of Restaurant Brands International Inc.'s (QSR) Burger King restaurants. Traditional food makers also are investing heavily in meat alternatives. Kroger is launching a line of meat substitutes while testing an entire plant-based protein aisle. Nestlé is selling [the Awesome Burger](#) and Kellogg Co. (K) has the [Incogmeato](#) brand. Beyond Meat executives claim new competition has not yet hurt their grocery sales or retail shelf space. Eventually, the plant-based meat business could get competition from [lab-grown meat](#), though the economics of such a process suggest it is a long way from reality.

Current Research

Blueshift Research assessed whether Beyond Meat could get the cost of its plant-based meats competitive with animal products. We employed our pattern mining approach to establish six independent silos, comprising 15 primary sources and seven secondary sources focused on the latest news regarding Beyond, Impossible, and private label offerings. Interviews were conducted Jan. 6–21, 2020.

- 1) Distributors (2)
- 2) Suppliers (3)
- 3) Retail and grocery executives (2)
- 4) Restaurant executives (5)
- 5) Industry specialists (3)
- 6) Secondary sources (7)

Next Steps

Blueshift's next report on Beyond Meat and the plant-based protein category will continue to focus on price and the steps Beyond is taking to reduce its price. We will follow up with sources regarding Beyond's manufacturing capabilities, production process, ingredients, clean label efforts, and its trial with McDonald's, Subway, and others. We will see how the competition is performing and learn more about innovative new products from Beyond and others.

Silos

1) Distributors

Demand for alternative meat like Beyond Meat and Impossible is growing significantly—up triple digits, according to one source, with no expected slowdown. It is disrupting the industry and becoming a daily part of distribution. Product needs to satisfy on both taste and performance, and Beyond is working on purer ingredients as an advantage in taste and marketing. Beyond and Impossible nearly own the market and have trouble keeping up with demand as customers ramp up so fast. One source said Beyond trails Impossible in quality and taste to where one of the source's clients chose to serve nothing instead of serving Beyond when Impossible could not fill an order. Beyond's and Impossible's prices are not competitive with beef, but they do not need to be because it is not the same product and customers are not making purchasing decisions based on price. Lowering price will not drive more demand. Alt-meat is becoming its own category, rather than a direct replacement for beef, and customers will buy and consume both products. Beyond is scaling production and increasing efficiencies, which will bring its costs down, though this may not be represented in the market for the next six to 12 months. Beyond at \$7 per pound has a price advantage over Impossible, which is \$10 per pound, according to one source. The other source said Beyond is \$9 to \$10 per pound, compared to private label which is as low as \$5 per pound. But Beyond and Impossible have a large name recognition advantage over private label and successful marketing, which keeps customers buying their name-brand products despite increasing competition. Advertising its improving and cleaner ingredients will allow Beyond to continue its lead over less expensive brands that are trying to win on price alone.

Key Silo Findings

Alternative Meat Trends

- 2 of 2 said demand continues to grow significantly
 - o 1 said it is triple digits and will continue at that pace.
 - o 1 said all their clients have demand for alternative meats.
- Product needs to satisfy both taste and performance.
- Alternatives to chicken and breakfast options are next in the trend.

Beyond Meat

- 1 said demand for Beyond Meat is beyond capacity, but it is not a supply issue as much as it is customers ramping up so quickly.
 - o Same for Impossible.
- 1 said Beyond's quality and taste is inferior to Impossible and one of his clients chose to serve nothing instead of Beyond when supply issues arose with Impossible.

Pricing

- 1 said Beyond is not competitive with beef on price and is not expected to be.
 - o It is a lifestyle product and not a commodity like beef.
 - o Beyond is scaling production, increasing efficiency and driving down costs.

Beyond Meat Inc.

- Beyond is also signing production deals with supply partners.
- Price is not likely to drop in the next six to 12 months.
- 1 said Beyond has a price advantage over Impossible.
 - Impossible is \$10/pound and is not doing rebates any longer.
 - Beyond is \$7/pound.

Competition

- There are lots of competitors and the list is growing.
- 1 said some competitors are 40% less expensive than Beyond.
 - Beyond is \$9 to \$10 per pound, private label is \$5.
- 1 said private label is not real competition as they lack the marketing.
- Beyond relies heavily on marketing and spends accordingly.

1) President of top natural food broker

Beyond Meat does not have to be competitive with real meat in pricing, though, as it scales up production, it will drive down costs. With that in mind, plant-based meats manufacturers are signing production deals with additional supply partners. Demand for plant-based meats has been meteoric, with food service driving triple-digit growth in the category. That high rate of growth is expected to continue. While the pricing of Beyond Meat and Impossible will probably not come down in the next six to 12 months, both companies have started co-branding with private label manufacturers of products containing meats, such as pizzas, by adding their name. The marketing cost for this kind of co-branding is very low. Competition, however, is growing as new players, both private label and branded, are entering the market and selling to existing Beyond Meat and Impossible customers. Some of the products are up to 40% less expensive. This increase in competition means that Beyond Meat and Impossible will have to spend heavily on marketing to maintain their market share. So far, Beyond Meat and Impossible are not going into private label.

Alternative Meat Trends

- “Demand for plant-based meats has been meteoric. It’s been in triple digits year over year, driven by food service. Expectations are for that to continue.”
- “The new trends in this category are the development of plant-based chicken and breakfast foods.”

Beyond Meat

- “I believe some of Beyond’s and Impossible’s customers have been put on allocation. They have good capacity, but the demand is beyond that capacity. It’s not a supply issue. They can supply their customers, but their customers are ramping up at such a high rate that nobody could keep up with demand. It’s unprecedented demand.”

Pricing

- “Beyond Meat is not competitive in terms of pricing but people who are currently buying the product don’t really expect it to be. It’s a lifestyle product. As they scale up production and are able to produce more efficiently, it will drive down costs and Beyond Meat will become more [price] competitive.”
- “Ground beef is a commodity meat item. Plant-based meats should not be looked at as competing with meat from a price standpoint.”
- “To scale up production, plant-based meat companies in general are signing production deals with additional supply partners.”
- “I don’t think the pricing of plant-based meats will come down in the next six to 12 months, but the way they go to market is going to change a little. They—both Beyond Meat and Impossible—are now engaging with private label manufacturers, for example companies that make pizzas, burritos, tacos, and meal kits. They are doing this co-branding at the cost of very little marketing money, so they can sell more product and grow their revenue.”
- “This is saving from about 20% to 25% in marketing and menuing spend.”

The way they go to market is going to change a little. They—both Beyond Meat and Impossible—are now engaging with private label manufacturers, for example companies that make pizzas, burritos, tacos, and meal kits. They are doing this co-branding at the cost of very little marketing money, so they can sell more product and grow their revenue. ... This is saving from about 20% to 25% in marketing and menuing spend.

President of top natural food broker

Competition

- “There are a lot of new players entering the arena and that will eventually catch up with Beyond Meat and Impossible. This is already happening in some instances. There are other more competitively priced and more aggressive plant-based protein food manufacturers and startups already selling to Beyond Meat and Impossible customers. Some are private label manufacturers and some are branded manufacturers. Some of the products are as much as 40% less expensive.”
- “There are facilities such as hospitals and in health care that cannot pay the high prices of Beyond Meat and Impossible.”
- “Beyond Meat and Impossible are \$9 to \$10 a pound to a distributor, whereas some of the private label companies are \$5 a pound.”
- “The increase in competition means that Beyond Meat will have to continue to spend heavily on marketing to maintain their market share. That will erode their margins with chains.”
- “Chains buying Beyond Meat and Impossible are already looking at doing their own plant-based versions. The distributors are also doing their own private labels of plant-based meats [with lesser known manufacturers] besides selling Beyond Meat and Impossible. Beyond Meat and Impossible are not going into private label. Even if I understand their reasoning, I think it’s a mistake long term.”

2) Owner of a distributor to small- and mid-sized restaurant chains

Most of his nine large clients either see a demand for alternative meat products or would like to create a demand—but charging a premium for them is more difficult now that alt-burgers are available at Burger King and elsewhere. While Beyond Meat has a price advantage over Impossible, its performance in taste and texture does not match the better performance of Impossible. The quality of the product will be the true test of its durability. Some of his customers reported disappointment in the quality of Beyond Meat and chose not to use Beyond as a substitute when Impossible ran into supply issues last year. Impossible is not discounting through rebates for everyone anymore. Private label does not pose a major threat, as it will fall short on the marketing compared to Beyond and Impossible.

Alternative Meat Trends

- “We have nine clients—all large clients. They all have some demand or would like to create demand for plant-based meats.”
- “The market trend is always going to be for healthy eating.”
- “There are products out there today that are trying to execute a strategy of healthy eating, but it’s got to satisfy two things: taste and performance.”
- “The fact that you can buy plant-based burgers at Burger King today makes it not so special anymore.”
- “Why would you go in a restaurant and pay \$12.99 for a Beyond Burger or an Impossible Burger when you can drive through Burger King today for \$4.99 and get a four-ounce Impossible Burger.”

Beyond Meat

- “I wanted to flip a lot of my clients from Impossible to Beyond because they couldn’t get Impossible.”
- “I sampled Beyond after Impossible struggled with distribution last year after they took on the Burger King business and others. Our clients were less than enamored with the performance of the Beyond Burger versus the Impossible Burger, to the point where one large chain chose to not even sell an alternative to Impossible when they couldn’t get Impossible.”
- “They were buying 1,200 pounds a week of Impossible. Impossible pulled the plug on a lot of customers because they couldn’t keep up with their customers’ needs. And after tasting and sampling Beyond, they elected to go without any plant-based product.”
- “When our clients were already buying Impossible, Beyond was perceived in those situations to be not as good as Impossible’s quality.”
- “When everyone rode the Beyond stock price up to \$200, only to watch it

Beyond has a price-point advantage over Impossible. Beyond is significantly underneath the market of Impossible. Impossible sells today for \$10 a pound in bulk into the first-receiver distribution network. Beyond typically goes for sub-\$7. ... Early on, Impossible discounted through a rebate to \$8 or \$8.25, but they don’t offer rebates to everyone anymore.

Owner of a distributor to small- and mid-sized restaurant chains

Beyond Meat Inc.

collapse, it was because when there was a day of reckoning and people started trying it, it didn't meet their expectations. And people started complaining."

Pricing

- "Beyond has a price-point advantage over Impossible. Beyond is significantly underneath the market of Impossible. Impossible sells today for \$10 a pound in bulk into the first-receiver distribution network. Beyond typically goes for sub-\$7."
- "Early on, Impossible discounted through a rebate to \$8 or \$8.25, but they don't offer rebates to everyone anymore."
- "But, at the end of the day, quality speaks volumes, even though Beyond has a price advantage over Impossible."

Competition

- "Beyond could not outperform Impossible in the eyes of the customers that they need to sell to."
- "I don't really see private label being major competition. This all got started because of marketing, and there's not much marketing with private label."

2) Suppliers

Demand for alternative meats will continue as consumers embrace nutritionally sound, healthy options. The current market closely resembles where the alternative milk market was 10 years ago and a similar trajectory is expected as barriers to adoption fall. Two of three sources said Beyond's marketing is as responsible for its success as anything else, as is its first-mover status. Beyond, however, has room for improvement with regard to innovation, taste, and cleanliness of its label. Price pressure is real and will affect Beyond in 2020, especially as big and small competitors establish themselves. While customers are not focused on price and alternative meats do not need price parity with beef, Beyond will still need to bring its prices down this year and can do so by bringing its production in house instead of using co-packers, which adds a 20% to 25% premium to its price. Nestlé, [Tyson Foods Inc.](#) (TSN), and private label present challenges, but one source said a Beyond partnership with McDonald's would offset any accounts lost to competitors. Both sources said the market is not rushing to get cell-cultured meat, as it is difficult to scale, is being newly regulated, and may take five years before a cell-based steak grown in a lab appears on a restaurant menu—and at a price of \$500.

Key Silo Findings

Alternative Meat Trends

- 3 of 3 said demand will continue to increase as consumers shift to nutritionally sound, healthy options.
- 1 said the alternative meat trend is on the same trajectory as alternative milk 10 years ago.
- There is demand from a wide audience, many of whom are open to GMOs.
- Alternative meat has a loyal following.
- 1 estimated 90% of Beyond's customers are also meat eaters.
- 2 said the market is not rushing to get cell-cultured meat.
 - o It is difficult to scale and the United States has started regulating it.
 - o Fish is likely before beef or chicken, as it is easier to grow.
 - o 1 estimated that it will be five years before the first cell-based steak grown in a lab will be in a restaurant, and it will cost as much as \$500.

Beyond Meat

- 2 said Beyond Meat's marketing machine is as responsible for its rise as anything.
- 1 called Beyond and its competitors tech companies rather than food producers.
- 1 said Beyond's first-to-market status is important.
 - o It has a good margin.
 - o It is at capacity so it can charge its high price.
 - o It is not innovative.
 - o It does not have an impressive taste.
 - o There is room for improvement.
- 1 said Beyond is testing new ingredients and looking for a cleaner label.

Pricing

- 3 said Beyond will feel price pressure as soon as the end of 2020 because of influx of competitors large and small.
- Customers are not focused on price.

Beyond Meat Inc.

- Beyond and others do not need to get price parity with beef.
- Beyond and Impossible use co-packers, adding 20% to 25% premium to the price.
- If they can produce in house, they can scale faster and bring price down.
- They could also find alternative proteins to lower price.
- New technology and processes would also help lower price.

Competition

- Competition from Nestlé, Tyson, and private label pose a threat to Beyond's lead.
- But a partnership with McDonald's would offset any lost accounts to competitors.
- 1 said Impossible is innovating quickly.

1) Highly specialized food technologist

Beyond Meat can get the price of its plant-based meats to be competitive with animal products by developing new technologies and processes to scale their production and by focusing on their supply chain of ingredients. Prices will also come down, probably in the next six to twelve months, as more competitors arise and try to undersell Beyond Meat. Beyond Meat, as well as Impossible Foods and other plant-based meats, should be considered more as tech companies rather than food companies. Their success is a result of clever marketing, to the point where Impossible introduced its new plant-based pork at Consumer Electronics Show (CES) in Las Vegas. Evolving trends in the space include a push to produce healthier options by incorporating real foods and using less processing. GMOs are not an issue, as today's younger generation is more accepting because of the need in the future to feed growing populations. There are no pilot plants yet to make cell-cultured meat but there is no doubt it is coming.

Alternative Meat Trends

- "One of the evolving trends is to produce more nutritionally sound and healthier options, incorporating real foods such as fresh vegetable products, and also reducing the fat content. Another trend is using less processing in foods."
- "Pea protein is actually a good source of protein. It's a sustainable crop and gives more back to the earth than it takes. Cotton farmers like to rotate their crops with this from time to time because it adds back fertilizer to their soil. Peas require less watering and can be grown in colder temperatures. Canada is now the biggest producer of lentils and peas in the world."
- "Impossible Foods uses genetically modified ingredients. It's well-known and though there was an outcry against GMO foods years ago, today's young generation is more accepting. They think ahead that in 2050 the earth will have 10 billion people and they are concerned about how we will feed all these people. In general, we are not seeing much outrage about genetically modified ingredients."
- "The problem with cell-cultured meat is how to scale it up. A lot of people are thinking about it, but no one has yet built a pilot plant for it. Another issue is if the consumer will accept it. [The United States is the first country in the world that will be regulating it.](#) A lot of people are interested. It's coming but we have to overcome a lot of hurdles still."
- "I believe fish will come first because it is easier to grow in lab conditions or in a pilot plant. It's easier to replicate the molecular structure of the fish. Beef or pork are more complicated because there are so many muscle fibers and it's more difficult to reproduce."
- "I think we could see the first cell-based steak that has been grown in a lab in a restaurant probably in five to six years, and it would probably cost \$500."

Beyond Meat

- "Beyond Meat is not a food company but a tech company. All the vegan companies are sponsored by high tech money and they think totally differently than food companies."
- "Thirty years ago, vegan and vegetarian products could only be found in health food stores. Through clever marketing, Beyond Meat has made it to the main aisles of the supermarket next to real meat. Beyond Meat believes, like Steve Jobs said, that 'people don't know what they want until you show it to them.'"

For Beyond Meat and the other plant-based meat companies to achieve a lower price, they will have to invent new technologies and new processes, while not losing the integrity of their product. One way to lower prices is by scaling and the other is through the supply of alternative proteins.

Highly specialized food technologist

Beyond Meat Inc.

Pricing

- “The consumer who buys Beyond Meat and other plant-based meat products does not necessarily look at the price but there is definitely pricing pressure from competitors who are offering their products at a lower price. It’s just like the regular meat industry. Competitors will try to undermine prices to gain sales.”
- “There is a lot of pressure to produce a product less expensively. The timing of when Beyond Meat’s prices will be competitive with regular meat will depend on their competition: other plant-based meats. When one company brings down the price, other companies will follow. It could be as soon as in six to 12 months.”
- “For Beyond Meat and the other plant-based meat companies to achieve a lower price, they will have to invent new technologies and new processes, while not losing the integrity of their product. One way to lower prices is by scaling and the other is through the supply of alternative proteins.”

Competition

- [“Impossible Foods launched their new plant-based pork”](#) burger at the Consumer Electronics Show in Las Vegas, not at a food trade show. They’re moving at lightning speed.”

2) Executive at plant protein manufacturer

Prices will be coming down due to a combination of increased competition in the plant-based market and more capacity being added. Quick service restaurants (QSRs), in particular, will be looking for margin opportunities by switching to private labels and competitors after the novelty of Beyond Meat items on their menu wears off. Demand for plant-based meats in retail has increased in the range of 10% to 25% year to year for the last few years and double-digit growth is expected to continue. The fastest growth is in food service, probably in triple digits, because it has grown from nearly nothing a couple of years ago. Beyond Meat’s success is driven by its strength in marketing, being first to market, and the innovation of placing its product next to real meats in grocery stores. For now, Beyond can continue charging its high prices but there is a target on its back from competitors who are creating pricing pressure. That could have an impact in the next few years, even by the end of 2020. Beyond Meat and Impossible Foods are increasing their production capacity and this will allow them to move more of their supply chain in house. Until then, co-packing adds a 20% to 25% premium to their price. As competition from plant-based meat manufacturers such as Nestlé, Tyson, and private label grows, there could be a shake-up in the industry as competitors take some of Beyond Meat’s business, though Beyond Meat can still grow by adding huge accounts such as McDonald’s.

Alternative Meat Trends

- “Demand for plant-based meats is going to continue to climb. A decade ago, alternative milk was going through the same trajectory. First there was soy milk, then almond milk, then coconut milk, then Starbucks put it in their stores, and more and more people were trying it. All that lowered the barrier to purchase. I think we’re going to be seeing more plant-based meat options at colleges and QSRs, and retail will continue to grow.”
- “I don’t know if plant-based meats can sustain the 10% to 25% [retail] growth we’ve seen for the last few years, but I do think growth will continue, at least in the double digits. I don’t know the growth increases from food service but it used to be next to nothing until a couple of years ago and now it’s popping up everywhere. It must be a huge growth rate, probably in the triple digits.”
- “Regarding GMOs, plant-based meats are now open to a wider audience and these consumers are more open to GMOs. Still, the plant-based meat companies have a loyal following from health-conscious people and vegetarians, who often tend to shun GMOs. I don’t think plant-based meat companies will be selecting to put more GMOs into these products.”
- “Some 90% of people who are eating Beyond Meat are also meat eaters. I don’t think manufacturers are rushing to get into cell-cultured meats, also known as Frankenmeats, for this kind of consumer. There are also no food safety studies about it that I know of. People who want clean meat could just eat organic chicken instead of paying for the very rare cell-cultured meat.”

Beyond Meat

- “Beyond Meat’s success is more driven by their marketing machine and because they innovated by being first to market in creating a product that was so like real meat and then placing it in grocery stores next to real meat.”
- “I think Beyond Meat is making a pretty good margin. They are at capacity so they’re charging a high price for the product.”

Beyond Meat Inc.

- “The Beyond Meat product is not that innovative. There are a lot of manufacturers developing formulations that get better feedback in tests. Honestly, in terms of taste, I’m not impressed. I think their product has significant room for improvement.”

Pricing

- “I hear a lot of concern about how expensive this category is. Beyond definitely has a target on their back.”
- “The pricing pressure on Beyond Meat will be coming down the road sooner rather than later. It could already be by the end of 2020.”
- “The pricing does not have to get down so far as to be equivalent with meat products, but the pricing issue will be addressed in the next few years.”
- “We will be having more and more competitors coming into the space and price is one of the easiest ways for people to compete.”
- “The plant-based burger is one of the most expensive items on the menu at the fast food restaurants where they are served. The operators are accepting it because these new burgers are bringing in foot traffic, but the moment the traffic trails off, they will try to push back at Beyond Meat and Impossible Foods on pricing or will switch to private label.”
- “There’s a lot of capacity being added to the U.S. market currently. Beyond Meat and Impossible Foods are mostly co-packed. That adds about a 20% to 25% premium to the products [to pay their co-packers]. Once the production gets in house and they start manufacturing their own products, they can scale more quickly and the production will be less tight. That will drive prices down.”
- “[Saskatchewan is becoming the pea protein capital](#). Pea protein is the ‘protein du jour’ but other proteins are going to emerge as well. Soy will always continue to have a seat at the table. I don’t think anything about pea protein is going to drive the prices down.”

Competition

- “The competition evolving in plant-based meats is a big threat to Beyond Meat. Beyond Meat was the first mover and they kickstarted the market. That’s their advantage. But I see it becoming a tough road ahead for them because of all the competitors like Impossible, Nestlé, Tyson, private label.”
- “By the end of 2020, there could be a major shake-up in the industry from the likes of Nestlé or Tyson taking some of Beyond Meat’s business and share.”
- “At the same time, Beyond Meat is working with McDonald’s. They could lose 10 accounts but land MacDonald’s and still grow over the next year.”

There’s a lot of capacity being added to the U.S. market currently. Beyond Meat and Impossible Foods are mostly co-packed. That adds about a 20% to 25% premium to the products [to pay their co-packers]. Once the production gets in house and they start manufacturing their own products, they can scale more quickly and the production will be less tight. That will drive prices down.

Executive at plant protein manufacturer

3) Marketing manager for an ingredients supplier

Demand is off the charts, with expectations of plant-based meats reaching 5% of the total meat market in five years. But there are questions about how healthy these products are, given the high fat content and long list of ingredients, leaving some looking for a cleaner label. Beyond is among the most expensive, but it is searching for new ingredients. Conscious consumers are willing to pay more but price still needs to come down.

Alternative Meat Trends

- “Demand has literally exploded in the past year, both in North America and Europe, and is expected to grow further in double digits. The share of plant-based meat of the total meat market is 1% to 2% and is expected to grow to more than 5% by 2025.”
- “The first priority has been to develop acceptable plant-based meat products, meaning in taste and texture, preferably 100% vegan. There is still some work to be done.”
- “But the question is, are these ‘first generation’ products really healthy? Protein content, fat content, a long list of ingredients including additives and E-numbers. Improvements can be made through less chemical additives, more natural ingredients, and higher and better quality protein content.”

Beyond Meat Inc.

Beyond Meat

- “Beyond Meat is really a pioneer, when it comes to ‘raw meat.’ They are, together with Impossible Foods, the one to benchmark for many new entrants. But they are also seen as expensive, especially in retail. In some areas, for example, they are double the price versus other plant-based burgers.”
- “We have been in touch with Beyond. They have been testing out a product which offers a vegan, clean label.”

Pricing

- “It is very important to reach a broader audience. Now it is popular among vegans/vegetarians and conscious consumers who care about environment, health, and animal welfare. Those are prepared to pay a bit more. But to reach the masses, prices need to come down to be comparable to or lower than meat.”
- “Meat prices will inevitably rise. Farmers need to invest in sustainability and animal welfare, demand from China will grow, etc. So, in the end, prices of meat and meat substitutes will come together, which is good.”

Competition

- “Flexitarians especially have discovered this segment [of products] and consumers who care about health, sustainability, and animal welfare. There are many different players and new entrants: pioneers like [Quorn](#); startups like Impossible and Beyond Meat; traditional meat companies going plant-based like Tyson, [Vion](#), and [Maple Leaf Foods Inc.](#) [MLFNF]; and food multi-nationals like [Unilever plc/ULJ/Vegetarian Butcher](#) and Nestlé. Retail offering is rapidly expanding, so is food service like McDonald’s, Burger King, and [Greggs UK](#).”

We have been in touch with Beyond. They have been testing out a product which offers a vegan, clean label.

Marketing manager for an ingredients supplier

3) Retail and Grocery Executives

Both sources said demand for alternative meats continues to grow, especially with consumers under 40. One source estimated growth is in the triple digits and will remain at this pace for at least the coming year. Manufacturing has improved to create a higher quality product in taste and texture. Beyond appears to have solved its production issues and is now in a better position to meet high demand. One source said the category is similar to where kombucha was when it arrived, growing year to year until it plateaued in its tenth year. Beyond is the category leader and best seller for both sources, including one buying club representing about 400 stores. Beyond is expected to maintain its lead as a core product and top tier seller. It occupies good real estate placement in these stores, including sizable space in coolers and freezers. Customers are not pushing back against the higher prices, though there is some sticker shock among those comparing it to conventional beef, even though it would be more appropriate to compare it to organic grass-fed beef—where it measures up more favorably. Beyond is being promoted more in big box and conventional grocery stores to attract new customers, and the company is offering more frequent promotions instead of racing to the bottom on price. The hope that the price will drop as Beyond scales up production. Competition is raising the profile of the category for now, rather than cannibalizing sales. While Impossible tastes more like beef than Beyond, Beyond has greater brand awareness such that one source looking for a chicken substitute would prefer to have it from Beyond rather than from Nestlé or anyone else because of the strength of Beyond’s brand among customers.

Key Silo Findings

Alternative Meat Trends

- 2 of 2 said demand is huge for alternative meat products, especially with the under-40 consumer.
- Suppliers have had a hard time meeting demand, but Beyond appears to have solved its problems here.
- 1 said the category has experienced triple-digit growth, which continues.
- Manufacturing has improved over the years, resulting in higher-quality products closer to beef in taste and texture.
- 1 likened the industry to where kombucha was when it first captured the imagination of consumers, growing year to year until it plateaued around its tenth year.

Beyond Meat

- 2 said Beyond is the category leader and their best seller.
- 1 said it is growing 100% year to year with its association’s 400 independent members.
 - Expects Beyond to maintain its lead.

Beyond Meat Inc.

- Likes Beyond's strategy of increasing frequency of promotions instead of racing to the bottom on price.
- 1 said Beyond is a core product and sits among its top tier products.
 - It occupies good real estate placement in its stores, including a large section in coolers and freezers dedicated to Beyond.

Pricing

- 2 said customers accept these higher prices and are not pushing back.
- There is some sticker shock for those comparing it to conventional beef, but it is not an accurate apples-to-apples comparison.
- 1 said Beyond is getting promotions in big box and conventional grocery channels to attract new customers.
- 1 said it is seeing more promotions from Beyond and specials to attract customers.
 - Hopes the prices drops more as production scales up.

Competition

- 1 said competition is entering the category but is not cannibalizing sales for now.
- 1 said Impossible tastes more like beef than Beyond.
- 1 said Beyond has the best brand awareness and they would prefer alternative chicken from Beyond instead of Nestlé or others because customers trust and respect Beyond.

1) Purchasing director of a buying club representing about 400 stores

Customers are used to paying premium prices in the natural foods channel and comparisons with the price of grass-fed beef are not at all scaring away customers. Sales of Beyond Meat are growing nearly 100% year over year in this channel, driven by the flexitarian health trend of eating less meat and because the products have become better tasting and more appealing than plant-based meats used to be. Supply issues have been solved, as Beyond Meat is adding a new facility in Europe. This growth trend should continue for at least five to 10 years, in line with other trends like the kombucha trend which took 10 years to plateau. Prices have remained steady. Beyond Meat and other plant-based meats are using deep promotions to penetrate big box stores and the conventional channel. This is a good strategy rather than trying to race to the bottom with low prices. Increased competition is only serving to enhance the category and not cannibalizing sales from existing brands.

Alternative Meat Trends

- "There is huge demand for plant-based meats, both in and outside of the natural channel. They are very trendy at the moment with natural food consumers and also with people wanting a healthier lifestyle. Plant-based foods are now in the conventional segment, too, and they're even infiltrating the fast food segment. We're seeing it in dining menus as well."
- "You can say this success is a blessing and a curse because some of the vendors in the space are having supply issues and a hard time meeting demand. Beyond Meat was suffering last year and selling out of products. They couldn't produce enough but they are now mitigating that. [They are adding a new facility in Europe to help support the demand.](#)"
- "Sales are growing in both the natural foods channel and conventional channels. We are seeing double-digit and even triple-digit growth with some of the brands."
- "Alternate meat products have improved and they now appeal also to people who consider themselves flexitarian, people who are following a diet trend of reducing the amount of meat they consume. The improvement in plant-based proteins is light years compared to what it was 10 years ago."
- "The improvement is a result of better manufacturing, yielding better quality. The consistency of the products is becoming more appetizing and appealing. The products used to be flavorless. Because of the demand, people who might not have played in the space previously have come into the space and focused on improving recipes, flavor profiles, and dialing in quality products."

They are growing at almost 100% year over year with our membership. ... They definitely can maintain their lead. They are growing their line and will definitely see continued growth with that. ... I believe their strategy is solid. If they get their supply issues squared away, as I believe they have now, and they increase the frequency of promotions, that is the best strategy for them, as opposed to a race to the bottom with the lowest price every day.

*Purchasing director of a buying club
representing about 400 stores*

Beyond Meat Inc.

- “Plant-based meats offer a longer-term growth opportunity. I think the trend of plant-based diets is going to continue to expand.”
- “Plant-based is reported to be better for the environment and, whether you agree or not, people are latching onto that idea. Also, a lot of people feel healthier consuming fewer animal products. Because plant-based products have improved by leaps and bounds, we’re going to be seeing the category grow. It’s going to grow in proteins and beverages probably in the next five to 10 years, although of course not at the same levels of growth. I think it will be similar to kombucha, which has grown year over year since it hit the market and then started to plateau in its tenth year.”

Beyond Meat

- “Beyond Meat is the leader in the space right now because they hold the largest market share.”
- “They are growing at almost 100% year over year with our membership. They are one of the fastest growing plant-based meats but, of course, they’ve been in the market much longer. Their year-over-year growth is slowing as a result.”
- “They definitely can maintain their lead. They are growing their line and will definitely see continued growth with that.”
- “I believe their strategy is solid. If they get their supply issues squared away, as I believe they have now, and they increase the frequency of promotions, that is the best strategy for them, as opposed to a race to the bottom with the lowest price every day.”

Pricing

- “In the natural channel, customers accept the higher prices of plant-based meats because they are still equivalent or less expensive than grass-fed beef. Outside the natural channel, in conventional channels, consumers do get sticker shock when they see plant-based items priced higher than conventionally raised beef. But it’s not an apples-to-apples comparison comparing beef from the conventional channel to higher quality grass-fed beef in the natural channel.”
- “In the natural channel, prices of plant-based meats have been steady, but customers are not turned off by their prices.”
- “In big box stores and conventional stores, the plant-based meats are getting deep promotions. That is how they are winning customers in that channel.”

Competition

- “I don’t think the increase of competitors has affected Beyond Meat. They’ve been growing extremely strongly. In fact, competitors are enhancing the category and bringing it up. They’re not cannibalizing it, at least for now.”
- “There are other brands also on top, with Beyond Meat [as the leader]. Impossible Meats is one of them, but they have a bigger presence outside of the natural foods channel and they cater primarily to food service. We also have [Maple Leaf’s/MLFNF] [Fieldroast](#) and [No Evil \[Foods\]](#) products]. Both of them use whole grains and vegetables to create their products, so not the same as Beyond Meat and Impossible.”
- “I believe Impossible is using genetically modified organisms, as well as synthetic biology, to create their almost meat, which is not meat.”

In the natural channel, customers accept the higher prices of plant-based meats because they are still equivalent or less expensive than grass-fed beef. Outside the natural channel, in conventional channels, consumers do get sticker shock when they see plant-based items priced higher than conventionally raised beef. But it’s not an apples-to-apples comparison.

Purchasing director of a buying club representing about 400 stores

2) Executive at a chain of organic and sustainable foods stores with about 10 locations in the Northeast

This store is seeing growth in its sales of alternative meat products. The Beyond Meat line, especially the Beyond Burger, is one of its top sellers in that category. It is a core product for this chain, in the top 1% of the best sellers, and claims a good share of shelf and display space in its stores. Its customers are accustomed to paying a premium for such products and it has not received complaints about the prices. The company would like to see more products from Beyond Meat and believes a chicken substitute would be well received. Beyond Meat also has leading brand awareness and customers trust the name, giving it an edge in introducing new options to the market.

Alternative Meat Trends

- “It’s growing. Especially with the younger demographic, people under 40.”
- “Sustainability matters to the younger customer. The value of a plant-based diet matters to them.”

Beyond Meat

- “They’ve been selling in a way that I’ve never seen before with any sort of veggie burger or meat substitute.”
- “It’s a core product now for us. It’s a first for a non-meat product.”
- “I have a list of our top-selling products. It’s in the top tier of 1% of our sellers.”
- “Beyond Burger is the big seller.”
- “In terms of any other veggie burger product, it’s totally different because it has a texture and a flavor that is so much more like a meat product, so it satisfies, it gives you that satisfaction.”
- “It’s not a veggie burger; the experience of it is different.”
- “They have really nice real estate in our stores because they are such strong sellers for us.”
- “We have a full four-foot section in our coolers dedicated to Beyond Meat. We also have them displayed in our freezer, as well.”
- “We see a lot of people in transitional diets, where their doctor says they need to cut down on sodium or eat a more plant-based diet and we’re able to sell this to someone who is not that familiar with a plant-based diet.”

Pricing

- “I haven’t heard pushback on the pricing from customers.”
- “I don’t think we’ve ever changed the prices since we first brought it up in February 2018.”
- “It seems like we’re able to get deals on them from time to time, which is great when we can run specials on them and get more people engaged with the product.”
- “The prices are not off the market because the flavor difference, the experience difference is so big.”
- “I hope their prices go down as they scale up their manufacturing, so our prices can go down. But I don’t have an expectation of that.”

Competition

- “I think [Beyond Burger] tastes better than Impossible, but Impossible tastes more like beef. I don’t like the taste of beef, so I like the taste of Beyond better.”
- “[Maple Leaf’s] [Lightlife](#) just came out with their version, which I think tastes a little worse and is about \$1 more expensive.”
- “We would love to have a chicken product. We bought the Nestlé chicken product, but Beyond Meat has more of a brand awareness and I think people trust that brand for a strong meat substitute product.”

It’s a core product now for us. It’s a first for a non-meat product. ... I have a list of our top-selling products. It’s in the top tier of 1% of our sellers. ... I haven’t heard pushback on the pricing from customers. ... We would love to have a chicken product. We bought the Nestlé chicken product, but Beyond Meat has more of a brand awareness and I think people trust that brand for a strong meat substitute product.

Executive at a chain of organic and sustainable foods stores with about 10 locations in the Northeast

4) Restaurant Executives

While none of these sources are involved in a store where a Beyond trial is taking place, two Subway sources and one McDonald’s source said there has been little direct interest from customers about Beyond. The Subway sources believe it is likely to have a limited impact, given that the meatball sub is not among the best sellers. They are more interested in a substitute for turkey, the stores’ best-selling cold sandwich. But one Subway source and the owner of an independent vegetarian restaurant said demand for Beyond products is there. The restaurant chose Beyond meat instead of making its own in house, which proved too time-consuming and lacked the buzz of the Beyond name. Beyond has been one of its best-selling items, even among meat eaters. The McDonald’s source said that, if customers demand it, the company will ensure it is on the menu. Price is not a major deterrent as customers understand it is/will be a more premium product and will pay for it if the quality is there and it is not outrageously priced. One Subway source said if it is \$1 more than the original meatball sandwich, it is likely to price people out, but something less than a \$1 increase should be palatable. Beyond is getting a lot of press for these trials, increasing its name recognition and giving it an advantage over competitors. While it has not generated much demand at several Subways not running the trial, it has still brought more questions from customers than any other trial. The independent restaurant noted that Beyond is less expensive than Impossible and looks more like a house-made

Beyond Meat Inc.

burger than Impossible, which is more akin to a thinner fast food burger. The source also said that Beyond changed its recipe recently, cutting out beet juice so the product does not “bleed” like it once did.

Key Silo Findings

Beyond Meat

- 1 Subway store said demand for the Beyond meatball sub is definitely there among their customers.
- 2 Subway stores and 1 McDonald’s store said customers occasionally know about the trials their companies are running, but few ask about it or indicate they want it.
 - o It’s likely to have limited impact at Subway since the meatball sub is a smaller item compared to better sellers like turkey and other cold sandwiches.
 - o They are curious to see if Beyond could provide a substitute for turkey.
- 1 independent vegetarian restaurant started using Beyond instead of making a plant-based meat in house and it has been one of its best sellers, even among meat eaters.
 - o It looks and tastes close to the real thing.
- If McDonald’s customers show demand for it, McDonald’s will put it on menu.

Pricing

- Customers pay for quality, so slightly higher price on Beyond products will not be a deterrent for many.
- 1 said if the price of the Beyond meatball sub is upwards of \$1 more than the original, that might turn people away.
- The independent restaurant said half of customers are students and the higher price is an obstacle for them.

Competition

- Competition will help bring price down.
- Beyond is getting a lot of press for trials with Subway and McDonald’s, which helps raise its profile.
 - o 1 said even if interest is limited, it is still noticeably more than most of Subway’s trials.
- The independent restaurant said Beyond is less expensive than Impossible.
 - o Impossible looks and tastes more like a fast food burger.
 - o Beyond is more of a thick, house-made burger.
 - o Beyond changed its recipe and cut out beet juice which leads to less “bleeding” with the product.

1) Owner of more than a dozen West Coast Subway franchises

Though not part of the test markets, he is excited about the arrival of plant-based meat sandwiches to the entire Subway chain and says it will be rolled out everywhere across the United States, Canada, and Europe in the near future. There is definitely demand. Serving plant-based meats is in line with the palate and preferences of the 2020 customer. This new menu item, along with others currently being tested, will help turn Subway around from its image of a heavily discounted chain. He does not expect pricing to be an issue because, in other restaurant concepts, customers are willing to pay more when they are interested in specific products.

Beyond Meat

- “Our restaurants are not part of the test but Beyond Meat meatballs menu items will definitely be rolling out in the United States, Canada, and in Europe in the near future. The chain is now working with the supply chain. For now, it’s about 700 locations across the United States and Canada that are testing it.”
- “It’s not an entirely vegan meal. They’re advertising adding parmesan cheese and mozzarella but it is a plant-based meat offering. For a chain with the number of locations that Subway has, we have to look at this in a very positive way.”
- “Overall, it’s a positive step to move away from animal agriculture, which puts a huge strain on our environment. Unfortunately, the label isn’t as clean as I would like it to be. There has been [news and fake news](#) about the estrogen content of plant-based meats. Though Beyond Meat and Impossible are good products for a test, they are still not that sustainable.”

The pricing is more expensive than the real meatball sandwich but I’m confident people are willing to pay more. In other concepts where we serve more costly items, people are still willing to pay for certain foods.

Owner of more than a dozen West Coast Subway franchises

Beyond Meat Inc.

Pricing

- “The pricing is more expensive than the real meatball sandwich but I’m confident people are willing to pay more. In other concepts where we serve more costly items, people are still willing to pay for certain foods. If people are interested in a certain product, and where the overall guest experience is good, people don’t mind paying the higher price point for it.”
- “This is part of Subway’s plans to turn the chain around with new menu items. It’s still an issue that Subway was so focused on discounting, starting with the \$5 footlong about 10 years ago. Subway painted themselves in a corner by heavily advertising that price point. When you take that price point away, the customers get sticker shock. This will help reshape the perception of our brand and bring it more in line with what our competition is doing.”
- “The taste and palate of our consumer is anchored in 2020, so plant-based is part of that. Other things are being planned, such as [King’s Hawaiian Bread for sandwiches](#) and milkshakes from [Halo Top Creamery](#). These product rollouts make sense at this time.”

Competition

- “It’s a fundamental rule of the marketplace that more competition is naturally going to lower prices. That will also, in turn, lower the price of Beyond Meat.”

2) Owner of five Subway franchises in the Midwest

This franchisee wants to wait and see Subway’s test results from locations serving the Beyond meatball sub before becoming too interested in it. His market is not running the test. He expects the impact on sales would be very small because only a small percentage of consumers are actually eating Beyond Meat and it is not a major change to the menu. Pricing, however, would not be an issue because customers are willing to pay for quality. Subway also has strong buying power and this would keep prices down. Beyond Meat is getting a lot of press, making it preferable over competitors.

Beyond Meat

- “It’s a very small trial. Beyond Meat is only being tested in a very few markets.”
- “[I’m not wishing we had it because] I want to wait until it’s fully tested out and vetted.”
- “I think the impact of having Beyond Meat would be very small because it’s a very small percentage of consumers that is actually eating the product, no matter who is selling it.”
- “It wouldn’t be like turning our number one sandwich, turkey, into a plant-based meat product. It’s just about changing the offer for one sandwich out of the many sandwich choices we have.”
- “This is just like any test or sample that a brand would bring out. But it’s getting a lot more press than any other items.”

Pricing

- “It doesn’t matter what the pricing is. If the quality is good, customers will pay for it.”
- “Pricing wouldn’t be as big an issue for us as for everybody else. We have some of the best pricing contracts in the world for food, with the exception of McDonald’s. We have a lot of buying power.”

Competition

- “In terms of competition, Beyond Meat is getting more press than everyone else so it’s an advantage.”

It doesn’t matter what the pricing is. If the quality is good, customers will pay for it. ... In terms of competition, Beyond Meat is getting more press than everyone else so it’s an advantage.

Owner of five Subway franchises in the Midwest

3) Owner of three Subway franchises in California

Fast food customers are sensitive to pricing. A price of \$0.20 or \$0.30 more compared to the real meat option for a Beyond Meat meatball sandwich would be acceptable, but not a price of \$1 more. There is also the concern about discounting applying to Beyond Meat sandwiches, thereby shrinking margins for franchisees even further. His stores are not part of the trial and there has been very little interest from customers in the Beyond Meat sandwiches. He is waiting

Beyond Meat Inc.

to see the results of the trial. Overall, however, adding Beyond Meat meatballs to the menu will change only a small portion, maybe around 0.5%, of the product mix. A cold sandwich made with plant-based meat might be more impactful.

Beyond Meat

- “I haven’t heard any results yet about the test. Subway let go of their [R&D executive just last week](#). I don’t know if it’s related.”
- “If the results of the test were really strong, it would make sense that they would be rolling it out nationally.”
- “I would like to wait and see positive results from the test before serving it.”
- “We’ve had only a very small number of customers asking about Beyond Meat.”
- “The test is with meatballs, a hamburger-type product, and that makes sense. I wonder, though, if that’s the product we should be looking at for meat replacement or would people be interested in a cold sandwich versus a meatball replacement sandwich. Maybe something like a plant-based turkey, which is mainstream and the best-selling sandwich in our shops. Would vegetarians go for that?”
- “Meatballs overall are not very high in our product mix, compared to a regular Whopper, which is probably 50% of Burger King’s product mix. If 10% of their customers go for the plant-based option, 10% of 50% is 5% and that’s fairly significant. Let’s say maybe meatballs make up 5% of our product mix and 10% of people switch to the Beyond Meat option, that only still makes 0.5%.”
- “It’s a challenge compared to the burger places doing the test on plant-based meats. They’re offering replacements on products that are high in the product mix. For us it’s more of a challenge because our mix is more spread out, maybe to something like 30 different sandwiches.”

Pricing

- “Pricing would not be an issue as long as it’s not overly discounted, but Subways have been doing a lot of couponing and discounting. I haven’t seen the burger places discounting the plant-based products. It would be okay if we keep it at full margin, but the current coupons aren’t excluding the Beyond Meat meatballs.”
- “Customers would probably be ok with paying \$0.20 or \$0.30 more for the Beyond Meat meatball sandwich, but \$1 more would be pushing it and it would be a problem. We have vegetarian patties [that are not fake meat] and vegetarians understand they have to pay more for that. Non-vegetarians are not buying that.”
- “There’s the question of who’s eating these plant-based meats. Is it primarily vegetarians or meat-eaters who are trying to eat less meat?”
- “I don’t think the pricing has to necessarily become equivalent with regular meat but Beyond Meat will have to get closer. If the price is 20% higher, they’re not going to convert non-meat eaters.”

Competition

- “Both Beyond Meat and Impossible are getting a lot of press. It’s good to stick with one of the brands for the flexibility they would offer to also access other products besides just the hamburger replacement.”

4) McDonald’s franchisee who owns 30 restaurants in the Southeast

The Beyond Meat test by McDonald’s in Canada is doing well, but this franchisee has not heard when the product will come to U.S. stores. Only a handful of his customers have asked him about plant-based products, and he sees modest demand for Beyond Meat among McDonald’s clientele. However, McDonald’s is keenly responsive to consumer trends and will back plant-based products if customers demand it.

Beyond Meat

- “I’ve heard the test in Canada is doing well, and the consumers like it.”
- “We have heard some comments [in our store], but nothing that would make me think there’s a strong demand. I’m lucky if I’ve had three customers make any comments to me in any of my restaurants. Nobody has said to me, ‘When are you doing this? When are you doing this?’ Nothing to make me say, ‘Wow, we’ve got to have this.’”
- “Don’t get me wrong, I do think that the healthy choices are becoming more favorable to the consumer. I am sure at some point this plant-based product McDonald’s is testing in Canada will come here. But that’s not for me to decide.”

I’ve heard the test in Canada is doing well, and the consumers like it. ... If the consumers demand it, McDonald’s will respond to that demand.

McDonald’s franchisee who owns 30 restaurants in the Southeast

Beyond Meat Inc.

- “It may bring in the customer that is more plant-based, or that vegan-type consumer. At this point, it’s very hard for me to say whether it’s going to be this huge win.”
- “McDonald’s is extremely consumer-centric, and that’s why we have introduced healthier options. I think if the consumers demand it, McDonald’s will respond to that demand.”

Pricing

- Did not discuss.

Competition

- Did not discuss.

5) Owner of a specialty vegetarian restaurant in the Midwest

This restaurant prepares most of its vegetarian and vegan items in house but decided to source the Beyond Burger because of its name brand. It has been well-received by its customers, many of whom are college students. Its price point is better than its main competition, Impossible, which was deemed too expensive for its clientele. The owner is not expecting the price of Beyond to drop. She was recently told that Beyond changed the recipe of the burger, and she has seen a difference in its taste and texture. The restaurant also recently added meat items to its menu, but that has not changed its sales of the Beyond Burger.

Beyond Meat

- “It’s well-received by vegans, vegetarians, and meat eaters. The meat eaters are like, ‘I can’t believe this!’ Since we opened a year-and-a-half ago, we only had one person who didn’t like the burger.”
- “It has a positive branding in the community. There haven’t been any controversies with the brand or the name yet, so people are pretty happy with it.”
- “We were making our own vegetarian meat with seitan. That took a good amount of prep in time and space. When we were coming up with a menu before we opened we realized how popular the Beyond Burger was and how trendy the name is. So, since the other products are taking a lot of time to prepare, we said why not buy that? It’s frozen, it has a catchy name, and everybody’s talking about it.”
- “What everybody likes about the Beyond Burger is it’s vegan. It’s not even vegetarian, it’s dairy free. It looks and tastes like close to the real thing.”

Pricing

- “We have a lot of people who can afford it, but at our restaurant half of our customers are students.”
- “The Beyond Burger is one of our best sellers, but we’re not necessarily making a good margin on it.”
- “Impossible is a little bit steep for our demographic. I don’t expect it to get cheaper because that’s not going to happen.”

Competition

- “We considered the Impossible Burger, but it is a little bit more expensive so you have to sell it for a little bit more money.”
- “The Impossible Burger looks a little bit more like a fast food patty, thin and wide. Beyond Meat has that more aesthetic look of a thick, house-made burger that looks more photogenic to the eyes.”
- “They changed the recipe recently, so it tastes different and it looks different, as well. It still tastes good but they did change the recipe. The Sysco rep told us a couple months back. They look slightly different in color and shape. The recipe doesn’t have beet juice anymore, so the burger doesn’t ‘bleed’ as much.”
- “So far, since we added meat items to our menu, there’s been no difference with sales of the Beyond Burger.”

We were making our own vegetarian meat with seitan. That took a good amount of prep in time and space. When we were coming up with a menu before we opened we realized how popular the Beyond Burger was and how trendy the name is. So, since the other products are taking a lot of time to prepare, we said why not buy that? It’s frozen, it has a catchy name, and everybody’s talking about it. ... The Beyond Burger is one of our best sellers, but we’re not necessarily making a good margin on it.

Owner of a specialty vegetarian restaurant in the Midwest

5) Industry Specialists

All three sources said there is incredible interest and growth opportunity in this category, likening it to where the plant-based dairy market was when it took off. One source said that segment now has 13% of the dairy market, while plant-based meat only occupies 1% of its category, articulating how much room for growth exists for Beyond and others. Beyond is being normalized, as it has space on shelves next to meats instead of being relegated to vegan and organic sections. One source expects McDonald's to be aggressive in its partnership with Beyond. Price is not a concern now, as customers are paying the premium, but it will become an issue over the next 12 months. Beyond must work to lower prices with cheaper ingredients, cost-effective manufacturing, preferably in house, and distribution. It also needs to have cleaner nutrition labels. Competition is rising quickly, including serious efforts from Kroger and other private label grocers. But one source said the rising tide will lift all providers, especially category leaders Beyond and Impossible.

Key Silo Findings

Alternative Meat Trends

- 3 of 3 said there is incredible interest in the category.
- 2 likened this to the plant-based dairy industry when it started.
 - o 1 called plant-based dairy a gateway to plant-based meats.
 - o 1 said plant-based dairy is 13% of the dairy market now and plant-based meats are only 1% of the market, showing its incredible room to grow.
- 1 said seafood is underdeveloped in this area.
- 1 said cleaner labels are coming, as there is pushback on Beyond and others for not being as healthy as expected, as digestibility and fat content are areas of concern.

Beyond Meat

- 3 said Beyond is performing well and has a lot of room for significant growth.
- Beyond is being normalized quickly, taking space on store shelves in the mainstream meat section rather than the vegan or organic sections.
- 1 said it has strong and varied penetration.
 - o It also needs to get healthier, cleaner ingredients.
- 1 expects McDonald's to be aggressive in its partnership with Beyond.
- 1 said Beyond could lose share to competition.

Pricing

- 3 said price is not an issue now, as customers are willing to pay the premium, but this will not last forever and will become an issue over the next 12 months.
- Beyond needs to lower prices so it will be popular in Walmart Inc. (WMT), as well as higher-end stores.
- It needs cheaper ingredients, cost-effective manufacturing and distribution, and the ability to scale in order to bring price down.
- 1 said price parity with conventional beef may be achieved in as little as two to three years.

Competition

- Competition is plentiful, including from private label brands at Kroger and other grocers.
- 1 said the bigger threats than competitors are nutrition labels and price.
- 1 said the rising tide will lift all in the category, especially the category leaders Beyond and Impossible.

1) Head of an investment firm specializing in plant-based products

Beyond Meat is poised for strong growth in the next year. Wider distribution in McDonald's stores offers one potential boost. In the longer term, Beyond Meat's premium price will limit demand. Another issue is that the plant-based products are processed foods and their long ingredient lists do not appeal to some healthy eaters.

Alternative Meat Trends

- "We're seeing more companies, more entrepreneurs, more media attention, more consumer interest. A few years ago, entrepreneurs wouldn't have touched food with a 10-foot pole. We're seeing a lot more companies coming into the space with a lot more vigor. Every day, we're seeing more people coming into the space."

Beyond Meat Inc.

- “There are so many companies that there’s going to be some consolidation. You’re going to see the companies that have been doing this the longest getting a lot of money.”
- “We’re not really focusing on seafood enough, with all these stories about overfishing and the collapse of fishing. If I were an entrepreneur, I’d be looking at this category. The seafood area is very underdeveloped.”
- “All of a sudden, you’re looking at Burger King increasing their traffic by 18%. I haven’t been to a Burger King in like 20 years and, all of a sudden, I’ve been like five times for the Impossible Burger.”
- “At my local Walmart, I’ll see someone with French fries and meat and then almond milk. The plant-based dairy is sort of like the gateway drug for healthy food. Once one category succeeds, then you see other alternative products blossom.”
- “Animal agriculture is destroying the world. Who doesn’t want to sign up for a company that’s offering a solution? What we see in millennials and gen Z is they really do care about the authenticity and mission of the companies they engage with.”

Beyond Meat

- “[Beyond Meat is] doing incredibly well. In the past month, the lockup expired and the share dipped, so people thought maybe Beyond Meat couldn’t keep up its growth. But Beyond Meat is not even remotely at the place where they’ve achieved their opportunities.”
- “There have been veggie burgers out before. Why hasn’t it been a hit? Because it’s not a Beyond burger, it’s not an Impossible Burger. They don’t have these megabrand names.”
- “I’m hopeful Beyond will end up in McDonald’s nationwide. I think we’re going to see McDonald’s make some really aggressive moves in partnering with Beyond.”
- “It’s not being smushed in the organic section or the vegan section. This is in the main aisles of the grocery store. It’s being normalized.”

Pricing

- “I’m not seeing enough companies that are doing this affordably. This isn’t a win unless you can do this at the same or a lower cost than comparable animal-based products. In order for this to be your Monday-Tuesday-Wednesday-Thursday-Friday evening meal, you need to make this affordable. There’s so much excitement now that that’s not really an issue.”
- “It’s more expensive across the board, sometimes it’s like two times more.”
- “Going back to plant-based beverages, those prices could be lower, but they usually parity price with dairy milk. They’re giving that extra additional incentive to the retailer.”
- “Pricing is not affecting demand right now, but I do believe it will in the next 12 months. To get in the cart of that person in front of me at the local Walmart, the next step is you need to be at that price or lower. People buy what they can afford. Research has shown that consumption of meat is directly tied to the price.”
- “There’s so many elements that go into that price issue. In an ideal world, you’d have government subsidies. But let’s assume the government isn’t going to do that; big agriculture has a lot of lobbying clout. You’d need cheaper ingredients and a manufacturing system and distribution system that’s more cost-effective.”

Competition

- “There’s definitely growth from other competitors.”
- “Kroger just launched their own private label, and we’re seeing other supermarkets launching private labels. Private-label plant-based products have been around for a long time, and most of them suck. If they can make it amazingly tasty, then that’s a real threat.”
- “The two biggest threats to Beyond Meat and Impossible are the nutrition label and the price. People will eat the Beyond Meat and the Impossible Burger once or twice, but they won’t eat it every day. It’s still a processed food. It’s a delicious product, but it’s not the cleanest product. They’re making an effort to simplify their ingredient list. And pricing. You’ve got a lot of early adopters who are willing to pay that money, but they are a limited population. In order to have massive adoption, you have to get the price down.”

Pricing is not affecting demand right now, but I do believe it will in the next 12 months. To get in the cart of that person in front of me at the local Walmart, the next step is you need to be at that price or lower. ... You’d need cheaper ingredients and a manufacturing system and distribution system that’s more cost-effective.

Head of an investment firm specializing in plant-based products

2) Executive from a nonprofit food trade group

The plant-based meat category is just getting started and shows major promise. While alternative meats have just 1% market share, it is reasonable that Beyond Meat and its competitors will follow the path of Silk and other plant-based dairy products, which have grown to now capture 13% market share. Competition from grocers such as Kroger and Aldi, which have introduced private-label alternative meats, only support the case that this is a space with huge potential.

Alternative Meat Trends

- “We’re seeing double-digit growth year over year on plant-based meat, and really across plant-based categories. What’s really compelling is you see plant-based products growing in double digits, while animal meats are basically flat, or maybe growing in low single digits.”
- “Plant-based milk now has about 13% of the overall market, whereas plant-based meat has 1% of the market. So you can see the opportunity. We’re seeing strong distribution growth, sales growth, velocity growth.”
- “The other thing we’re seeing is this product is increasingly being stocked in supermarkets near the animal-based protein products. We saw a similar thing when [Dean Foods’/DF] [Silk](#) first gained placement in the refrigerated dairy section, instead of being in a random aisle in the middle of the store, where only a dedicated vegan would go look for it.”
- “They’re not going to be going to the vegan section unless they’re already vegan. You need to really be located where they’re going to look for their center-of-plate protein.”
- “We’re seeing a lot more clear involvement from traditional meat companies. A lot of meat companies are starting to refer to themselves as protein companies. I heard one executive at a conference say, ‘We’ll provide protein in whatever form consumers want it.’”
- “Almond milk introduced consumers to the idea of an almond-based dairy product. Now that has expanded to yogurt and ice cream. We’re looking forward to seeing a lot of innovation beyond the burger. We’re going to see more in chicken. Seafood is a burgeoning area.”
- “One of the things we’ll see a lot of work on this year is fermentation to create plant-based protein. Impossible foods is using hemoglobin.”

Beyond Meat

- “If you look at Burger King’s earnings calls recently, they’ve actually credited Impossible Foods for giving them one of their best quarters. The categories and brands have really positive repeat rates.”
- “Beyond Meat, on one of their calls, said they have a 45% repeat rate. It’s bringing in new customers. If that product goes away, those customers are going to stop coming.”
- “We’re just seeing more and more desire among consumers to reduce their meat consumption. Consumers want to do this, but they want it to be easy. It’s still an emerging category. A lot of consumers haven’t even tried these products, and this is normalizing it.”
- “The room for growth and adoption is so significant. And millennials and gen Z are highly engaged in these categories. For them, eating this is a normal, everyday thing.”

Pricing

- “It’s still at a premium [price]. There’s some positives from the producers and retail-restaurant side on that. But it also can be a barrier to broader adoption on the consumer side. Eventually, the price for plant-based meats will come down, but that’s going to take some time. They need to get some scale. Once they have the price advantage, it’ll be easier for this to be a default product.”
- “Right now, there’s more demand than supply.”
- “There’s some supply chain things. A lot of the crops that are fed to animals, like corn, are highly subsidized, whereas legumes and pea proteins are not. So, right now, you’re paying more for the raw ingredients. Companies have identified that, and there is work being done. Another challenge is that a lot of the producers don’t have in-house manufacturing.”
- “I think they’re being competitive right now in the sense that they can’t keep up with demand. I don’t have a price elasticity of demand study.”

“Right now, there’s more demand than supply. ... There’s some supply chain things. A lot of the crops that are fed to animals, like corn, are highly subsidized, whereas legumes and pea proteins are not. So, right now, you’re paying more for the raw ingredients. Companies have identified that, and there is work being done. Another challenge is that a lot of the producers don’t have in-house manufacturing.”

Executive from a nonprofit food trade group

Beyond Meat Inc.

- “I think Beyond said 95% of their customers are not vegans, so consumers are willing to pay a price premium.”

Competition

- “[Kroger just announced](#) a private-label product under their Simple Truth brand. Once those private labels have been on the shelf for a year or more, that starts to bring prices down.”
- “Albertson’s has launched a refrigerated burger. Aldi has a big line. Whole Foods, of course, has product. Between Kroger and Albertson’s/Safeway, you have the No. 1 and 2 grocers getting into this space. They’re not just doing frozen patties. They’re putting refrigerated burgers in the meat case.”
- “We’re really at the stage of a rising sea lifts all boats. As bigger manufacturers get into this space, it’s going to bring more attention and more consumers and really normalize it. There’s so many undeveloped products that I’m not really worried about competition right now.”

3) Daniel Karsevar, CEO at [PlantBased Solutions](#)

As Beyond Meat penetrates the marketplace with more fast food restaurant groups adding it to their menu, the company is adding new manufacturing capabilities and increasing the ingredient supply chain, allowing a fairly rapid progression toward price equality with beef. Approximate price parity should happen in about two to three years, even as plant-based meats continue to get closer to the cost of meat. Beyond Meat does not have to achieve full price parity as flexitarian Beyond Meat customers are willing to pay a slightly higher price in their quest to reduce their meat intake. There has also been a constant increase in competition, adding to the price pressure. As new competitors arise, there will be more distinctions in the quality and pricing of plant-based meats, with food service and higher-end restaurants requiring different ingredients than are served by fast food chains. Impossible remains the largest direct competitor to Beyond Meat and the two have the advantage of starting the trend and being first to market. In the next five years, there will be a next evolution of the plant-based meat trend as new entrants hit the market, offering more appealing and less processed, whole-food based alternatives.

Alternative Meat Trends

- “Plant-based meats are not just about extruding soy or bean protein isolate. There are products now coming to market with different legumes, whole foods, cleaner labels. These are distinctions that will help with price. There has been some pushback [about Beyond Meat] on overall healthiness—digestibility, methylcellulose, and fat content.”

Beyond Meat

- “Beyond Meat is making a strong and varied penetration and increasing sales. Every week we see an announcement of somebody else selling Beyond Meat or [a celebrity making meatball subs at Subway](#). Sales data, however, is not transparent yet.”
- “At the same time, there are also companies like [Chipotle \[Mexican Grill Inc./CMG\] who have said they are not going to carry Beyond Meat](#) because it’s too processed. It’s not the healthiest alternative to meat.”
- “There’s been other pushback. On social media and blogs, people have also been questioning how healthy Beyond Meat is compared to being vegetarian or just eating healthier foods. They say Beyond Meat is trying to mimic meat in a way that may not be the healthiest.”
- “I think Beyond Meat will continue to grow but there will be more competition. Retailers will be bringing in more brands. As long as Beyond Meat is the only player, sales are skyrocketing. Once there’s more choice of selections, their market share may slightly diminish, even if the whole category continues to grow.”

Pricing

- “Price competitiveness is an issue for the companies trying to grow their market to be as big as the meat market. Initially, plant-based foods were for the very small vegan segment, but now Beyond Meat has moved to a flexitarian demographic. This group, though, is still willing to pay a higher price for a healthier meat-like option. Flexitarians generally want to reduce their meat intake for health reasons, maybe because of doctor’s orders to cut down on meat. There are studies that show they’re also buying dairy and meat in the same shopping cart as Beyond Meat.”
- “It takes a while for the price of new products to come down. The lower the price point, the greater the velocity of sales.”
- “Beyond Meat has been on the market for about year and a half and now there are five or six alternative meat companies, among them Nestlé’s. We’re also seeing the major fast food companies and food service chains adding plant-based meats to the menu, even in other countries, like [KFC adding Beyond Meat in the UK](#).”

Beyond Meat Inc.

- “With that growth, there’s been an increase in manufacturing capabilities and an increase in the ingredient supply chain. Those are the two factors that drive the price down.”
- “There has been a fairly fast progression towards price equality. They’re opening up larger manufacturing facilities and now there is more biodiversity in the ingredients.”
- “My prediction is that the pricing parity will take another two to three years, but will steadily reduce.”
- “In contract food service—hospitals, campus cafeterias, corporate cafeterias—there’s also price sensitivity but, at the same time, they need to bring something that’s cutting edge, healthy, and they’ll pay a little more money to have that distinction.”
- “They are not the old veggie burger of years past and they look closer to meat but don’t have the same ingredients as Beyond Meat.”
- “The mid-tier in food service can’t sell the same thing that Burger King sells for \$3 and just serve it with silverware and a tablecloth for \$18. Within a year, we’ll start seeing higher-end product lines. If it’s more high-end, it doesn’t have to compete on price point exactly; but the goal is still to get the prices as close to meat as possible.”

Competition

- “I was at the Private Label Manufacturing Association show in Chicago where, for the first time, they had a whole plant-based meat section. Last summer at the Plant-Based Expo at the Javits Center, there were three more companies who were competing with Beyond Meat, like Lightlife. There are even a handful of companies coming out of the UK. Many of them are similar to Beyond Meat in how they are manufactured. Many are soy-based, which has limitations in the U.S. market because people still shy away from heavy soy as the protein base. The pea protein is fine but there are questions about the isolates or how much protein should be put in a burger because of digestibility. So much plant-based protein is difficult to digest. It’s become a question of how much protein should be in a plant-based burger.”
- “I have higher-end clients who are entering the market, not as competitors but as less-processed alternatives to Beyond Meat. There are going to be more and more products that are plant-based, whole foods but minimally processed. There’s appeal for that in the marketplace. That is the next evolution.”
- “For now, Impossible is still the direct competition for Beyond Meat because of the money that’s behind it and their market share in similar markets. It’s also a similar product. They’re also making inroads in other fast food chains.”
- “Beyond Meat, and Impossible, have the advantage of starting the trend and being first to market. I think we’ll have the next evolution getting established within five years. We will have different levels and tiers of plant-based meats with different ingredients and a higher or different culinary grade that will appeal to different strata and for different occasions.”

There’s been an increase in manufacturing capabilities and an increase in the ingredient supply chain. Those are the two factors that drive the price down. ... There has been a fairly fast progression towards price equality. They’re opening up larger manufacturing facilities and now there is more biodiversity in the ingredients. ... My prediction is that the pricing parity will take another two to three years, but will steadily reduce.

Daniel Karsevar, CEO at PlantBased Solutions

Secondary Sources

These seven secondary sources focused on Beyond launching with a new quick service restaurant, Impossible’s vegan pork product, Impossible moving on from McDonald’s to focus on production capability, Kroger’s private label offering, Hooters’ meatless wings, and the Golden Globes’ entirely vegan menu.

Jan. 17 Chew Boom [article](#)

Beyond Meat is supplying its product to another QSR for its tacos.

- “On The Border is celebrating the launch of new Beyond Meat Tacos by offering the plant-based alternative as part of the chain’s popular Endless Tacos promotion.”
- “On The Border’s Beyond Meat Taco features 100 percent plant-based ground Beyond Beef seasoned exactly like the brand’s seasoned ground beef, topped with shredded cheese, lettuce and house-made pico de gallo.”

Beyond Meat Inc.

- “Starting at \$8.99, Endless Tacos are available at participating locations nationwide through March 8, 2020.”
- “Beyond Beef is also available in enchiladas and Stacked Nachos for an additional 2 bucks.”

Jan. 6 *San Francisco Chronicle* [article](#)

Impossible Foods is making a vegan pork product and will be introducing an Impossible sausage patty for breakfasts at Burger King.

- “Following the smash hit Impossible Burger, Redwood City’s Impossible Foods is almost ready to release its next product: Impossible Pork.”
- “‘It’s the first time a plant-based product cooks up just like ground pork,’ said David Lee, chief financial officer of Impossible Foods.”
- “The company made the announcement Monday at the CES electronics conference in Las Vegas, where it’s serving 25,000 samples of the vegan pork this week. While Lee declined to elaborate on the timing or distribution plans for Impossible Pork, he said it would [likely be similar to the Impossible Burger](#).”
- “But first, Impossible will roll out a specific product for Burger King, which already sells an Impossible Whopper. Dubbed Impossible Sausage, the breakfast patty will appear in a new croissant sandwich at 139 locations in Georgia, Michigan, Illinois, New Mexico and Alabama starting in late January.”
- “Impossible Foods makes its plant-based pork in a similar fashion to its burger, using soy, coconut oil, sunflower oil and bioengineered soy leghemoglobin, otherwise known as heme. The vegan pork carries a similar amount of protein and iron as conventional ground pork but less cholesterol, fat and calories — and much more sodium.
- “Lee praised Impossible Pork’s mild, savory flavor said it can be easily customized for different cuisines.”
- “‘It isn’t limited to a breakfast sausage. It can be kielbasa. It can be in a dumpling,’ Lee said. ‘Imagine what ground pork from an animal can do and all the ways you can change it in the hands of a chef.’”
- “Impossible Foods started out with a beef replacement in 2016 because of the environmental impacts of raising cattle and the burger’s place in the American culinary canon. With pork, Impossible is setting its sights on a global audience. While beef and chicken are the most popular meats in the U.S., pork is the top choice around the world, [making up roughly 36% of the global meat supply](#), according to the Food and Agriculture Organization of the United Nations.”
- “The timing of the announcement is also a nod to Impossible Foods’ goal of expanding to China. China is the world’s largest pork producer, yet the spread of African swine fever has killed a third of its hogs — a quarter of all the pigs world-wide, according to the New York Times.”

Jan. 8 *Eater* [article](#)

Impossible Foods is no longer trying to partner with McDonald’s as it focuses first on its production capabilities.

- “Impossible Foods, the maker of [plant-based](#) beef patties (and [now pork](#)), is no longer trying to woo McDonald’s into serving its meatless burgers, [Reuters reports](#). The issue apparently comes down to supply: the alternative meat startup can’t produce enough patties to partner with the world’s top fast-food chain.”
- “‘[I]t would be stupid for us to be vying for them right now,’ Impossible Foods CEO Pat Brown said in an interview with Reuters. ‘Having more big customers right now doesn’t do us any good until we scale up production.’ According to Brown, instead of trying to land the colossal McDonald’s deal, the company is currently working to more than double production.”
- “Courting fast-food chains has been a critical part of Impossible Foods’ and rival Beyond Meat’s strategy to bring their plant-based wares to mass market. Impossible Foods partnered with Burger King last year to launch a soy-based Whopper nationwide, to [continued success](#). Beyond Meat, meanwhile, has already teamed up with McDonald’s to test a pea-protein burger in Canada; McDonald’s announced on Wednesday that the trial would be [expanding to 52 restaurants](#), signaling that *if* McDonald’s were to go all-in on plant-based, it might go with Beyond Meat.”
- “Beyond Meat, on its part, is eager for the deal. ‘We would have to work with them on timing but, yes, we would be able to meet their demand globally,’ the company’s chief growth officer Chuck Muth told Reuters.”

Jan. 8 *Retail Touchpoints* [article](#)

Kroger’s Simple Truth private label is offering plant-based meats in its stores.

- “Kroger is expanding its presence in the private label and meat substitute categories with the launch of Simple Truth

Beyond Meat Inc.

Emerge plant-based burger patties and ground meat. The products join existing plant-based products in this line that include vegan chocolate chip cookie dough, oat milk, sour cream, deli slices and sausage.”

- “Simple Truth EmERGE products are designed to have the same taste, texture and sizzle when cooked as beef and are free from GMOs, dairy gluten and soy. The burgers are following a trail blazed by Impossible Foods and Beyond Meat, which are appearing on menus and in grocery stores across the U.S.”
- “Simple Truth has been a successful organic brand for Kroger, with sales of more than \$2.3 billion in 2019. The retailer plans to build on this momentum by introducing an additional 50 Simple Truth plant-based products in 2020.”
- “The introduction of the meatless EmERGE products comes as no surprise. Sales of plant-based meat hit \$5 billion in 2018, and the category could grow more than 25% annually to hit \$85 billion by 2030, according to UBS. The grocery retailing giant is striking while the market is young and ripe for competition: Beyond makes about half of its revenue from grocery store sales, but Impossible only started selling its products in grocery stores in September, according to CNBC.”
- “Kroger’s own research has found that many U.S. consumers, particularly Millennials and women, are embracing a ‘flexitarian’ diet that puts a larger emphasis on vegetables. Additionally, nearly 33% of shoppers are integrating more plant-based foods into their lifestyle while reducing their meat and dairy intake.”
- “The new offerings from Kroger could potentially find their way to Walgreens as well, where Kroger’s Simple Truth natural and organic products have appeared on shelves at 35 stores as part of a pilot program. Some of the pharmacy locations now carry fresh meat, produce, dairy and frozen foods, which could open the door for interest in plant-based meats.”

Jan. 9 Mass Live [article](#)

A taste test between Hooters chicken wings and its meatless wings revealed a surprisingly good product that is very similar to its meat version, albeit a few dollars more expensive.

- “If you put two plates of Hooters wings in front of me, one with actual boneless chicken wings and one with the new meatless Unreal Wings, I would not care which one I took. I’d honestly be fine with picking one off a plate without looking.”
- “It’s honestly the biggest compliment I can give a meat alternative product.”
- “Hooters ... has gone in hard on the meat alternative and plant-based protein market. They already had the Impossible Burger on their menu and are now putting out the first major poultry alternative from a big-market chain restaurant.”
- “The wings are really good.”
- “Biting into an Unreal Wing, it’s virtually identical to the real thing. You get that nice crunch from the batter on the outside and then an incredible emulation of the white meat texture on the inside.”
- “It’s crazy to experience. The meatless wings simply nail the texture of actual chicken. It captures that same weight and meatiness of the real thing, giving the same satisfaction when you tuck into a wing.”
- “I got a plate of the normal Hooters boneless wings to compare to these new Unreal Wings and kept feeling myself going back to the meatless wings both out of curiosity and because I had no real reason to go back to the meaty ones.”
- “When going for the meatless option over the real thing, it doesn’t feel like you’re losing anything. There’s no real sacrifice in regards to the eating experience by foregoing the meat, which is crazy.”
- “The only real sacrifice is the financial one. A plate of 10 Unreal Wings will run you \$15 – compared to \$12 for 10 normal boneless wings.”

Jan. 13 Marketwatch [article](#)

Plant-based foods have officially gone mainstream.

- “A meatless meal was once a radical proposition for many consumers. Now that health and wellness concerns are top of mind and plant-based meats offer up new and delicious flavors, a diet where vegetables and protein alternatives show up prominently is much more commonplace.”
- “‘Plant-based alternatives have absolutely gone mainstream and are gaining much more acceptance among consumers,’ said Lizzy Freier, managing editor at Technomic, a data and analytics provider for the food-service industry. ‘As people become more familiar with it, it’s now being integrated as something that’s just as tasty as

Beyond Meat Inc.

traditional meat and something that's sustainable. So I think the focus of late has been more on taste and sustainability and less on health."

- "Market research firm CFRA forecasts that the global alternative meat industry will grow to \$100 billion in sales by 2030, up from about \$19 billion in 2018. As of October 2019, analysts estimated that the U.S. alternative meat market was only about \$2.4 billion. The global meat market is about \$1.4 trillion."
- "At first, plant-based alternatives were viewed mostly through the wellness lens."
- "'That health piece has become cost of entry and now consumers are talking about taste,' said Risa Schwartz, global lead for consumer insights and analytics at Tyson Foods."
- "There's a 'reframing' of protein going on, Schwartz said, such that consumers are looking for it in different places and at different times of day. That includes snacks and breakfast."
- "In addition, plant-based alternatives are showing up on children's plates as millennials pass on their desire for a more diverse menu."
- "Tyson's plant-based protein brand Raised & Rooted offers nuggets for these young consumers, Schwartz says, as an example. It's a familiar food made in a new way."
- "Raised & Rooted was available in 7,000 stores as of November 2019. Kroger also announced that it is launching its own private-label brand, Emerge: Plant Based Fresh Meats, adding the availability of these items."
- "Taste is a significant factor for Beyond Meat even as the company emphasizes it as an eco-friendly alternative."
- "'We are proud of our products today, but are committed to a rigorous cycle of rapid and relentless innovation that includes a continual search for simple, non-GMO inputs from plants that will enable us to offer better products in both taste and nutrition,' said Ethan Brown, Beyond Meat's chief executive, on the most recent earnings call, according to a FactSet transcript."
- "Taste has been the most important upgrade in recent years, says Mark Kalinowski, chief executive of Kalinowski Equity Research."
- "'The technology has improved so that you have people bite into a plant-based beef burger and can't tell the difference from an actual beef burger,' he said."
- "More than half of U.S. consumers say meat alternatives should mimic the taste of real meat, according to Mintel. And more than one in five consider themselves flexitarians, meat eaters who mix in some vegan and vegetarian meals."
- "Fast-food restaurants, many of which serve mainstream dining options like burgers and chicken sandwiches, have jumped into the plant-based meat trend enthusiastically. Items like Burger King's Impossible Whopper, Dunkin' Brands' Beyond Sausage Sandwich and Carl's Jr.'s Beyond BBQ cheeseburger are just some of the dishes that have flooded menus across the U.S. in recent months."
- "Kalinowski takes a wait-and-see approach to the future of plant-based alternatives in terms of how big it will get and how much time it will take to get there. But he does think the future is a bright one for plant-based proteins now that they've already become more widely accepted."
- "Nearly a third of consumers (32%) would like more restaurants to offer protein substitutes for meat, poultry and seafood, according to data compiled for one of Technomic's 2019 Center of the Plate reports."
- "And more than a third of millennials (36%) would likely try a plant-based beef alternative if it were available."
- "'The Impossible Whopper brought in incremental customers,' said Kalinowski. 'They don't just want the same customer changing their order. They want traffic growth.'"

Jan. 7 Special Events [article](#)

The Golden Globes served an entirely plant-based menu to its 1,300 guests as a response to the climate crisis.

- "The culinary team at the Beverly Hilton Hotel in Los Angeles created an all-plant-based menu for the Golden Globes party on Sunday for nearly 1,300 guests."
- "This year's menu included a chilled golden beet soup appetizer followed by a main course of king oyster mushrooms 'scallops' and wild mushroom risotto, along with carrots and roasted baby purple and green Brussels sprouts."

Additional research by Eva Cahen, Jeff Ostrowski, and David Holthaus.

The Author(s) of this research report certify that the information gathered and presented in this report was obtained in accordance with Blueshift Research's compliance protocols as outlined in the company handbook. All Blueshift reporters identified themselves as reporters/researchers from Blueshift Research and articulated the purpose of the research. To the best of our knowledge and efforts, Blueshift confirmed that the underlying source(s) lawfully obtained the information shared with Blueshift

Beyond Meat Inc.

and were entitled to provide such information to Blueshift without breaching a duty to another party. The data in this report has undergone review from Blueshift Research's Compliance Officer and has been approved for distribution to Blueshift Research's clients.

© 2020 Blueshift Research LLC. All rights reserved. This transmission was produced for the exclusive use of Blueshift Research LLC, and may not be reproduced or relied upon, in whole or in part, without Blueshift's written consent. The information herein is not intended to be a complete analysis of every material fact in respect to any company or industry discussed. Blueshift Research is a trademark owned by Blueshift Research LLC.