



**SPECIAL EDITION
WHITEPAPER:
PLANT-BASED FOODS**

WHY FOOD COMPANIES SHOULD JUMP ON THE PLANT-BASED TRAIN

We recently delivered our comprehensive study on plant-based foods away-from-home and found the market is ripe for entry. As one of the fastest-growing categories in foodservice, consumption of plant-based foods is driven by younger consumers, health & wellness segments, as well as improved technology — making even loyal meat-eaters hungry for more.

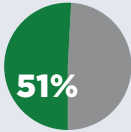
White Castle was one of the first movers in system-wide plant-based offerings in the foodservice space with their introduction of the Impossible™ slider last fall. Recently, Burger King announced it would be testing a plant-based Whopper in several of its stores. Red Robin, Blaze Pizza and Del Taco have been recent entrants into the plant-based arena. While beef substitutes are receiving the most press, beverages (milks and creamers) have long been popular categories for plant-based options. But there are also a group of startups and some established brands that are focused on creating vegan alternatives to popular seafood products. Even dessert makers are entering the fray.

It should be no surprise that our research found that the plant-based foods category (including beef, pork, poultry, beverages, pasta/noodles, toppings, yogurts and frozen desserts, among others) will reach \$1.3 billion in away-from-home consumer dollars in 2019. While full-service restaurants account for the largest share, followed by QSRs, segments such as c-stores (dairy replacement in coffee programs) and college-university overindex in usage.

Consumers make foodservice operators think twice

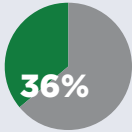
Our study on plant-based foods dealt primarily with the business-side of category growth. Consumers and patrons have shown a keen interest in the desire for plant-based products:

EVIDENCE-DRIVEN CONSUMER DRIVERS



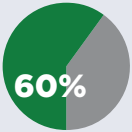
More than half of Americans have adopted a restrictive diet that focuses on plant-based products.

Note: Driven by food allergies, diets, intolerances and others diets (paleo, etc.)
Source: LEK consulting Executive Insights Volume 20, Issue 20



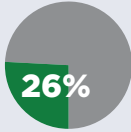
More than a third of consumers buy plant-based meats.

Source: Mintel



Three of five of millennials regularly consume plant-based meats.

Source: Nutrition Business Journal

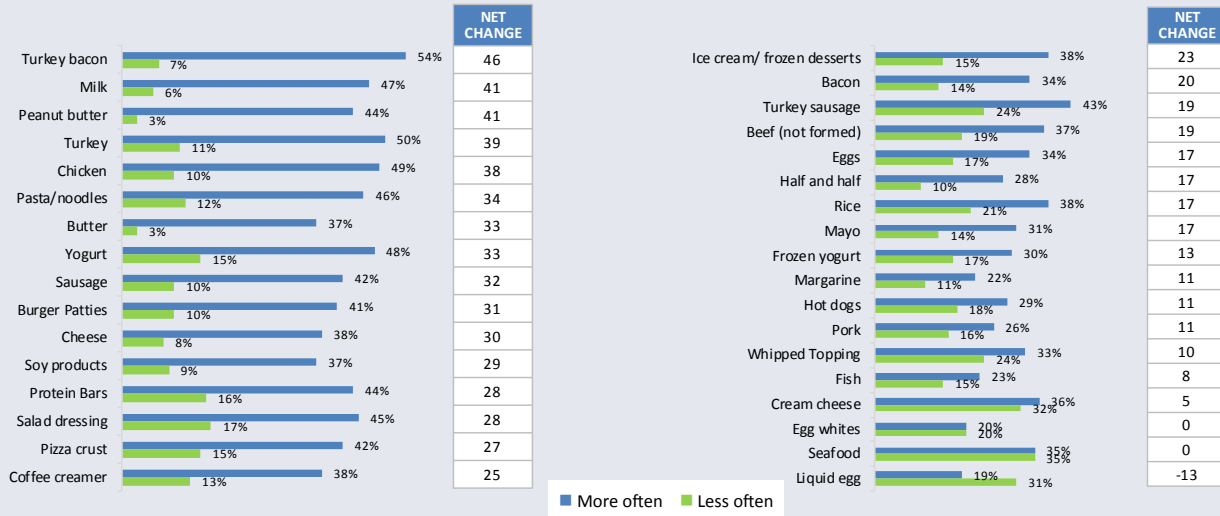


Over a quarter of consumers reported eating less animal meat in the past 12 months.

Source: 210 Analytics

According to our report, compared to a year ago, operators reported purchasing more plant-based foods across a variety of categories. When looking at the percentage indicating increased purchasing minus the percentage reporting a decrease in purchasing, the “net” shows a positive change. Only liquid eggs show a negative net.

ARE YOU PURCHASING PLANT-BASED FOODS MORE OFTEN, LESS OFTEN, OR THE SAME AMOUNT AS ONE YEAR AGO?



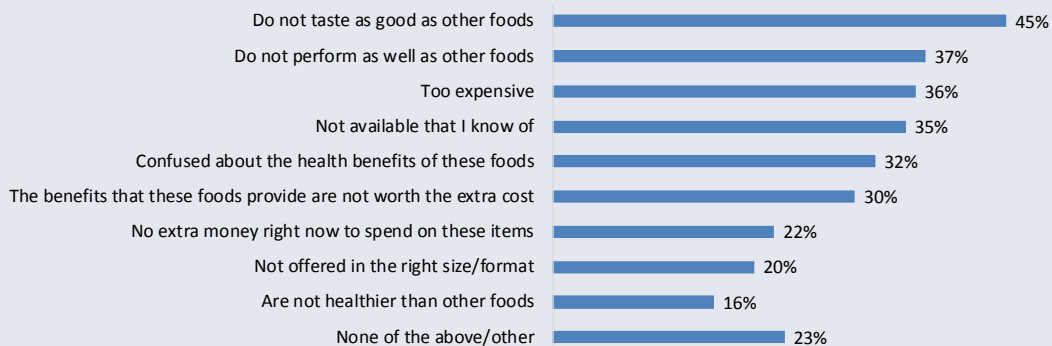
Plant-based foods are a high-growth category without any clear market leaders for specific categories. It is ripe for entry.

What’s impressive about this reference point is that few categories in foodservice ever see such an uptick in reported purchase changes. This, among other inputs, is why growth is forecasted at nearly 10% over the next five years according to our estimates.

Only flavor and absolute cost seem to be the growth inhibitors

With the demand-side pleading for plant-based options, our study also showed that foodservice operators were highly in favor of adoption, yet faced implementation hurdles. Perhaps the largest drawback is that plant-based foods often do not taste as good or perform as well as their conventional counterparts — this, paired with higher price points, is inhibiting overall adoption.

REASONS CITED FOR NOT BUYING PLANT-BASED:



Improving taste, texture, and performance of plant-based options will drive patron acceptance and justify investments in the category.

There is a “premium” halo associated with plant-based

While price and taste are hurdles to broader operator acceptance, operators themselves see the ability to charge higher prices for plant-based substitutes. In the words of one restaurant operator: “We see the quality of these foods increasing, and customers have been willing to pay for foods that have a positive message.”

Our research also confirmed this observation. When asked about how “premium” is rated among a few indicators such as natural, locally sourced and organic (the most common buzzwords for social consciousness), approximately 41% believed plant-based ingredients elevated an item to “premium”.

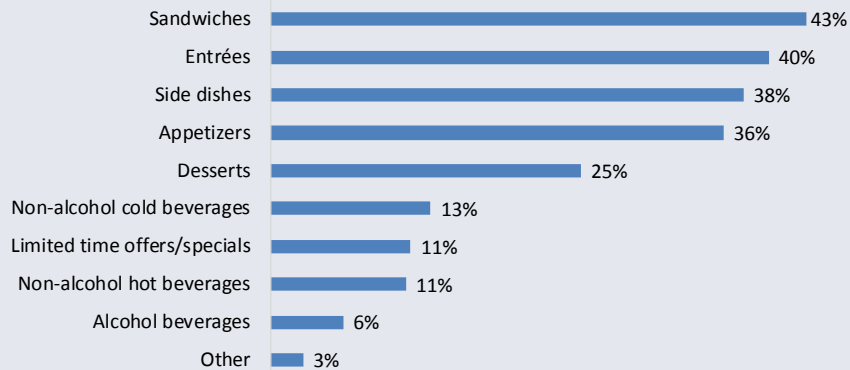
HOW MUCH DO YOU AGREE OR DISAGREE THAT THE FOLLOWING MAKE AN ITEM “PREMIUM”?



Early entry and substitutes for popular menu items will improve success

Food companies looking to enter or expand the foodservice category should focus on the applications that patrons and foodservice operators are already using today, e.g., sandwiches, center-of-the-plate items, and side dishes/appetizers.

WHAT MENU ITEMS DO YOU OFFER THAT INCLUDE PLANT-BASED ALTERNATIVES?



Manufacturers should focus recipe support and menu innovation around sandwiches, entrées, side dishes and appetizers for continued growth of plant-based categories.

Entering the plant-based foods category today will help to establish firms as the category go-to, but just like any product launch, a firm understanding (using evidence-based insights) of the external environment and a company’s intrinsic capabilities will dictate long-term success.

NEXT STEPS

Want more evidence to back your decisions around plant-based foods? Purchase Q1’s landmark report, **Plant-Based Foods: Assessing the Opportunity** today! Contact a Q1 consultant for details:

Tim Powell, *Managing Principal*
312.602.9899 / tpowell@q1consultingllc.com

Julie Heseman, *Principal*
312.955.0252 / jheseman@q1consultingllc.com