

**BYE-BYE, BEEF:  
VEGGIES ARE NOT  
JUST THE SIDE DISH  
ANYMORE**



Plant-based meat alternatives have become a viral fast food trend, and by all accounts, this is no passing fad like the ramen burger or the rainbow bagel. Meat substitutes are not novel – *mock meats* have been around since at least the late 19<sup>th</sup> century – however, 2019 is seeing an almost insatiable interest in plant protein options aimed at omnivores.

This summer, Burger King *began offering* the meatless Whopper across nearly 7,000 locations throughout its US system. This represented the largest rollout of Impossible Foods' plant-based product to date and followed a successful market test where Burger King attributed visits from *new or lapsed* consumers to the item. *White Castle* and *Little Caesars* are also serving products made with Impossible Foods protein.

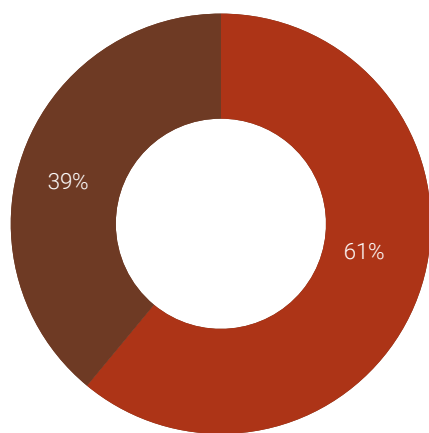
Impossible rival Beyond Meat, meanwhile, surpassed expectations in its first ever earnings report after going public this year. And similar to Impossible's customers, Del Taco attributed one of its most *successful* product launches in the company's history to Beyond Meat, having sold *two million* plant-based tacos during the first two months of its partnership with the supplier this spring. Beyond products also feature on menus such as *Carl's Jr.*, *Tim Hortons*, and *TGI Fridays* and are available to the home cook at *Whole Foods* and in *Blue Apron* meal kits. Subway recently announced it will be debuting a *Beyond meatball* this September.

Clearly, we're in a meat-alternative zeitgeist, with US retail demand for plant-based products having grown *11% to \$4.5 billion* in the past year alone, according to one report. It is critical to note, however, that this recent initiative has largely been aimed at meat-eaters looking for a healthier or more environmentally conscious eating-out experience rather than introducing increased options to attract the vegan or vegetarian restaurant-goer. Keeping this in mind, does it make sense to jump into the fray and start offering plant-based, meat-alternative options?

AlixPartners' annual restaurant outlook survey<sup>1</sup> suggests that it's time to take this trend seriously and consider how it fits into overall growth and brand goals.

According to data, only 8% of US consumers identify as strictly vegetarian or vegan. However, 61% of consumers who identify as primarily meat-eaters order vegan or vegetarian options while eating out (figure 1). Of this group, almost a third eat vegan or vegetarian meals in restaurants at least twice a week or several times monthly (figure 2). Additionally, the flexitarian carnivore approach appeals to all consumer age groups (figure 3). This indicates strong interest in the consumer base and potentially signals at a fundamental industry shift.

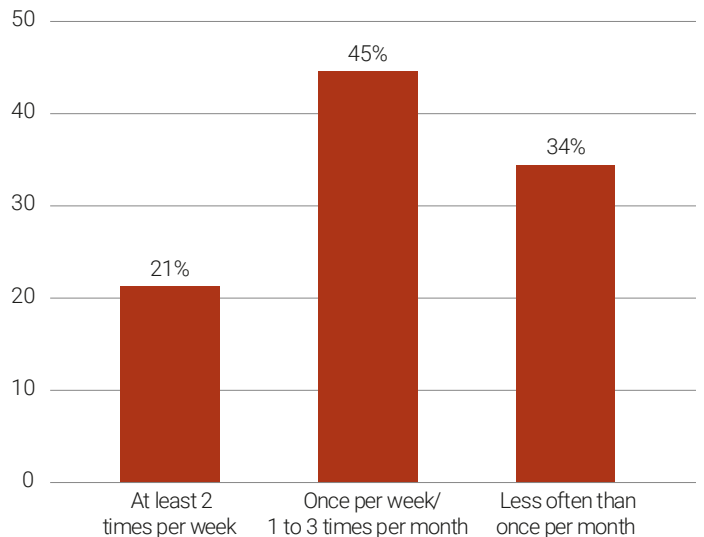
**FIGURE 1: PERCENTAGE OF NON-VEGANS/ NON-VEGETARIANS WHO ORDER SUCH MEALS AT RESTAURANTS**



■ Order vegan or vegetarian meals ■ Never

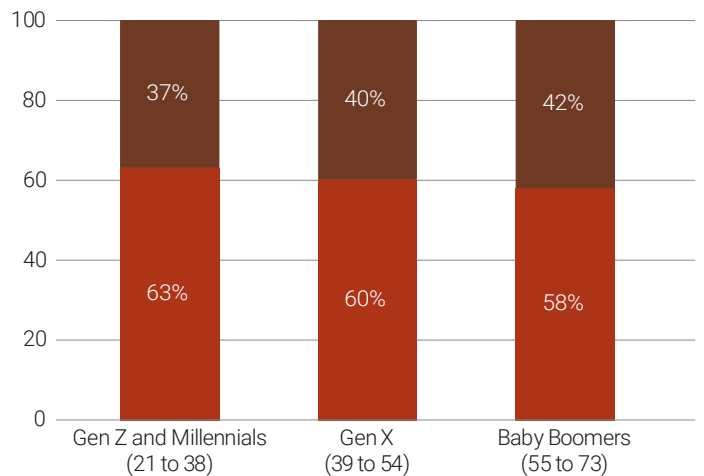
Source: AlixPartners Restaurant Outlook survey, conducted April 2019 across 1,001 people 18 years or older in the U.S.

**FIGURE 2: FREQUENCY OF ORDERING VEGAN OR VEGETARIAN MEALS BY NON-VEGANS/ NON-VEGETARIANS**



Source: AlixPartners Restaurant Outlook survey, conducted April 2019 across 1,001 people 18 years or older in the US

**FIGURE 3: INCIDENCE OF ORDERING VEGAN OR VEGETARIAN MEALS BY AGE GROUP**



■ Eat vegan or vegetarian meals ■ Never

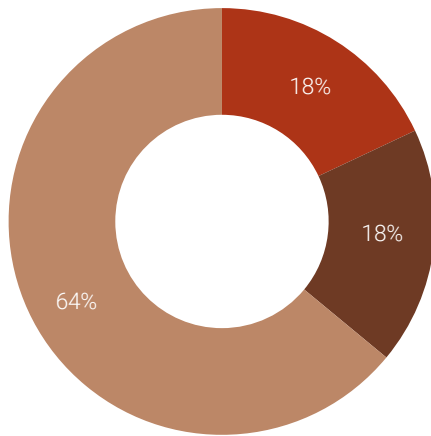
Source: AlixPartners Restaurant Outlook survey, conducted April 2019 across 1,001 people 18 years or older in the US

1. AlixPartners Restaurant Outlook survey, conducted April 2019 across 1,001 people 18 years or older in the US

Consumers these days are a lot more aware of both the options available to them as well as the environmental and health implications of consuming meat too frequently. One prediction pegs alternative meat to become a **\$140 billion industry**, over the next decade. The trend has been strong enough that traditional suppliers of meat, including **Tyson** and **Perdue**, have made recent investments to pursue their own plant-based product lines.

However, it is not a one-size-fits-all approach for restaurant operators. AlixPartners research indicates while there is wide interest among the restaurant consumer for plant-based meals, the ability of plant-based items to sway customers to specific restaurants is still developing (figure 4 and 5).

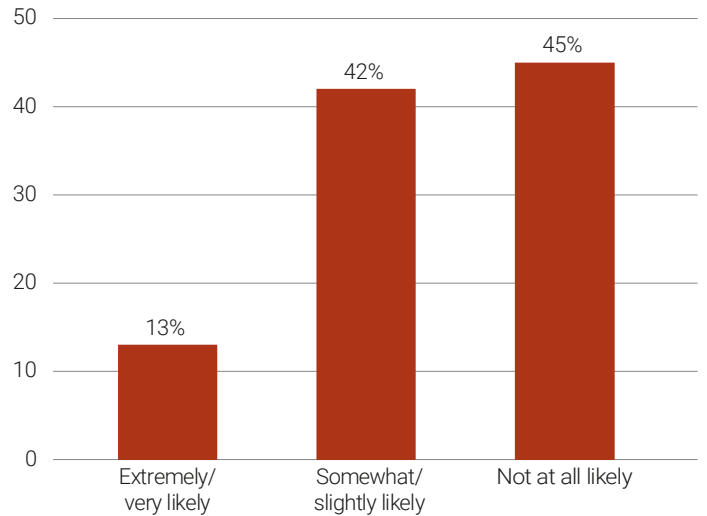
**FIGURE 4: INFLUENCE OF VEGAN/VEGETARIAN OFFERINGS IN SELECTION OF DINING ESTABLISHMENT**



- Causes me to eat at a restaurant
- Causes me to **not** eat at a restaurant
- Indifferent

Source: Restaurant Outlook survey, conducted April 2019 across 1,001 people 18 years or older in the US

**FIGURE 5: LIKELIHOOD OF EATING MORE OFTEN AT A RESTAURANT IF IT IMPROVED ITS VEGAN/VEGETARIAN OFFERINGS**



Source: AlixPartners Restaurant Outlook survey, conducted April 2019 across 1,001 people 18 years or older in the US

For the most part, consumers report general indifference and/or only somewhat or slight influence of vegetarian and vegan offerings on their decision to dine at an establishment.

While the scientific development of these alternatives designed to look like meat has advanced in their most recent iterations – the new plant-based proteins have enhanced taste and mouth-feel and some of the patties even *'bleed'* just like rare beef would – the evolution is still largely underway. Keeping this in mind, there are some challenges to consider before jumping into the plant-based meat alternative fray:

- **High cost of production:** These items are costlier to produce than regular vegan or vegetarian options, and restaurants must price accordingly. The Impossible Whopper at Burger King costs *a dollar more* than the beef version – ruling out lower cost as a possible incentive for the customer.
- **Supply concerns and operational complexity:** There have been recent *supply challenges* as production capacity is still untested and has struggled to keep up with the suddenly burgeoning demand. Additionally, consumer backlash about fast-food chains cooking the product *near animal products* has driven operational complexities.
- **Brand identity dilemma:** Some chains may struggle to generate traction around plant-based items due to their overall brand positioning.
- **Insufficient studies on benefits:** It's widely acknowledged that plant-based products have significant *environmental benefits* when compared with meat production. However, the potential *health benefits* of these specific items have been met with some skepticism, leading some to challenge the sustainability of these products within a health- and wellness-focused diet.
- **Narrow range of successful product lines:** Plant-based offerings by restaurants are not part of a brand-new trend, with many chains having seen limited success with prior products. The recent phenomenal growth has been centered around a single product: ground beef. Attempts to gain consumer traction around other plant-based proteins have been significantly less successful thus far.

Making a spur-of-the-moment decision to start offering these options may result in quick improvements to the bottom line, but ultimately the long-term operational challenges can force restaurants off the gravy train. Among those who have remained cautious is McDonalds.

For any operator looking to capitalize on this phenomenon, significant due diligence must be done to determine whether the move is right for the brand and could drive desired outcomes from time and cost investments. A deep understanding of individual brands' consumer base is essential to evaluate whether plant-based positioning will yield overall sustainable market share growth. Additionally, complexity reduction, menu optimization, and pricing improvement efforts done in tandem will help maximize the investment for those looking to take the leap and guard against the negative impact from trade downs.



**For a deep dive into this topic – and how you might further explore this industry shift – contact:**

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These are the moments when everything is on the line – a sudden shift in the market, an unexpected performance decline, a time-sensitive deal, a fork-in-the-road decision. But it's not what we do that makes a difference, it's how we do it.

Tackling situations when time is of the essence is part of our DNA – so we adopt an action-oriented approach at all times. We work in small, highly qualified teams with specific industry and functional expertise, and we operate at pace, moving quickly from analysis to implementation. We stand shoulder to shoulder with our clients until the job is done, and only measure our success in terms of the results we deliver.

Our approach enables us to help our clients confront and overcome truly future-defining challenges. We partner with you to make the right decisions and take the right actions. And we are right by your side. When it really matters.

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