



The growing appeal of plant-based everything

With all the buzz about plant-based foods these days, you'd think it was the greatest idea since sliced bread. But it's not like plants in foods are new.

After all, plants are food... and even meat and dairy alternatives have been around for decades. Nevertheless, in the last couple of years, the concept of plant-based eating has gained a luster that has rarely been equaled in the food and beverage industry.

It is now becoming a mainstream movement all around the world, with massive growth predicted for the category. Recent estimates from Swiss investment bank UBS suggest that the market for plant-based protein and alternative meats could expand by 28% annually to reach \$85 billion by 2030.¹

It's little wonder that investors are tuning in. According to data from the HealthFocus International (HFI) 2019 Global Report, one in four global shoppers now say that plant-based foods and beverages have become more important in their diets, and just as many say they will pay a premium for these products.

Demand for plant-based has prompted disruption and innovation throughout the food and beverage segment, starting with plant-based meat and dairy alternatives, and now including milk, yogurt, cheese and ice cream. The United States is at the forefront of innovation in the trend, and the market has seen exceptional growth in recent years, reaching total sales of \$4.5 billion in 2019 on growth of 11%, up from \$3.4 billion in 2017.² Many of these specific categories are also experiencing solid double-digit growth:

Plant-based product growth 2018-2019

Source: PBFA data commission from SPINS for 52 weeks ending April 2019

	2019 SALES	GROWTH
Plant-based creamer	\$226 M	+40%
Plant-based yogurt	\$230 M	+39%
Plant-based ice cream	\$304 M	+26%
RTD beverages	\$103 M	+23%
Plant-based cheese	\$160 M	+19%
Plant-based meats	\$801 M	+10%
Plant-based milks	\$1.9 B	+6%

With surges like that, it's not surprising that many companies, both big and small, are looking at the plant-based category with stars in their eyes. Investment in the space has been significant, with a total of \$17 billion invested in the category as a whole since 2009, and \$13 billion of that in 2017 and 2018 alone.³

This will lead to continued innovation and new product development. But it may take more than just an idea and a dream. Product strategy is also important and understanding the plant-based consumer and what they want from these products is critical.

Beyond vegans and vegetarians

It is also important to recognize, however, that for consumers, the trend is not really about eliminating meat or animal products specifically (although about one in five are eschewing meat for environmental, animal welfare and health reasons).⁴ About twice as many say they are eliminating or reducing meat consumption simply because they want to eat more grains and vegetables. Essentially, plant-based eating is about a variety of dietary goals, ranging from a desire to cut carbs and sugar to boosting protein or a need for novelty.⁵

Flexitarian eaters are certainly a key factor behind the demand. According to data from the Good Food Institute, 32% of U.S. consumers can now be classified as flexitarians... predicting that these consumers, as well as traditional omnivores, will increasingly seek out plant-based alternatives.

This movement is also corroborated by consumer insights from the Plant Based Foods Association and Nielsen, noting that among consumers who buy plant-based meat, 98% also purchase animal meat, while 40% of households purchase both plant-based and cow's milk.⁶

Younger shoppers tend to be a driving force behind these changes, with millennials and Gen Z both creating strong sales and potential for these products.

MILLENNIALS

79%

already eat plant-based meats*

30%

are trying to eat more plant-based foods**

Sources: *Acosta 2018; **PBFA Consumer Insights, Aramark 2018.

GEN Z

79%

eat plant-based 1-2 times per week

60%

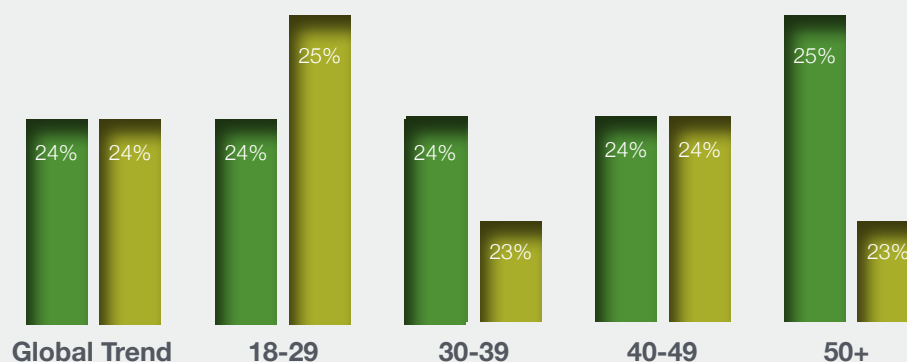
want to eat more plant-based foods

Source: PBFA Consumer Insights, Aramark 2018.

However, the trend is not exclusive to young consumers. According to the HFI report, while concentrations of young consumers are seeking out plant-based products, the trend has appeal across all demographic cohorts.

Plant appeal spans demographics

- Plant-based foods/beverages have become more important in their diet over the last year
- Willing to pay up to 10% more for foods or beverages that are plant-based



Source: HFI 2019 Global Plant Report, "Navigating the World of Plant."

While interest in plant-based eating is clearly on the rise, that is not to say that consumers don't still consider taste and texture of these products to be essential. Dramatic improvements using techniques such as biomimicry and other technological advances have helped produce plant-based products using soy, nuts and peas that actually taste much closer to traditional meat and dairy products. That noted, getting these elements right remains important, as taste and texture are still key barriers to consumption of plant-based products. Innovation in these elements will continue to be critical.

What you call it matters

Beyond getting the taste and texture right, brands must also develop precise strategies that will resonate with consumers across the spectrum. And, according to a study from the World Resource Institute Better Buying Lab, strategies for success are changing. The study identified some do's and don'ts when it comes to marketing plant-based products.⁸ For example, the research suggests avoiding the label "meat-free," because it implies that the product has less of what meat-eaters – those omnivores and flexitarians – might still like. The terms "vegan" and "vegetarian" also imply that the product may be different or unsatisfying.

On the other hand, language that is more inclusive seems to work better, according to the study. Highlighting a food's origin (where it comes from or earthy traits) is a powerful way to create positive associations for a product. Using mouth-watering terms that describe flavor also resonates. For example, "zesty turmeric sweet potatoes" generates more interest than a product labeled as "low fat" sweet potatoes. Emphasis on texture also plays an important role in consumer expectations for a product. Terms like "creamy," "crunchy" and "smooth" tend to score well.

What's next?

Targeting the broader plant-interested consumer and educating them about how good-tasting plant-based products are is an important opportunity, but brands also have whitespace opportunities in the various product categories. For example, while plant-based meals have attained market penetration of close to 60% consumption weekly, plant-based beverages have lower overall regular use, at 40%. But they also stand out with heavier usage among young consumers and households with children, which represents a solid opportunity to engage these key demographic groups.⁹



Startups and larger brands might also capitalize on the dual health halo of plants and protein, with new emerging plant protein sources. A growing number of shoppers are aware of plant protein sources, and 61% globally now say they are interested in plant protein, according to the HFI report. But there is still a disconnect for consumers that plants – from sources like beans/legumes, lentils and nuts – can be a good source of protein, so this underscores the need for a strong educational component around products that take this approach.

Products that offer plant-based options in new alternative meat and dairy categories are also expected to gain momentum. The plant-based milk category started the boom, but new growth in alternative dairy will be in plant-based cheese, yogurts and desserts.¹⁰ And while plant-based beef and chicken are now fairly common, other meat categories, such as fish, pork, shellfish and turkey represent new growth potential for plant-based products.¹¹

Plant-based snacks are another key opportunity, as consumers seek to eat more plants (and particularly vegetables), with bonus points for those in convenient formats. For example, plants blended with good carbs, or vegetables used to replace starchy carbs in products like bread or chips, are among the products taking hold in the market.¹²

The plant-based trend now transcends categories and poses a potential opportunity for companies throughout the food and beverage segment. But ultimately, it comes down to a simple premise: there is a very bright future for companies that find ways to help consumers eat more vegetables.

SOURCES:

- ¹ Khan, Y. "UBS Predicts Plant-Based Meat Sales Could Grow by More Than 25% a Year to \$85 Billion by 2030." July 19, 2019. <https://markets.businessinsider.com/news/stocks/beyond-meat-ubs-plant-based-meat-market-85-billion-2030-2019-7-1028367962>
- ² Plant-Based Foods Association-commissioned study from SPINS, 2019. <https://plantbasedfoods.org/marketplace/retail-sales-data-2019/>
- ³ The Good Food Institute (GFI). "State of the Industry Report. Plant-Based Meat, Eggs and Dairy." <https://www.gfi.org/industry>
- ⁴ HealthFocus International (HFI). "2019 Global Plant Report: Navigating the World of Plant."
- ⁵ New Nutrition Business. "Ten Key Trends in Food, Nutrition and Health 2020." <https://www.new-nutrition.com/keytrend?id=90>
- ⁶ Plant-Based Foods Association. Consumer Insights. <https://plantbasedfoods.org/marketplace/consumer-insights/>
- ⁷ Ibid. HFI
- ⁸ World Resource Institute Better Buying Lab. "It's All in a Name. How to Boost Sales of Plant-Based Menu Items." <https://www.wri.org/news/its-all-name-how-boost-sales-plant-based-menu-items>
- ⁹ Ibid. HFI.
- ¹⁰ Ibid. *New Nutrition Business*.
- ¹¹ Ibid. GFI.
- ¹² Ibid *New Nutrition Business*.