

## Case Studies

# Impossible Foods: Growing the Plant-Based Meat Sector at Home and Abroad

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This case study examines the rise of the plant-based meat sector in the U.S. through the lens of Impossible Foods, one of the industry's leading players. It explores the underlying reasons for the growth of plant-based meats, the challenges to further adoption, and the opportunities for Impossible Foods to expand its business both at home and abroad.

### Introduction

Pat Brown was driving to work one day and reflecting on the remarkable turn of events in his life. In the span of about a decade, the University of Chicago-trained biochemist's company had gone from a start-up to a major player in the burgeoning plant-based meat sector – a sector that had grown by an astounding 64% from 2018 to 2020 (GFI Europe, 2022). Some believed the sector would be worth nearly \$25 billion by 2030 (Grand View Research, Inc., 2022). And while Brown could point to many positive achievements during his tenure as CEO of Impossible Foods, such as raising more than \$1.5 billion in private investment, the outlook for his company and the plant-based meat industry was far from certain. Indeed, following a strong uptick in sales during the COVID-19 pandemic, demand for plant-based meat products had hit a wall in 2022. Even the strongest competitors in the market, like Beyond Meat, were struggling to stay afloat. But Brown was firmly committed to his mission of transforming the meat industry and reducing greenhouse gas emissions associated with traditional agriculture. To do so, he realized, would require offering products that were not only tasty and nutritious but affordable and accessible to consumers at home and abroad. The question was how to tackle these issues without exhausting the company's financial resources.

### Pat Brown and Impossible Foods

The idea for Impossible Foods was hatched in 2009 when Dr. Patrick (Pat) Brown took an extended sabbatical from his duties at Stanford University to contemplate the next chapter in his distinguished career. Troubled by the harm that traditional agricultural practices inflicted on the planet, Brown decided to focus on creating a sustainable, plant-based alternative to animal meat. Toiling in his lab, Brown set about trying to replicate the flavor of animal meat from lab-grown cells. After many unsuccessful attempts he finally discovered what he believed was a winning formula: a lab-grown product that had the same look, taste, and texture as animal meat. Alas, Impossible Foods

was founded in 2011. Sales remained sluggish until 2016, when the company introduced "The Impossible Burger." At this point, many supermarket customers were familiar with plant-based meat products, having been introduced to Beyond Meat's "Beyond chicken strips," which launched 3 years prior (Popular Timelines, n.d.). "The Impossible Burger" was successful in its very first year, appealing to both vegetarians and non-vegetarians. Other products quickly followed including Impossible ground beef, Impossible sausage, Impossible chicken, Impossible meatballs, Impossible pork, and frozen Impossible meals.

The year 2020 was a particularly successful one for Impossible Foods. As consumers were hunkering down due the pandemic, many were developing a taste for plant-based meats. Burger King launched the Impossible Croissan'wich that year in all its 7,500 U.S. outlets, and Starbucks introduced the Impossible Breakfast Sandwich across its 15,000-strong chain of U.S. stores. Meanwhile, in March 2020 Impossible Foods announced that it had secured \$500 million in a Series F equity funding round (Business Wire, 2020). It raised an additional \$200 million in fresh funding in a Series G equity round offering in August. The company said it would use the funds to expand R&D, product development, and international operations (Impossible Foods, 2020). Sales continued their upward trajectory in 2021 and 2022. Indeed, the company reported that its fourth quarter 2022 revenue rose by 85% (CNBC, 2022). And the outlook for 2023 looked promising with the news that supermarket chain Kroger would be carrying Impossible Foods products in its 2,800 stores across 35 states (Lucas, 2022).

### The Plant-Based Meat Sector

Although Impossible Foods had climbed to the top of the U.S. plant-based meat sector, it faced stiff competition from a growing array of domestic and international players. Perhaps the most prominent was Beyond Meat. Like Impossible Foods, Beyond Meat shared the mission of reducing greenhouse gas emissions by providing consumers with plant-based meat products that looked and tasted like an-

imal meat. Both companies also produced burger patties, beef, sausage, meatballs, chicken tenders, and chicken nuggets. However, Beyond Meat offered a slightly larger assortment of products including beef crumbles, steak, and even jerky. That said, Impossible Foods had taken the lead in producing frozen meals, as well as a plant-based pork alternative (available only in select restaurants). Yet thanks to poor management, Beyond Meat had lost the confidence of investors; its stock plunged by a startling 68% from March 2021 to March 2022 (Lucas, 2022).

Another competitor was Amy's Kitchen, a Compton, California-based provider of vegetarian and organic products, including frozen entrees, canned soups, and pasta sauce. According to founders Andy and Rachel Berliner, Amy's Kitchen aimed to provide customers with food that had only natural ingredients – no chemicals or additives (Reference for Business, n.d.). While still a private, family-owned business, Amy's Kitchen generated \$500 million in revenue in 2021. What differentiated Amy's Kitchen from other competitors was its approach to the plant-based industry. Unlike other plant-based brands, Amy's Kitchen provided premade food/meals, rather than just a plant-based meat that could be used to make the meals. This formula proved to be extremely popular, enabling Amy's Kitchen to control approximately 70% of the organic frozen food section of U.S. supermarkets (Encyclopedia.com, 2022).

Impossible Foods also faced competition from an array of international players. Among them was the Dutch company The Vegetarian Butcher, which had become increasingly popular since 2018, reaching a peak growth of 70% in the fourth quarter of 2020 (Snoeck, 2021). The Vegetarian Butcher sold its products in 17 different countries, including the United States (Smith, 2018). Vbites Food Unlimited was another plant-based meat competitor. Based in the UK, Vbites Food Unlimited had grown to become the largest plant-based food manufacturer in Europe (IMARC group, 2022). Another UK-based competitor was Quorn Foods, which put its own spin on plant-based food by using Quorn mycoprotein, a naturally sourced protein that is high in fiber and does not contain genetically modified organisms, as its main ingredient (IMARC group, 2022).

### **The International Market for Plant-based Meat**

In addition to the attractive growth opportunities in the U.S. market, Brown could see that there were excellent opportunities overseas.

#### **Canada**

Canada clearly represented a promising opportunity for Impossible Foods. According to The Government of Canada's website, "more than 40% of the population is actively trying to incorporate more plant-based foods into their diets" (NRC Canada, 2019). However, Impossible foods had to contend with the fact that the Canadian government was investing millions into plant-based meat companies, including \$100 million for a Merit Functional Foods facility in Winnipeg (Toliver, 2020).

Still, Impossible Foods had the advantages of a well-established brand and a range of products that had proven to be a hit with U.S. consumers. Another factor that played to its advantage was price. According to a study by Dalhousie University's Agri-Food Analytics Lab, it was found that "plant-based versions of specific meat products are more expensive in Canada, costing on average 38% more than meat. Researchers found that chicken nugget alternatives cost 104% more than animal-based versions at the highest end" (Scott-Reid, 2022). This made it a challenge for low-income families to buy plant-based meats. Thus, if Impossible Foods could use its scale to undercut its competitors on price and offer consumers a healthy and great tasting alternative to animal meat, Canadian customers might be willing to give it a try.

#### **Europe**

Within Europe there was a clear desire for more plant-based meat options due to a combination of health and environmental concerns. According to a survey conducted by the Good Food Institute Europe, 60% of people in France and Germany, 71% in Italy, and 66% in Spain said finding an alternative to the production and consumption of conventional meat was a top priority (GFI Europe, 2022). This data indicated that European consumers would be highly receptive to Impossible Foods. Yet once again, Impossible Foods would have to find ways to differentiate itself from the pack in a highly competitive market.

#### **India**

According to Just Food, there was a massive opportunity for growth in India for the development of the plant-based meat market. Author Mini Pant Zachariah stated that shoppers "are looking to buy plant-based meat products due to their perceived health benefits, including the prevention of non-communicable diseases, digestive disorders and obesity", as well as viewing the products as "immunity boosting" (Pant Zachariah, 2022). While there was a massive opportunity within India, there were important cultural differences in each region. According to Zachariah, "In the northern city of Lucknow, consumers can favor the subtlety of galouti kebabs, whereas complex chicken chettinad is preferred in much of southern India... it is of paramount importance that the product is able to fit into this puzzle." (Pant Zachariah, 2022). According to IBEF, research suggested that 63% of Indians were either very or extremely likely to buy plant-based meat daily" (IBEF, 2022).

#### **Southeast Asia**

There were also promising opportunities for Impossible Foods in Southeast Asian countries such as Vietnam, Thailand, Singapore, Philippines, Myanmar, Malaysia, and Indonesia, as consumer food spending was expected to rise sharply in the coming decade (Asia Perspective, 2022). "These shifts have fueled the growth momentum of alternative proteins across the region. It has been extremely noticeable that despite the higher price for alternative protein

products, consumers are willing to spend the extra money because of the health benefits” (Asia Perspective, 2022). In addition, some consumers feared that there was a connection between the consumption of animal products and communicable diseases (Asia Perspective, 2022). To succeed in Southeast Asia, however, would require taking the time to do research on the traditional dishes and spices of each country/region, and by communicating with locals who could give a better idea of the culture firsthand. By becoming acquainted with the local people, Impossible Foods could forge important relationships with potential consumers before products reached the shelves.

## The Decision

Pat Brown understood that his company stood at an important crossroads. It needed to continue growing and reaching new customers while at the same time staying true to its pro-environment mission. What was the best way to do this? Should it focus on product growth and development in the United States where the market was relatively mature? Or should it devote its attention and resources to countries’ up-and-coming overseas markets? There was a plethora of moves Impossible Foods could make, but which ones made the most strategic sense?

To help Brown navigate the complex array of challenges and opportunities, he turned to a consultant. The consultant offered several pieces of advice. First, she advised Brown to pay attention to trends on social media. Not only would this help Brown learn what consumers wanted and how they think, but it would also help Brown target specific audiences on social media with content tailored to them. “Pay particular attention to Instagram and Tiktok,” she advised. Her second piece of advice went hand in hand with the first: launch a campaign to raise public awareness about the positive health and environmental benefits of plant-based meat. Research suggested that consumers the world over cared deeply about the provenance of the products they consumed, the process under which they were made, and their impact on the environment. Impossible Foods had a product that met the highest ethical and environ-

mental standards. The key was to make sure that people understood this through an effective and highly targeted media campaign. Additionally, the consultant advised Pat Brown to focus on the issue of affordability. Plant-based meat products tended to be more expensive than traditional meat products, and this was a major impediment to wider adoption. With nearly two-thirds of Americans living paycheck to paycheck, many American households simply could not afford Impossible Foods’ products (Dickler, 2022). By finding ways to reduce prices, Brown could establish a larger customer base and build a strong sense of brand loyalty.

Furthermore, the consultant urged Brown to advocate for plant-based meat products to have more room on grocery store shelves. After all, the success of the partnership with Kroger, showed that supermarket customers had an appetite for plant-based products. Now the trick was convincing other grocers to not only stock the product but to locate them in the same section as traditional meat products. Such a move, data suggested, could result in an increase in sales on the order of 23% (Querolo, 2020). Finally, the consultant offered advice on international markets. While promising opportunities existed in Canada and throughout Europe, she encouraged Brown to devote particular attention and resources to developing the Impossible Foods brand in fast-growing Asian markets. However, she emphasized that it was important to research individual markets and offer products that suited local tastes and preferences with respect to flavor and texture. “A cookie-cutter approach will not do,” she warned.

Brown brought his car to a halt and reflected on the various choices facing him and his company. The next few years would clearly be critical ones for Impossible Foods and the plant-based meat sector, yet he felt confident that armed with the new information and insights provided by his consultant, he could steer his company through challenging times and achieve both his business goals and environmental mission.

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