

Simulation and Analysis of Business Strategies of a Leading Vegetarian Food Company Listed in the U.S.: Paradigm of a Case Study

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ABSTRACT: As the environment changes, the awareness in environmental protection, human health and ethics has been rising. This case study analyses the business strategy of a leading vegetarian food company listed in the U.S., in order to gain an understanding of its operation and come up with suggestions as a reference to business decision-making of the industry etc. The research is conducted with qualitative techniques. Open and secondary data of the company is sourced, and the relevant literature is collected, in order to develop the proposition. A SWOT analysis (strengths, weaknesses, opportunities and threats) is performed on the internal and the external environments, to establish a preliminary understanding of the company's business and to develop suggestions. Hence, the research findings and suggestions can serve as a reference to the industry in the decision on business strategies going forward and a template to learners for writing of case studies.

KEY WORD: qualitative research, secondary data, SWOT analysis

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I. INTRODUCTION

Market changes come with challenges, along with new business opportunities. The traditional idea about healthy diet has also gone through a transformation during recent years. Many people start to cut down the intake of carbohydrates and sugar by eating more proteins and vegetables, in conjunction with gluten-free, keto, paleo and vegan drinks and foods. Many companies have also adjusted ingredients, to attract different types of consumers. In addition, the consumers in the U.S. have become more aware of environmental protection and health. This is the reason why plant-based meats began to attract attention and rapidly gain popularity. Large supermarkets in the U.S. also started to sell relevant products. It is indeed a blue-ocean market waiting to be explored.

For the old generation of vegetarians in the U.S., vegetarian diet is not only a lifestyle but also an identity as it indicates the luxury of time, energy and resources to maintain this strict habit. In contrast, the combination of vegetarian food and fast food today does not require consumers to adhere to any ideology or mission statement. In fact, it is not necessarily healthy because it is highly processed and high in fats. As nutritionists point out, not all plant-based foods are healthy.

More and more people have abandoned meat eating, out of moral and environmental reasons. Veganism is on the rise. Gone are the days when vegetarians had to make do with a plate of steamed vegetables. Restaurants, cafes and bakeries serving delicious vegetarian foods are all over the world, highly concentrated in certain cities. Whilst the needs of vegans can be met at many places, will it be possible to create innovative cuisines with high-quality ingredients by promoting vegan menus contributing to sustainability and the environment? In face of challenges from an increasing number of competitors, can the company in the case study achieve sustainable business with its overarching business strategy? Management needs to operate an all-encompassing (in terms of corporate functions) business philosophy in the backdrop of macro factors such as COVID-19. Lai (2022) examines the trends in the global plant-based food market and the increasingly competitive U.S. vegan industry. The purpose is to explore how to innovate and expand the international market for plant-based meats. An in-depth understanding is established with qualitative research techniques such as case studies on leading U.S. brands. An analysis is conducted by centering on the innovative strategies for plant-based meats on a global scale and in the context of industry issues, business strategies and consumers' perspectives. Currently, vegan is not about the traditional and monotonous diet of tofu and veggies. Rather, it is the gradual development of a blue sea market along with technological advancements, innovation and R&D.

Moreover, Yang (2022) indicates that Beyond Meat, a brand from California, the U.S., is preparing to establish two production sites in Shanghai, China, to manufacture plant-based beef, pork and chicken for the Chinese market. It is estimated that the demand for plant-based meats is growing in China. Hence, Beyond Meat is planning to commence the production plan within months, with the ramp-up scheduled for early 2021. Chief Executive Officer of Beyond Meat, Ethan Brown, said in a statement that China is the world's largest animal meat market and consumes approximately one third of global meats. It is believed to be the largest potential market for plant-based meats. In April 2022, Beyond Meat will enter the Chinese food and beverage market by providing "Beyond Beef" menu at 4,200 Starbuck coffee shops. Beyond Meat is also working with YFC China, the fast food operator of KFC, Pizza Hut and Taco Bell. These three chain stores all launched the Beyond Meat menus in June. In the same month, Beyond Burger also launched in Freshippo in Shanghai, a chain supermarket owned by Alibaba.

Based on the above, this case study analyzes the business strategy of a leading vegetarian food company listed in the U.S., in order to gain an understanding of its operation and come up with suggestions as a reference to business decision-making of the industry and as a template to learners for case studies. The research adopts qualitative techniques. Open and secondary data of the company is sourced, and the relevant literature is collected, in order to develop the proposition. A SWOT analysis (strengths, weaknesses, opportunities and threats) is conducted on the internal and the external environments, to establish a preliminary understanding of the company's business and to develop suggestions accordingly.

The objectives of this case study are as follows:

- (1) To understand whether the company's products will be widely accepted by consumers;
- (2) To understand how the company develops overseas markets;
- (3) To understand whether the company emphasizes employee welfare;
- (4) To understand how the company researches and develops products;
- (5) To understand how the company operates ecommerce and m-commerce; and
- (6) To understand the company's share price, financials and operations going forward.

II. LITERATURE REVIEW AND PROPOSITION DEVELOPMENT

The awareness in healthy and balanced diet has been rising. More and more people want to eat healthy and demand a variety of dietary options. According to the Food Nutrition Center of John Tung Foundation, the continued advocacy for environmental sustainability in the international community has made environmentally friendly, nutritious and various plant-based diet the new and emerging trend (John Tung Foundation, 2022).

Hu (2007) suggests that (1) companies should seek opportunities in the global market given the fierce competition and the uneven resource allocations; (2) it is necessary to identify the optimal strategy to address the business opportunities by considering the market competition and the company's internal operational issues; (3) innovations may be risky if there are inadequate internal resource for implementation of innovation strategy. Innovation causes conflicts among employees and creates problems in accessing external information; and (4) the primary benefits of innovation are the expansion of consumer groups, the attraction of international orders and the development of the Middle East markets, etc.

The empirical study by Lin (2012) shows that respect for life and the health and harmony of the mind, the body and the spirit are the most sought-after vision and goal. The top three priorities in business models and strategies are environmental protection, sales & services and technology R&D. Prices are the most important element of operations. These findings prove that the vegetarian industry is indeed up-and-coming. The different decision-making methods and results are highly reliable regarding the entrepreneurship and innovation strategy of the vegetarian industry.

Chao (2017) believes that the brand culture is manifested in competitiveness. Meanwhile, the strengthening of corporate competitiveness and the enhancement of company publicity are closely related. The establishment of a fair and just incentive mechanism is the key to good management in the vegetarian industry. The core of the incentive mechanism is the principles of fairness. A good corporate brand will greatly benefit company profile and competitiveness.

Lai e conclusions are (1) Plant-based diet has become a global trend. The vegetarian industry in

Thailand pursues glocalization, with local costs and innovative developments of flavors popular with local people in Thailand and in conjunction with the Phuket Vegetarian Festival. This attracts customers to try and makes plant-based diet widely accepted. (2) Businesses offer gradual product innovations and marketing to entice flexitarians to go for plant-based diet more frequently. The innovation and the breakthrough allure more people to plant-based food.

Cindy Lo (2020) also indicates that according to the market research and consulting firm “Markets and Markets”, the global meat substitutes market was estimated to be US\$4.6 billion (approximately NT\$138 billion) in the year before last year and will increase to US\$6.4 billion (approximately NT\$192 billion) in 2023. Among all regions, Asia is the fastest growing market and a market not to be missed. The U.S. plant-based meat companies “Beyond Meat” and “Impossible Foods” have expressed an intention for the Chinese market. Indeed, these two companies have become the synonym for plant-based meats. Such publicity opens the door for these two U.S. companies to enter the mainland China market. Among the celebrities that have invested in these companies are Sir Ka-shing Li, Bill Gates and the movie star Leonardo DiCaprio and the co-founder of Twitter, Evan Williams. In May 2019, Beyond Meat was listed on the NASDAQ and raised a huge sum of money. This once again raised its international profile and significant funds for marketing.

Based on the above and the open secondary data on the case study company, the following propositions are developed:

- P₁: The tastes and flavors of the company’s products are generally accepted by consumers but there is room for improvement.
- P₂: If the company intends to expand overseas markets, it must establish warehouses for distribution, to reduce the lead times and costs or to integrate vertically or horizontally for its marketing system. This will mitigate channel conflicts.
- P₃: The Company cares about employees’ benefits.
- P₄: The Company continues to develop its product quality. The current unit price is still higher than that of real meat.
- P₅: The Company’s ecommerce and m-commerce operations are satisfactory but there is still room for improvement.
- P₆: The Company’s share price fluctuated during the pandemic and the earnings per share has dropped.

III. RESEARCH ANALYSIS AND CONCLUSION

3.1 SWOT Analysis

Strength (S): (1) The company’s ecommerce and m-commerce operations are satisfactory; (2) The company’s products are good in quality.

Weakness (W): (1) The company’s product promotion during the pandemic leaves room for improvement; (2) The company’s plant-based products are more expensive than corresponding meat products; (3) Based on the information available on the company’s website, its financials remain robust. However, there were fluctuations during the pandemic (i.e., the decline of earnings per share).

Opportunity (O): Given the push for environmental protection and the emphasis on health, the company should be able to attract consumers in the international market for plant-based meats provided that it pays attention to flavors, quality and hygiene.

Threat (T): As plant-based products are up-and-coming, there are existing competitors and there will be potential competitors and threats from relevant substitutes. Meanwhile, the bargaining power of suppliers and the bargaining power of consumers are also the factors the company should consider for future decisions (Porter, 1985).

IV. CONCLUSIONS AND SUGGESTIONS

4.1 Conclusions

Based on the above analysis and discussions, this study derives the following conclusions:

- P₁: The tastes and flavors of the company's products are generally accepted by consumers but there is room for improvement.
- P₂: If the company intends to expand overseas markets, it is necessary to establish warehouses for distribution or integrate vertically or horizontally for its marketing system.
- P₃: The Company cares about employees' benefits. A comprehensive employee welfare scheme or career planning system should enhance the employees' satisfaction and organizational commitment with the company. This boosts employees' loyalty and reduces their turnover rate..
- P₄: The Company continues to develop its product quality, to increase consumers' acceptance and generate mor revenues. However, the current unit price is still higher than that of real meat.
- P₅: The Company's ecommerce and m-commerce operations are satisfactory but there is still room for improvement regarding the product promos during the pandemic and the relationships with channel members. It is necessary to simplify the order flows or design a secure and easy-to-use platform for less savvy customers.
- P₆: The Company's share price fluctuated during the pandemic and the earnings per share has dropped.

Based on the above, all the research propositions are substantiated.

4.2 Suggestions

- (1) Given the push for environmental protection and the emphasis on health, the development of the international market for plant-based meats must address issues such as consumers' preferences for flavors, quality and hygiene.
- (2) In the context of the framework of five forces developed by Michael Porter (1985) on industry structures, as plant-based products are up-and-coming, there are existing competitors and there will be potential competitors and threats from relevant substitutes. Meanwhile, the bargaining power of suppliers and the bargaining power of consumers are also the factors the company should consider for future decisions.
- (3) If the company wishes to expand overseas markets, it is necessary to establish warehouses for distribution, find agents for product marketing or integrate vertically or horizontally for its marketing system.
- (4) The company should continue to enhance the quality of plant-based products until the taste and the texture are like regular meats.
- (5) To prepare for future uncertainties, it is necessary to continue improving the ecommerce platform easy-to-use by consumers in general.
- (6) It is essential to continue increasing the company's free cash flows or to seek crossholdings with others in the same industry, to facilitate professional division of labor and reduce production costs.

In sum, this study argues that the dual emphasis on revenues and costs is essential for companies to maintain business sustainability. Any force majeure factors such as COVID-19 will make it impossible to generate regular revenue streams. In this instance, managers must reduce cash outflows, especially when earnings per share show a downward trend. Meanwhile, managers should keep an eye on the sufficiency of free cash flows.

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