

TAMARA AL-HOMSI, YINA BAE, SHANA FEGGINS & EMILY MURPHY

FACULTY MENTOR: JULIA IVY

Beyond Meat's Venture into Asia¹

Beyond Meat was established in 2009 in California as a producer of plant-based meats and food products. They experienced excellent growth within North America, Europe, and the Middle East; however, they had not ventured into the Asia-Pacific region which was the largest vegetarian segment in the world. Beyond Meat wanted to determine if and how they could move into the Asia-Pacific market.

Beyond Meat's CEO Ethan Brown and the C-Suite considered this dilemma and needed to answer two essential questions:

- Strategically, which Asian country was best fit for their expansion into the Asian market?
- To successfully compete in Asia, what modifications would be needed?

Their product offerings' flavors were limited and differed from Asian consumer interests and preferences. To be successful, the company would need to develop new flavors and products for the Asian market. They needed an entrance country to start their expansion and based on some preliminary research, Beyond Meat was considering Singapore or China.

As the plant-based food and beverage industry continued to innovate and grow all over the world, Beyond Meat needed to move thoughtfully but not at the sacrifice of speed. There were several local competitors within each country and Beyond Meat needed a competitive advantage over these alternatives in the local market. In March 2020, Brown needed to determine whether to move forward with an Asian market play, or to stay focused on building profitability within Beyond Meat's existing business.

Background on the company

Beyond Meat, founded in Los-Angeles in 2009, produced plant-based meat substitutes. The firm was known for their revolutionary flavors in "fake-meat". A disruptor to the meat industry, Beyond Meat had the following mission and vision: "We believe there is a better way to feed our future and that the positive choices we all make, no matter how small, can have a great impact on our personal health and the health of our planet. By shifting from animal to plant-based meat, we can positively impact four

¹ This case was originally developed as a part of the Final Project for INTB 6200 and is supported with a comprehensive consulting report. The case is not intended to serve as an endorsement, source of primary data, or illustration of effective or ineffective management.

growing global issues: human health, climate change, constraints on natural resources, and animal welfare”².

In 2019, Beyond Meat was in the infancy stage of its industry life cycle and expected to achieve massive growth. The competitive landscape was dense as the market was saturated with competitors like Impossible Foods and Morningstar Farms. Beyond Meat cited in their 2019 annual report several issues. Specifically, they experienced a slow demand of product offerings, increased regulatory costs and challenges, and failed to capitalize growth opportunities.

Resources

Employees

As of 2019, Beyond Meat employed 472 people. The company created the Manhattan Beach Project Innovation Center in 2018 to develop new product offerings. Beyond Meat cited in their 2019 annual report that the key capability issue was hiring and retaining workers. Beyond Meat operated in a tight labor market and over the past three years, employee growth tripled. According to the annual report, this posed a challenge for the company to maintain.

Products & Recipes

Beyond Meat utilized their special and unique blend of flavors that is inimitable. The brand scientists curated this flavoring to tailor to meat-lovers and non-meat eaters alike. The flavors have been compared to and often chosen over “real meat.” The non-GMO blend relied heavily on pea-protein without soy. The blend was created with certified kosher salt and considered halal. The company translated this recipe to create a variety of meats and textures: beef, pork, poultry, ready-to-eat, or ready-to-cook. According to Beyond Meat’s nutritional factsheet, their products offered 14 grams of protein and one gram of fiber per one serving.

Operations

Supply Chain

The supply chain for Beyond Meat provided the company with the unique ingredients (raw goods) required to manufacture the products. Beyond Meat relied heavily on pea protein purchased from various suppliers, primarily Roquette and Puris Proteins LLC. Roquette has nine offices in China and two offices in Singapore. Puris Proteins operated solely in the United States³ (Beyond Meat, 2020-a).

Beyond Meat made use of multi-year (between one and three years) supply agreements to ensure a constant stream of raw materials for their products. The company also required certain essential ingredients for plant-based flavors. Beyond Meat developed the plant-based flavors and used raw materials from third-party vendors. These flavors were qualified through lab testing to ensure quality and manufacturability. Ingredients for these flavors were readily available from multiple suppliers; therefore, even if Beyond Meat experienced a shortage in supply from one vendor, their operations would not be negatively affected.

Manufacturing Capabilities

With their unique sourcing capabilities and raw materials at hand, the manufacturing process began. To deliver their final products, Beyond Meat relied on their manufacturing capabilities, co-manufacturers, and third-party manufacturing facilities.

The manufacturing process (**Exhibit 1**) began by creating their signature dry plant protein blend in their manufacturing facility. Then, in the extruding machine, water and steam were added to the blend. This was followed by a combination of heating, cooling, and variations of pressure to weave together the proteins. The result, woven protein, was cut into smaller pieces to reduce freezing time as well as aid in the final manufacturing process. This frozen, woven protein was the basis for all Beyond Meat products.

After obtaining this frozen woven protein, co-manufacturers further processed it by adding variations of flavoring and other ingredients into the mix (**Exhibit 2**). Then, co-manufacturers prepared and packaged the final product; this final packaged product was then delivered either to distributors or directly to customers (**Exhibit 3**).

Capabilities

Key Personnel

Ethan Brown was the founder of Beyond Meat, President and CEO, and a member of the board of directors since its inception in 2009. He was a Henry Crown Fellow at the Aspen Institute and was awarded the Champion of the Earth award in 2018 for his efforts in addressing environmental issues. Brown has a Master's in Business Administration from Columbia University, a master's degree in public policy with a focus on environment from the University of Maryland, and a Bachelor of Arts in history and government from Connecticut College. In addition to Brown, there were eight board of directors and six C-suite leaders (**Exhibits 4 & 5**).

Analysis of Market A: China

China offered a significant market opportunity; however, it also presented several challenges. More information about the political, economic, social, legal, environmental, and technological considerations is available in **Exhibit 6**.

Key considerations included:

- Government control. China's totalitarian government had significant control over activities within the country.
- The United States had a "constructive, results-oriented" relationship with China and the two countries traded over \$772 billion in goods and services in 2017.
- The Chinese people have low personal freedom.
- China's economy was a mixed economy system and the largest economy in the world after explosive growth in the 2010s.
- Regardless, per-capita income was below the world average.
- The country had a civil law system, and intellectual property laws were lacking.
- The country did not have freedom of the press.
- China was the most populous country in the world. The country was aging rapidly, and population growth was less than in other countries.
- Most people lived in urban areas.

Analysis of Market B: Singapore

While Singapore's population was significantly smaller than either the United States or China, GDP per capita was almost on par with the United States (in fact, it was slightly higher) and GDP per capita PPP was significantly higher (**Exhibit 7**). Additional information regarding Singapore's political, economic, social, legal, environmental, and technological landscapes are in **Exhibit 6**.

Key considerations included:

- Singapore's government was a multi-party representative democracy, although in practice it was a one-party system lead by the People's Action Party.
- Like the United States, Singapore had a common law system—as a former British colony, the law previously followed “English judicial precedent,” but with the accumulation of experience and precedence, the law became “uniquely Singaporean”⁶.
- Ranked as one of the easiest economies for doing business ten years in a row by World Bank Group.

The plant-based food and beverage industry

The market for plant-based food and beverage in the Asia-Pacific region was significant. In 2019, the North America market was estimated at \$14.08 billion, with Asia fast following at \$14.06 billion. The European market was about half as small (valued at \$7.36 billion). The Asia-Pacific region was not only as large as the North American one, but it was also growing at a faster rate. Expected growth between 2019 and 2024 was about 15.91% annually in Asia, followed by North America at 14.1%. Asia-Pacific had the highest portion of vegetarians in the world (19% of the population).

When examined further, the estimated market share for plant-based meat (rather than plant-based food and beverage as a whole), Asia-Pacific share was less significant than that of Europe. By 2025, North America would represent about 44.37% of the market for plant-based meat, followed by Europe at 38.59% and Asia at 13.18%. This would be important to consider as Beyond Meat thought about branding, product management and distribution strategy. However, Beyond Meat faced several industry challenges as well. More detail is available in **Exhibits 8, 9, 10, 11, & 12**.

Owner Preference

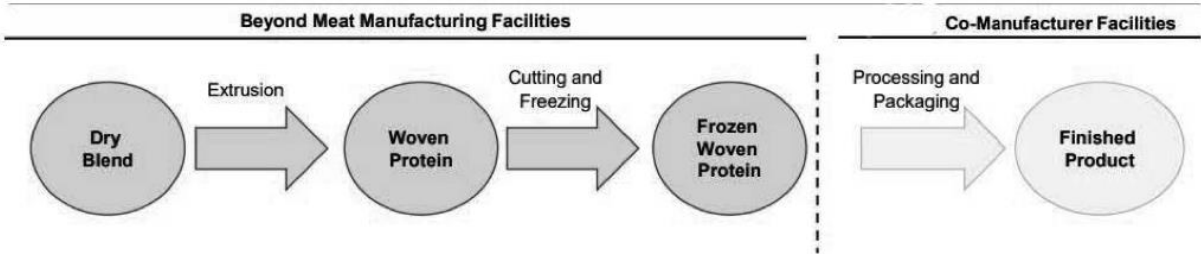
Beyond Meat Leadership championed breaking into the Asian market. CFO Mark Nelson said “Asia has a desperate need for this. So I’m going to be very aggressive in going into those markets, and our team will be as well. ... Asia is absolutely a strong part of our strategy”⁷. Seth Goldman, a board member, mentioned at a food conference that Beyond Meat wanted “to get to China and to do it the right way, it’s going to take scale, it’s going to take a manufacturing presence in that area.” Goldman further detailed that Beyond Meat hoped to have “something up and running before the end of next year”⁸. The company stated before its IPO that “for several years we have maintained a presence and generated brand awareness in Asia through our local distributor and expect further expansion in the region over time”⁷. The company was primarily set to enter the Asian market in prominent Asian countries. Beyond Meat did not fully explore other possible options in Asia or other markets like the Middle East.

The Decision

As Beyond Market looks to expand, they had two great options between China and Singapore. Both markets provided opportunities for expansion, Beyond Meat would need to determine which market and what way they would need to enter the selected market.

Exhibits

Exhibit 1: Manufacturing process



Source: Beyond Meat (2020-a).

Exhibit 2: Image of Beyond Meat Manufacturing ¹⁴

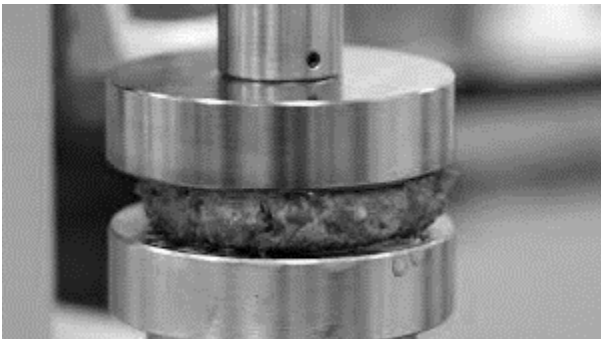


Exhibit 3: Image of Beyond Meat Packaging ¹⁵



Exhibit 4: C-Suite

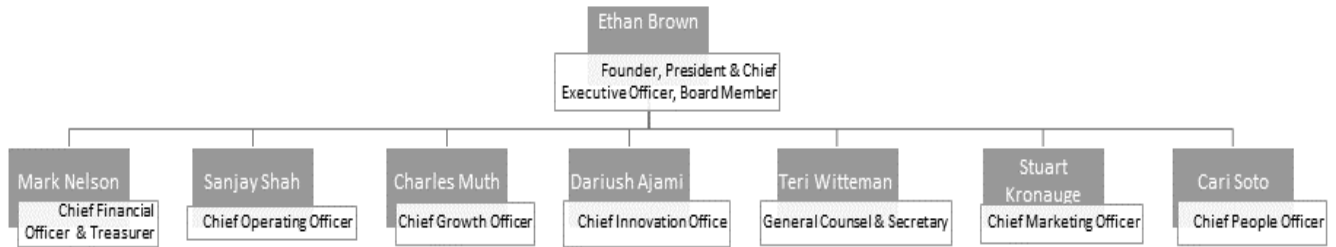


Exhibit 5: Board Structure

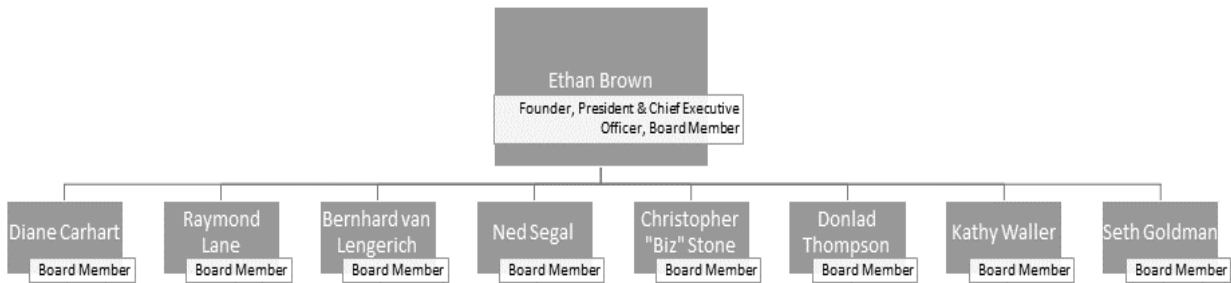


Exhibit 6: Detailed overview of China and Singapore

China	Singapore
POLITICAL	
<p>Totalitarian government ruled by the Government of the People’s Republic of China.</p> <p>Communist system which controls much of the activities within the country, including actions of individuals and companies.</p> <p>Constitution was adopted in 1982 and gives the most power to the legislative branch, elected indirectly by regional electees. This branch can appoint almost any role within the country, including the president (who plays a largely ceremonial role). In addition to the legislative branch are the executive and judicial branches.</p> <p>Ranks 124th of 162 countries in personal freedom. In comparison to the United States, China ranks significantly lower in terms of rule of law, movement, religious freedom, association,</p>	<p>Representative democracy, although in practice, the People’s Action Party (PAP) has been in power continuously since independence in 1965.</p> <p>Under Singaporean law, any political party can be in power. The largest opposition includes: The Workers’ Party (WP), The Singapore Democratic Alliance (SDA), and The Singapore Democratic Party (SDP).</p> <p>Constitution is the “supreme law of the land,” which separates power into three branches: legislative, executive, judiciary⁹.</p> <p>According to the 2019 Corruption Perceptions Index by Transparency International, Singapore ranks 4th with a score of 85 indicating very low corruption perception. Compare with the Asia Pacific regional average of 45.</p>

assembly and civic society, and expression and information.	
ECONOMIC	
<p>Mixed economy system.</p> <p>They were previously a command market system, in which a central planning mechanism allocated resources, but as globalization occurred, China moved closer to market-oriented economy.</p> <p>China has reformed some policies that make it friendlier to do business; however, it is still heavily controlled by the government.</p>	<p>A (mostly) free market economy.</p> <p>In 2019, ranked second in economic freedom at 89.4% economically free, behind Hong Kong at 90.2%. In 2020, Singapore leads the ranking at 89.4%, followed by Hong Kong which fell to 89.1%.</p> <p>Singapore ranks 4th among 190 economies for ease of starting a business.</p>
LEGAL	
<p>Civil law system in which they have laws organized into codes.</p> <p>Theft of foreign-owned intellectual property is significant in China; additionally, the government plays a central role and owns all land throughout the country.</p> <p>The government has significant influence on the court system, preventing transparency and fairness. No free press to address corruption.</p>	<p>Common law system in which “judicial precedent . . . must be followed by the court when deciding a case.”</p> <p>Ranks as having the “best protection of intellectual property,” the least corrupt, and the “most popular Asian jurisdiction for arbitration,” among others.</p> <p>Singapore’s legal system is recognized as one of the most efficient and fair in the world.</p>
SOCIAL	
<p>1,400.1 million people live in China, making it the most populous country in the world.</p> <p>There are over 56 ethnic groups that are recognized by the government in China.</p> <p>The largest religion in China is Buddhism (18.2%), followed by Christianity and Islam.</p> <p>Mandarin is the most common language, followed by Cantonese, Shanghainese, and others.</p> <p>About 61% of the population lives within urban locations. Shanghai is the largest city (27 million people), followed by Beijing (20 million) and Chongqing (6 million).</p>	<p>5.7 million people live in Singapore.</p> <p>Three largest ethnic groups are the Chinese (74.3%), Malays (13.5%), and Indians (8.9%).</p> <p>The three largest religions in Singapore are Buddhism (33.2%), Christianity (18.8%), and Islam (14.0%).</p> <p>The four official languages under the constitution are Tamil, Malay, Mandarin, and English. Malay is the national language.</p> <p>Ranked in 2016 as Asia’s second most vegan-friendly by Peta based on several factors including “number of vegan restaurants based on population, the variety of options available at non-vegan restaurants,” etc.</p>
ENVIRONMENT	

<p>China has recently turned to environmental policy as they have become a global economy. There are goals in place to reduce pollution in air, water and soil.</p> <p>As with most other topics, the Communist party plays a significant role in setting policy, rules and managing relationships with other countries.</p> <p>China has a goal to reach carbon neutrality by 2060, but there's question on whether they are on track to reach that goal</p>	<p>Singapore is a small national (geographically only 700 square KM) but they still invest in environmental policy and protections.</p> <p>The policies mostly focus on air quality, drinking water, and reducing toxic chemicals. They have a national environmental agency and have collaborated with other countries on environmental policies and programs (including the United States)¹¹</p>
TECHNOLOGY	
<p>China has effectively positioned themselves as a global technology innovator.</p> <p>Recently, the government and domestic firms have been investing in artificial intelligence, machine learning and other technology innovations. The number of patents for AI discoveries exceeded the US for the first time in 2019. In addition, China surpassed the US in technology "unicorns" (e.g., startups valued at more than a billion during IPO)¹²</p> <p>Due to the intense control of the internet in China, many firms like Google, Amazon and Facebook can't really compete with domestic search engines and social media. This gives a significant opportunity for China-grown sites to thrive.</p>	<p>Singapore is a regional technology hub. The foreign-firm friendliness (and subsequent competition) of the country invites collaborations and innovations.</p> <p>The government incentivized innovation years ago; it paid off. Singapore is sometimes called the technology capital of Asia. 80 of the top 100 technology firms in the world have presence in Singapore.</p> <p>Bloomberg ranked Singapore as the third most innovative country in the world in 2020¹³</p>

Exhibit 7: Economic Indicators in 2019 ¹⁶

	China	Singapore	United States
Population (Million)	1,400.1	5.7	329.0
Projected Population 2030 (Million)	1,460.0		349.6
GDP (USD Billion)	14,343	372	21,428
GDP per capita (USD)	8,254	58,830	55,809
GDP per capita PPP (USD)	16,117	97,342	62,683
Corruption Index (Points)	41	85	69
Corruption Rank	80	4	23
Business Competitiveness Index (Points)	73.90	84.78	83.67
Business Competitiveness Rank	28	1	2

Source: Trading Economics (2020).

Exhibit 8: Porter's five forces analysis

	China	Singapore
Bargaining Power of Suppliers	<ul style="list-style-type: none"> • Bargaining power of suppliers is low. • The plant-based food & beverage industry is concentrated. • Consumers do not face high switching costs. 	<ul style="list-style-type: none"> • Bargaining power of suppliers is low. • The plant-based food & beverage industry is concentrated. • Consumers do not face high switching costs.
Bargaining Power of Buyers	<ul style="list-style-type: none"> • Bargaining power of buyers is moderate. • [WHY] The major reason for choosing plant-based food is health; this creates less leverage for consumers when making a purchasing decision. • [WHO] The population is aging, and those 55+ are much more likely to decide based on health, creating less leverage for consumers. • [HOW] The top reasons for <u>NOT</u> purchasing plant-based food is ability to find it, creating an opportunity for Beyond Meat and other suppliers to think about distribution. Customers in tier 1 cities like Beijing or Shanghai are more likely to purchase plant-based food. 	<ul style="list-style-type: none"> • Bargaining power of buyers is high. • [WHY] The major reason for choosing plant-based food is health; this creates less leverage for consumers when making a purchasing decision. • [WHO] Only 7% of the population follows a strict vegetarian diet, creating more leverage for customers to choose <i>not</i> to purchase plant-based food. • [HOW] The top reasons for <u>NOT</u> purchasing plant-based food is cost, creating more leverage for customer to walk away from a deal.
Competitive Rivalry	<ul style="list-style-type: none"> • Competitive rivalry is high. • Chinese consumers are most likely to hear about plant-based food via social media (such as Weibo, WeChat) or food apps like Xiachufang. This presents a barrier as much of this is controlled by the Chinese government • Globally, Beyond Meat (24.5% of market share) industry competitors are Impossible Foods (4.3%) and Kellogg's Morningstar Farms (30.6%). • Within China, the three major players are Alpha (50% of the market share), followed by Omnipork (41%) and Qishan (34%). 	<ul style="list-style-type: none"> • Competitive rivalry is high. • Globally, Beyond Meat (24.5% of market share) industry competitors are Impossible Foods (4.3%) and Kellogg's Morningstar Farms (30.6%).
Threat of Substitution	<ul style="list-style-type: none"> • Threat of substitution is high. • Consumers have other options to choose from (both in terms of other plant-based meat brands, but also 	<ul style="list-style-type: none"> • Threat of substitution is high. • Consumers have other options to choose from (both in terms of other plant-based meat brands, but also

	<p>food choices overall such as actual meat) and low switching costs.</p> <ul style="list-style-type: none"> • However, plant-based meat is higher to get in China, so if Beyond Meat positions itself to access those areas, switching costs would be higher. 	<p>food choices overall such as actual meat) and low switching costs.</p>
Threat of New Entry	<ul style="list-style-type: none"> • Threat of new entry is moderate. It is certainly possible, but difficult to enter the Chinese market. • The Chinese government presents a barrier to entry. Restrictive policy can hinder the ability to move into this market in a profitable way. 	<ul style="list-style-type: none"> • Threat of new entry is moderate. It is very easy to enter the new market (based on Singaporean governmental policy) but it is a highly saturated market. • Supply-side economies of scale may present barriers to entry due to the highly saturated market and expensive cost of living; more established companies may be enjoying larger volume at lower costs. • Switching costs are low, which presents a challenge for Beyond Meat.

Exhibit 9: Plant-based food and beverage market size ¹⁷⁻²⁰

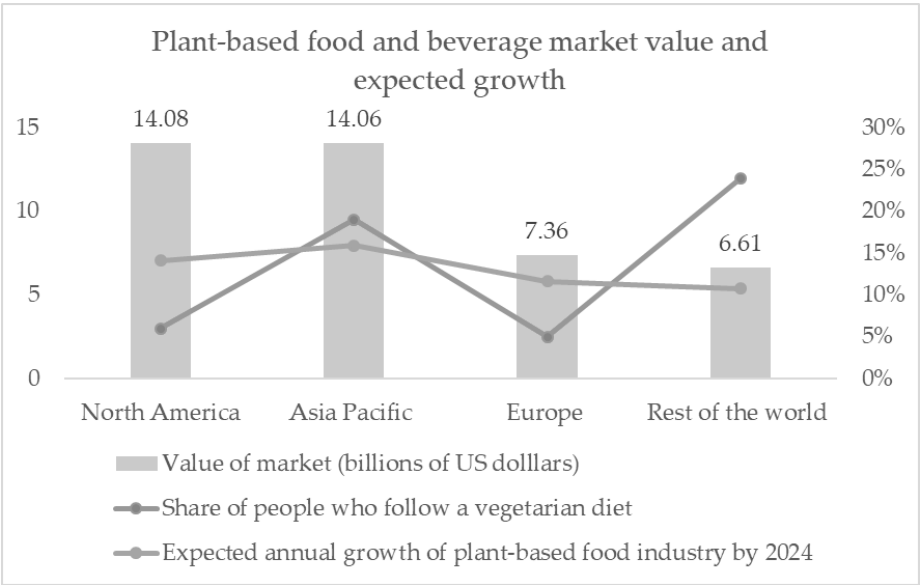


Exhibit 10: Main reasons for not consuming plant-based food alternatives ²¹⁻²²

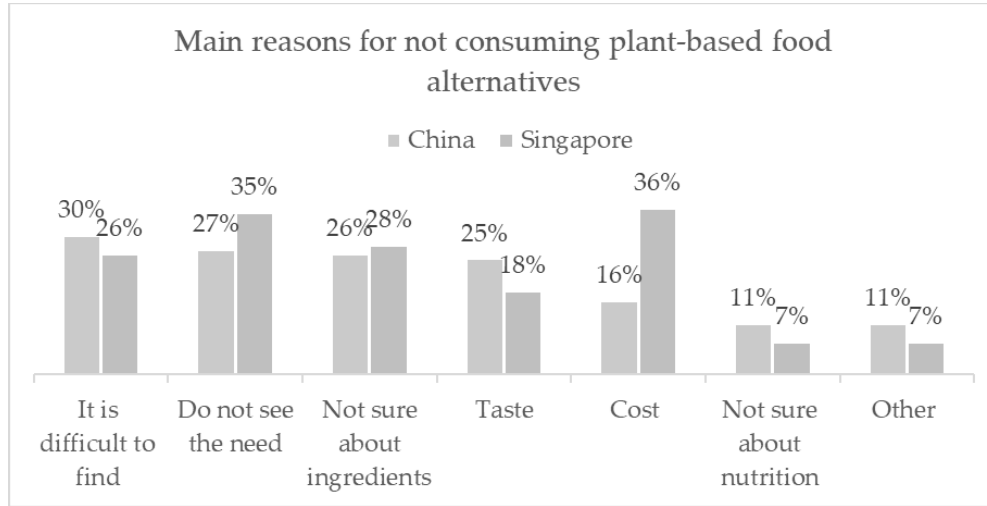


Exhibit 11: Main reasons for consuming plant-based food meats in China ²³

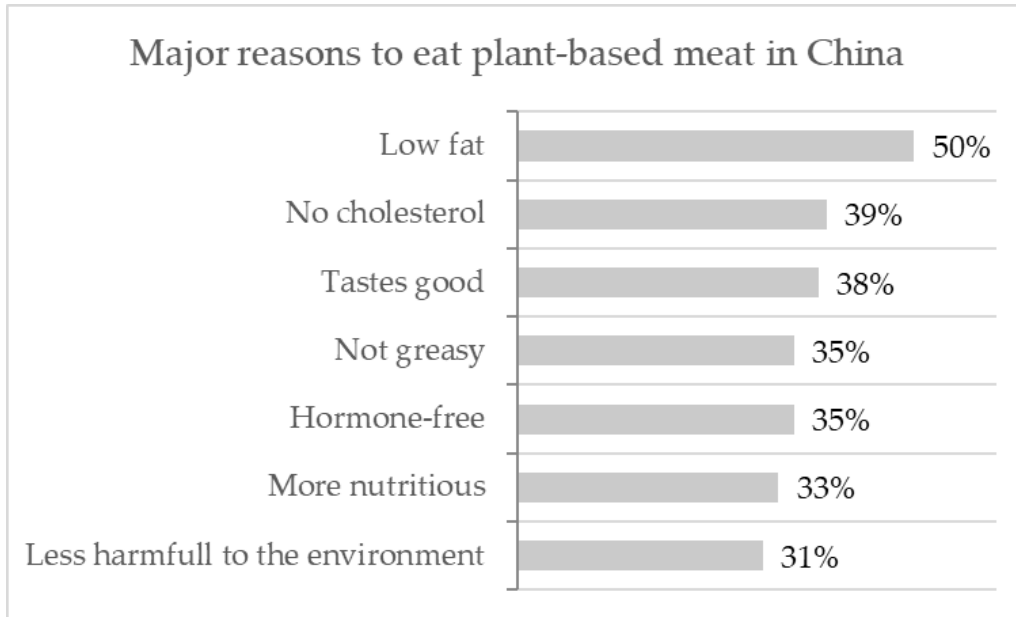
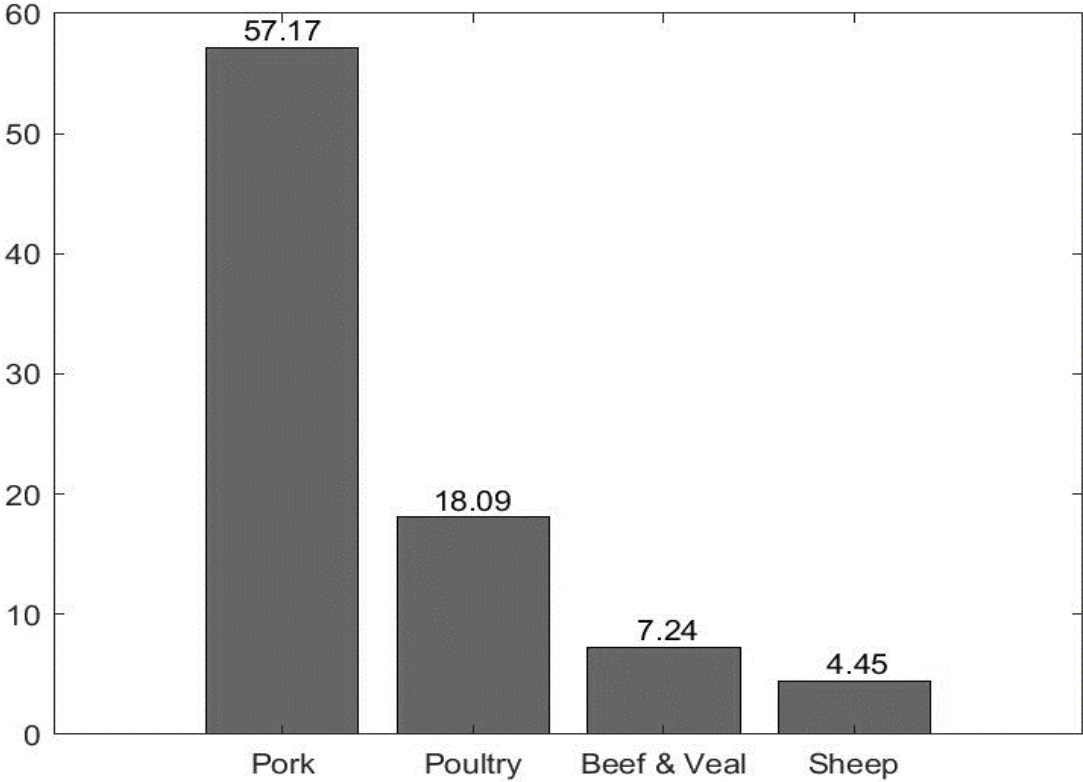


Exhibit 12: Meat consumption in China by type in thousand tons, 2014



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