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## CASE STUDY

# The Vegetarian Butcher: on its way to becoming the world's biggest 'meat' producer?

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## Abstract

This case study outlines the steps the Vegetarian Butcher has taken thus far, as well as its opportunities for achieving its goal of becoming the biggest 'meat' producer in the world. The Vegetarian Butcher develops, produces, and markets meat analogues, with an overriding ambition to promote structural change in the meat industry. The production of meat analogues relies on state-of-the-art technology that can create meat-like fibre structures. The resulting products are marketed under the Vegetarian Butcher's own brand, supported by a provocative communication strategy that relies on storytelling and social media. The company's newly opened factory enables it to take over about half of its production, and it is increasingly expanding into foreign markets. Companies like Tyson Foods and Danone also have expressed interest in meat replacement products.

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*It's my ideal to produce delicious meat products in which no animal has taken part. Just like a century ago the workhorses were replaced by tractors, animals will be replaced by new technologies or machines that produce, sustainably and efficiently, meat from beans and grains. Taste experience is central, so no one will miss anything.*

Jaap Korteweg, ninth generation farmer from Langeweg,  
founder of the Vegetarian Butcher™

## 1. Introduction

Niko Koffeman is driving on a cloudy Thursday morning in October 2017 the highway to Breda, in the South of the Netherlands. A new factory for the Vegetarian Butcher just opened its doors in this city, producing meat analogues which are products that look and taste like meat but contain no animal products. Meat analogues are a specific category within the broader group of meat replacers or meat alternatives, which are all products that can replace meat as a meal component. As the marketing director of the Vegetarian Butcher, Koffeman functions as not just the conceptual cofounder but also the 'sidekick' of Jaap Korteweg, the company's founder and CEO. When the company started in 2010, advisers warned them that vegetarians would not eat something that looks, smells, and tastes like meat, and meat eaters wouldn't eat 'fake' meat. But approximately seven years later, it has achieved turnovers of about 12 million euro, is profitable, enjoys annual sales growth rates of close to 50%, exports to 17 countries, and provides jobs to approximately 40 full-time employees. The new factory, with capacity to produce 50 million 'meal components' (pieces of meat replicas) annually, was partially financed by crowdfunding.

Yet the driving ambition for the Vegetarian Butcher is not to maximize profits. Rather, its mission is to induce a structural change in the food production chain. With growing demand for meat analogues, growth promises to be steep, and the Vegetarian Butcher's strong reputation attracts various solicitations for partnerships and takeovers by large food companies and investors. In the face of such promise, is the company taking full benefit of its opportunities? How much should it produce itself and how much should it outsource? Should it prioritize specific market segments or countries in its growth process? Should it grow organically or with the help of others (and if so, whom)? Should it stay at its current position of brand manufacturer or move perhaps to a position where it can support other companies to create markets for meat analogues? Koffeman keeps an eye on the speed indicator on his car's dashboard. It may be wise not to go too fast. But do they risk being driven off the road, if they don't move quickly enough?

## 2. Meat consumption: a central problem in the food system

Meat is a central factor in the problems that appear in the worldwide food system. As Hans Dagevos, a food sociologist at Wageningen Economic Research, explains: 'the meat issue relates to health, to environmental issues, to animal welfare, and to food security. These are the four main topics in debates on the future of the food system. Solving the meat consumption problem is not a silver bullet, but it is related to these major problems at this moment.'

Regarding *health*, consumers in affluent parts of the world eat more meat than they need. For example, people in European countries consume 70% more proteins than necessary, and the greater share of it comes from animal products (Westhoek *et al.*, 2011). They also consume 40% more saturated fat than the recommended maximum, 80% of which comes from animals, and twice the recommended amount of red meat (Westhoek *et al.*, 2011; <https://tinyurl.com/yc8zrsem>: EU report on the consumption of animal-based foods). Red meat consumption increases people's cancer risk, and excessive saturated fats have been linked to increasing risks of obesity and cardiovascular disease (FAO, 2010; NEVO, 2010; Westhoek *et al.*, 2011; WHO/FAO/UNU, 2007).

Livestock production also creates *environmental* burdens, responsible for 18% of the total production of greenhouse gasses due to its demands for land use, manure storage, and enteric fermentation (Leenstra *et al.*, 2010). A loss of biodiversity also results from the focus on monocultures (e.g. excessive production of soy, a main crop for animal feed). Furthermore, it is associated with land degradation, desertification, and decreased water quality, due to the concentration of manure and urine, as well as mineral leaching due to fertilizer and pesticide usage (Leenstra *et al.*, 2010).

*Animal welfare* decreased since World War II when efficiency through intensification became the primary goal of the livestock industry. It achieved considerable price decreases – with serious consequences for animal welfare. Animal breeding contributed to this efficiency, in that animals were forced to adapt to the system, rather adapting systems to the animals' natural behaviors. The chicken known as broilers are kept at high stocking densities, of 11 to 25 birds per square meter, which causes abnormal skeletal development and high levels of stress (SCAHAW, 2000; Turner *et al.*, 2003). Animal welfare is a growing concern though, such that 94% of European citizens consider it important to protect the welfare of farm animals, more than half of whom call it 'very important' (EC, 2016).

Perhaps the greatest challenge though is the problem of *food security*. In 2050, the world population will have reached nearly 10 billion (United Nations, 2017). Producing sufficient food is a challenge in itself, but that challenge grows even more pressing if too many plant-based proteins get 'converted' into animal-based proteins when eaten by livestock in animal-production systems before they are consumed by humans. Worldwide, consumers eat on average about 40 kg meat per capita per year and this number keeps increasing (Alexandratos and Bruinsma, 2012). According to the Irish policy research institute ESRI, approximately 1.5 billion people in developing and emerging countries follow a vegetarian diet because they lack resources to purchase meat (<https://www.esri.ie/pubs/WP340.pdf> for an estimate of number of vegetarians); with the growth of the world economy, many of them will start eating meat as well. Such trends do not bode well, because 'In the Western world, only a minority of the consumers eat according to the nutritional dietary guidelines for fruit and vegetable consumption. Such dietary patterns are now adopted in emerging markets as well, because consumption of meat and dairy is associated with an affluent life style. Marketing, plays, of course, also a role there. Most of the traditional kitchens in emerging or developing countries are however more plant-based. So if people depart from their traditional diets, the transition goes towards the consumption of more animal-based products' (interview with Hans Dagevos). With increasing consumption of animal-based products, the problems associated with meat consumption will increase as well (Dagevos and Voordouw, 2013; Hoek, 2011). Finding ways to change consumption patterns is one way to prevent a catastrophic scenario (<https://www.youtube.com/watch?v=2pPwwU1N9hM> for a short movie).

### 3. Changing consumption patterns

On the global level, meat consumption continues to increase, but a contrary trend, mostly in Western nations, reveals increasing relative consumption of plant-based proteins by three main segments of consumers. First, the 75 million people who choose freely to follow a vegetarian diet are likely to increase in number (Leahy *et al.*, 2010). This group is mostly motivated by their care for animals, but also by health and environmental reasons (De Boer *et al.*, 2017). Second, a relatively small group of vegan consumers, usually motivated by deep concerns about the food system as such (0.5% in the United States in 2017), is expected to grow (VeganBits, 2017). Third, despite a lack of hard data, experts identify so-called flexitarians, who consume less meat without completely abandoning it (Dagevos and Voordouw, 2013; Wild *et al.*, 2014) for a variety of reasons, such as animal welfare, environmental, and health concerns, as well as for variety-seeking motives and in response to the greater availability of alternative options in supermarkets. More precise demographic descriptions of these segments are difficult to find. A study on vegetarians in the US from the mid-1990s found no differences regarding age, gender and education, but did find that the values of vegetarians are slightly less conservative than other Americans (Dietz *et al.*, 1995).

In accordance with the presumed growth of these segments, the Dutch market for meat replacements has grown, from 13% in 2016 to 15% in 2017 (according to the Vegetarian Butcher), though this increase is slow and gradual. Dagevos notes that ‘In our first study on meat lovers, meat reducers, and meat avoiders we mentioned that the total turnover has risen from around 27 million euro at the beginning of the 21st century to 62 million euro at the beginning of its second decade. I estimate that we now have a market of around 90 million euros in the Netherlands, but the market for meat is a market of billions. So, it’s a relatively small market but it is definitely on the rise’ (see also De Bakker and Dagevos, 2010).

Several barriers to this growth also emerge. First, preferences for meat are deeply rooted in Western cultures. Refraining from eating meat may require self-control that can’t be activated by a single intervention (De Boer *et al.*, 2014). Second, meat substitutes produce sensory unfamiliarity, such that conventional meat consumers need to get used to the taste, but they also lack awareness of product attributes (Hoek *et al.*, 2011). Third, there is no guarantee that meat substitutes will diffuse to the mainstream; instead, they could ‘become some sort of elite or luxury thing: cutting-edge consumers that put meat alternatives on the table a token of being politically correct. That is really possible’ (interview with Hans Dagevos).

Currently, three options exist to meet growing demand. First, traditional meat alternatives replace meat-based nutrients with plant- or dairy-based substitutes. To make them recognizable as substitutes within a particular meal or recipe, they often take the size or shape of meat products without really resembling their appearance or taste. Consumers therefore still must adapt to the new flavors and structures. Second, cultured meat, also referred to as vitro-meat or clean meat, uses stem cells instead of raising an entire cow or pig such that it promises the ability to grow just a steak or pork chop (<https://tinyurl.com/y9jutj9s> for more information; [https://www.youtube.com/watch?v=2o0MCZwL\\_VE](https://www.youtube.com/watch?v=2o0MCZwL_VE) for the first *in-vitro* burger). However, this technology still demands a lot of resources and represents an inefficient ‘steak factory.’ Third, meat analogues use technological innovations to create products that are as similar to meat, in terms of taste and structure, as possible but that feature plant-based ingredients. This last approach is the one embraced by the Vegetarian Butcher.

#### 4. The birth of a vegetarian butcher

The Vegetarian Butcher began in the summer of 2006, when Niko Koffeman met Jaap Korteweg at a dinner held during a camping vacation in southern France. Korteweg was farming wheat, vegetables, and potatoes and came from a family with a long tradition of livestock farming. For his family, meat on the table was one of the true pleasures in life. In the late 1990s though, he decided to become a vegetarian after the swine fever epidemic (<https://www.youtube.com/watch?v=-eebh7uXaag> for the introduction of swine fever) wiped out more than a million pigs in the Netherlands and the authorities urgently sought storage space for their carcasses. They noted the large, empty cooling cells for onions and carrots on Korteweg’s farm and made him an offer: ‘it was very lucrative, but I said no,’ Korteweg explains in his TED talk. ‘There and then I made up my mind and decided to become a vegetarian.’ (<https://www.youtube.com/watch?v=DyIellB3Dco> for the TED talk)

Even following a long career in marketing and advertising, Koffeman is known mostly for applying these skills to achieve political and social goals. In the 1990s, he was the creative advisor to the Dutch Socialist Party, for which he created a red tomato as the party symbol, thus making a provocative counterstatement to the symbolic red rose of the Dutch Labor Party. As an animal activist he campaigned against hunting and intensive livestock production. In the early 2000s he co-founded the Party of the Animals (<https://www.partyfortheanimals.nl/>) – a small but stable faction in the Dutch parliament. Since 2007, Koffeman has served as a senator for this party.

At the dinner table, Korteweg explained how he missed the taste of eating meat, noting, ‘I can tell you it was not easy. In the first years, when I went out for dinner, I told myself I could eat meat for social reasons. As a result, I went out for dinner more and more. It became an excuse for eating meat.’ At that time, the alternatives



consisted mostly of tofu-based products that neither looked nor tasted like meat. ‘We wondered: why we can send rockets to the moon and perform open heart surgeries but don’t have technological solutions available to produce meat without animals?’ according to Koffeman. By the end of the dinner the men determined that ‘if the technology and expertise are available somewhere, why shouldn’t we be the people to start a company that produces these things?’ Several weeks later, Koffeman received a phone call from Korteweg, reminding him of the conversation. He indicated his willingness to invest his entire pension in the new startup. That was when Koffeman realized that they really were going to pursue this ambition.

## 5. Technology and input for meat analogues

The technological basis for meat analogues was established through a collaborative project between Wageningen University and the Dutch dairy multinational Friesland Campina to experiment with new technologies that could transform milk proteins into meat- or cheese-like structures. Atze-Jan van der Goot, a professor of food structuring at Wageningen University, then leveraged the ideas from this project to structure plant-based proteins. He developed a shearing technology that blends proteins with water to produce a mixture that can be adjusted by adding flavors and colorants. The material enters the Couette device, a shearing machine that heats the substance and has cylinders to shear it for about 20 minutes. After that, it’s cooled and ready for packaging or further processing (<https://tinyurl.com/y84acqbq> for further explanations).

According to Van der Goot the technology is novel because it can produce relatively larger pieces of meat analogues with controllable, pronounced fiber structures (Krintiras *et al.*, 2016) – a factor that is critical to the meat consumption experience. The technology also makes optimal use of raw materials, such that Koffeman offers a comparison: ‘To produce our chicken we use a machine that fits into a living room of a normal house. That machine can produce 1 million kilograms of vegetarian chicken meat a year. To produce the same amount of animal-based chicken you need a mega chicken shed, as big as a soccer field, containing 600,000 chicken that are replaced eight times a year. This a big waste of energy, space, and lives!’ (<https://www.youtube.com/watch?v=1TvaMC3kPOk&t=532s> for a short movie explaining shearing technology using soy).

Finally, both the technology (Couette device) and the input materials (soy as the basis, water, and wheat gluten to improve the structure) offer the promise of cost effectiveness. As Van der Goot notes, ‘Soy provides us with the right structure, it has no dominant taste of its own.’ The potential health effects are relevant too; only the salt added to flavor the products emerges as a potential issue (it exceeds recommended consumption levels, according to the Do I Choose Healthy App of The Netherlands Nutrition Centre, <https://tinyurl.com/yap5y4os> for the APP). To address concerns about the environmental sustainability of soy, the Vegetarian Butcher relies exclusively on non-GMO soy and prefers organically certified soy when available. Although lupine previously was proposed as a basis for meat analogues, its structure was too weak after baking, so it instead supports dairy analogues like cream, cheese, and milk. Another potential option was peas, which like soy are rich in protein and other nutrients, and they are cheap to grow. Nor do peas ‘gel’ like soy does during the production process. However, they have a strong natural flavor, which creates a challenge in terms of creating a meat flavor profile.

Considering that its technology and ingredients are relatively cheap and simple to acquire, the Vegetarian Butcher lacks an obvious competitive advantage on this front. Accordingly, it locates its advantage not in the technology itself but in how the company uses the technology to develop products, as well as how it markets them. Consider Koffeman’s explanation for why the process also features eggs as an ingredient: ‘We simply can’t replace the egg substances with plant-based ingredients yet, so we had to make a trade-off between the ideal of being fully vegan and the quality experienced by consumers. As we want to be the biggest butcher in the world, we can’t ask consumers to accept a lower quality. To increase our market, a high quality is the only option. However, we’re working on a vegan egg replacer ... work in progress!’

## 6. Creating, communicating, pricing and delivering a meat experience

### 6.1 Product development and launch

Product development at the Vegetarian Butcher is strongly guided by examples of currently successful products, like chicken, minced meat, steak, bacon, tuna, and shrimp (the Dutch product assortment can be found at <https://www.devegetarischelager.nl/producten/assortiment>, and the international assortment at <https://www.thevegetarianbutcher.com/products>). Food technologists experiment with ways to mimic the structures and juiciness of these products. In the process, they receive input and feedback from experienced butchers and chefs who work with meat to optimize the quality. 'It's a meat-too strategy,' Koffeman laughs. Once the structure starts to take shape, the flavoring process starts. A former restaurant chef, Paul Bom, is now head of R&D at the Vegetarian Butcher; he worked for nine months to get the flavor of the Vegetarian Butcher's chicken pieces to be as close as possible to animal-based meat.

The decision to market each product is made by Korteweg, who uses two criteria. First, the product should be clearly equivalent to some meat; the team once came up with a tasty vegetarian product, which he rejected because it was not modeled on an animal-based example. Second, he prioritizes quality, explaining 'The value of our company and its growth potential ultimately depend on the quality of the products. In Germany, the market for vegetarian products was growing rapidly, and as a consequence, many new products of questionable quality entered the market. Then market saw a small decline the next year. People like to eat meat, and we can only change the system if we come up with alternatives of good quality.'

Most products are sold under the company's own Vegetarian Butcher brand, but it also sells meat components in private-label, ready-to-eat meals. In some cases, the Vegetarian Butcher brand appears on the package, next to the store brand (e.g. Sateh rolls sold by the Dutch retailer Albert Heijn). In a brand alliance with Unilever, it also sells meat-free meatballs under the processed meat brand Unox.

### 6.2 Communication

In line with the 'icky' company name all products are named after their animal-based equivalent. In Dutch markets they contain deliberate spelling errors, added to respond to a warning from the Netherlands Food and Consumer Product Safety Authority, that have become a source of great creativity. For example, the Dutch word for mincemeat is 'gehakt,' spelled by the Vegetarian Butcher as 'gehackt,' which also can be translated as 'hacked meat.' Such creative naming approaches, for both the company and its products, provide cues for consumers to remember it.

Because it lacks the resources to run a massive advertising campaign, Koffeman opted for a pull strategy based on storytelling, free publicity, and social media. Consumers remember and retell good stories, online or face-to-face; good stories also attract mass media attention that becomes free publicity. The Vegetarian Butcher website highlights the transformational journey of Jaap Korteweg (<https://www.thevegetarianbutcher.com/about-us/the-vegetarian-butcher> to know the story), former meat lover converted to vegetarian and entrepreneur. The philosophy behind the Vegetarian Butcher is briefly summarized on product packages (see the text in italics on top of this case description).

Through social media, the Vegetarian Butcher maintains a presence on Facebook, Instagram, and Twitter. It specifically targets women and tries to involve them in marketing its products, such that Koffeman claims, 'We said to women: betray your husband or partner, at least one time a week with the Vegetarian Butcher. This generated lots of stories of women who asked their husband 'How did you like the stew today?' That's how we build connections with these women. They are our ambassadors, and they feel that they are part of this movement.' (<https://tinyurl.com/yc3x9b9l>).

He continued, 'There is a lady on Twitter, Lara, she has a granny of 96 years. Every week, she's posting photographs of her grandmother, a meat-eater, with our products. Then she asked her grandmother, 'How do you like the sausage?' At first, her grandmother said: 'I don't like these meat analogue things. I'm 96 years old, why should I try this?' Later she said: 'this is delicious.' (<https://tinyurl.com/y9rqvwco> for a photo of granny). A lot of people are doing that. People are posting pictures about 'Wow, my cat is smelling the tuna of the Vegetarian Butcher, look at this!' It means that a lot of people are as enthusiastic as we are about changing the world by launching new meat-like products' (<https://tinyurl.com/y9us3dgu> for a dog smelling a Vegetarian Butcher product).

For further free publicity, the Vegetarian Butcher enters various food competitions. In 2012, it submitted a smoked eel salad for 'The Taste of the Netherlands Award' and earned a prize for the best new food product in the Netherlands in all categories (<https://www.youtube.com/watch?v=m44k7uIiruo>, in Dutch). A year later it won a bronze medal in a competition for the best meatball (the jury was not aware they were tasting a meat analogue when they made their judgments) (<https://tinyurl.com/y7glo4z7> for a view of the Vegetarian Butcher's trophy room (page 14)).

In 2012, the Vegetarian Butcher also reached the international notoriety when a culinary journalist from *The New York Times* visited its concept store in the city center of The Hague, together with a Dutch colleague. The concept store displays the Vegetarian Butcher's entire assortment, together with other brands and products that seek structural changes to the food system (e.g. Boordevol in the food waste factory). Koffeman contacted these journalists through his own personal network and offered them a taste test to convince them of the value of meat analogues (<https://tinyurl.com/ybgwyb5l> for the original article in *The New York Times*, <https://tinyurl.com/yd5ffog9> for the Dutch article in NRC Handelsblad). Then Koffeman noted, 'Their publications were very helpful for us to become known. They brought a photographer who asked to make a photograph of Jaap. The image of Jaap holding a meat cleaver in his left hand, carrots in his right hand and blood-like carrot juice on his apron is now in many people's minds. We also use it on our website.' (<https://www.thevegetarianbutcher.com/about-us/the-vegetarian-butcher> for the picture)

Sometimes free publicity comes from unexpected sources. In 2017, after five years of silence, the company was called before the Dutch Food Authority to respond to complaints that the naming of their products could lead to confusion such that consumers might think they were buying animal-based meat. The Vegetarian Butcher suspected that a small, conservative element of the meat industry had filed the complaint and lobbied for political support. It also responded by explaining its position in the media. On social media loyal consumers started to defend the Vegetarian Butcher, asking 'Why can fake flowers be called flowers?' or 'Why can fake fur be called fur?' Then the international press picked up on the argument (<https://tinyurl.com/yb8on9f7> for the article). Despite its negative origin, 'The campaign generated much free publicity again for the Vegetarian Butcher, during which the authority dropped its charges. We don't expect they will come back again soon' (interview with Koffeman).

### 6.3 Pricing

Because its early production and development costs were high, the Vegetarian Butcher started out with relatively high product prices. This means that the Vegetarian Butcher products usually have premium prices per kilogram, not only when compared to other meat replacers, but also when compared to the meat products that they resemble. To keep prices acceptable for consumers the quantities in the packages are usually smaller than those of prepacked meat. To grow it seeks to lower prices and increase its market share. As its reputation grows the Vegetarian Butcher also is developing a well-known brand, so 'For the moment, this is a reason for us to keep the price high. By being exclusive, the Vegetarian Butcher sets the standard in the market for meat analogues. This is important while the market still develops,' Koffeman explains.



## 6.4 Distribution

The products first entered the Dutch market through Ekoplaza, a chain of organic specialty stores. Next they started to be distributed through other specialty stores, even including some butchers. From this network the Vegetarian Butcher could build its reputation until supermarkets approached it, asking to add its products to their assortments, about six years after its founding. With its pull strategy the Vegetarian Butcher entered negotiations with these supermarkets in a position of power. It sometimes offers supermarkets exclusive rights for limited time, to secure a permanent foothold, after which they pursue further growth through competing supermarket chains as well.

In the supermarkets Vegetarian Butcher products appear in both fresh meat and meat replacement sections as well as in frozen foods. Frozen foods can be kept much longer, which helps prevent food waste, but a presence on the shelves that display fresh meat is necessary, because most consumers go to those shelves to select meat products. Distributing frozen products also is more difficult through home-delivery services, because they require cold equipment during transport.

## 7. Meat analogues in the global food industry

The Vegetarian Butcher is not alone. The growing market for meat replacements has prompted not only other start-ups but also large food companies and investors to seek new opportunities. In the specific category of meat analogues other companies are entering the market, like a range of different stores and producers in the US (<https://tinyurl.com/ycrr7vyo> and <https://tinyurl.com/y7vunxdp>) and the Belgian catering company Greenway (<https://tinyurl.com/yb9oxgb8>, in Dutch). Of a slightly larger scale is the US-based company Beyond Meat which develops an entire product line of meat analogues and also enters the European market with these products. The company is supported by large investors, such as Bill Gates, the multinational food manufacturer General Mills, and the world's largest meat processor Tyson Foods (<https://tinyurl.com/y9u4fqzr>). Bill Gates also invested in another start-up called Impossible Foods (<https://tinyurl.com/y9rhg7h4>).

Big agri and food businesses like Cargill (<https://tinyurl.com/ybljv6fq>) also affect the producers of meat replacers at large, showing that these companies no longer see meat alternatives as an unimportant niche market. Maple Leaf, one of the largest Canadian meat processors, bought Lightlife Foods for \$140 million (<https://tinyurl.com/ydzcq4w2>). This company focuses on plant-based meat substitutes for sausages, burgers, and tempeh (Smith, 2017). The international food company Danone completed its acquisition of Whitewave Foods, an American plant-based food and beverage company, at a price of \$10.1 billion (<https://tinyurl.com/yb7dqh6h> for a *Forbes* post about this acquisition; <https://www.youtube.com/watch?v=PWNWP6qLu34> for the video made by Danone). Campbell Soup, the U.S. food company that owns 17 brands, contributed \$125 million to a venture capital firm dedicated to investing in the future of food (<https://tinyurl.com/z3dax54>).

Then there are other companies looking into plant-based protein for other products. Sports nutrition leader MusclePharm released its first entirely plant-based product line, sourced mainly from peas (<https://tinyurl.com/y7s42lq9>). General Mills, introduced a pea-based protein bar and nut butter brand under its D's Naturals brand (<https://tinyurl.com/y7ywb17>). Roquette, a French, family-owned, specialty food ingredients and pharmaceutical company, is building the world's largest pea processing plant in Canada. Unilever purchased the vegan mayonnaise brand Sir Kensington's, at a price of \$140 million (Zaleski and Giammona, 2017; <https://tinyurl.com/y9j5o9dz>), and extended its North American ice cream line with a vegan product (<https://tinyurl.com/y7v9kwak>).

These companies respond among others to the trends that they experience among retailers, investors and other stakeholders. Retailers like Ahold, Trader Joe's, Whole Foods, and Target have all started to sell plant-based meat substitutes under their store brands. From the side of investors, an organization consisting of 40 large institutional investors, Farm Animal Investment Risk & Return (FAIRR) puts pressure on companies to strengthen animal welfare (<https://tinyurl.com/y7jsqrz4>). The organization urged 16 large, publicly traded

food companies to accelerate their development of sustainable protein supply chains (<https://tinyurl.com/y7mzrfw8>).

## 8. The Vegetarian Butcher's upscaling strategy

If the Vegetarian Butcher will realize its ambitious mission to have a structural impact on the food system, the time to grab the momentum and act is now. How much should it produce itself and how much of the production should it outsource? Should it prioritize specific market segments or countries in its growth process? Should it grow organically or with the help of others (and if so, whom)? Should it stay at its current position in the chain as a brand manufacturer or move perhaps to a position where it can support other companies to create markets for meat analogues?

### 8.1 Production

During the first years of its existence the Vegetarian Butcher fully outsourced its production to other companies, but 'By 2015 sales had climbed to a point where investment in our own production capacity became attractive to reduce the share of outsourcing to about 50% and produce the rest ourselves, especially with the expected growth in the coming years,' Korteweg says. 'The production of some specialized products, like sausage roles, is easier to outsource.'

Banks were not convinced about the growth potential though and were reluctant to finance the idea. The company decided to turn to crowdfunding with the help of an environmental interest group that mobilized its members to invest. In less than three weeks the Vegetarian Butcher generated 2.5 million euro – the legal maximum for a crowdfunding campaign in the Netherlands (<https://tinyurl.com/yb3k7txr> for the crowdfunding page). The campaign ranked 74<sup>th</sup> among the most successful international crowdfunding efforts at the time. Banks began to queue up to loan the rest of the money needed to build and equip the factory.

With this new factory, the Vegetarian Butcher can increase production, decrease costs, and control production processes. Meanwhile, it increased its staff from 20 to approximately 40 full-time employees, and most of the new recruits provide operational management capabilities. 'This will also increase the trust with customers, because it shows that we are more than an intermediary because we develop and produce ourselves,' Korteweg says. The production experience they gain also 'is important, because it's likely that we will grow out of our factory in the coming five years. We should then again make a decision to produce ourselves or outsource production to others. Can we make the next upscaling step ourselves or should we do it with a bigger partner? The experience with this factory will help us to make such decisions.'

### 8.2 Internationalization

The Vegetarian Butcher is now active in 17 countries (16 European nations and Japan, <https://www.thevegetarianbutcher.com/find-us>). Korteweg expects more growth in other affluent parts of the world in the coming five years, 'because in the short-term these markets still have the highest purchasing power.' The internationalization strategy thus actively seeks deeper penetration of current foreign markets. The selection of new markets often comes in response to requests from potential customers.

It also responds to public statements by potential competitors, such as when 'Tyson Foods, a leader in the meat industry, announced that in the long run they will consider vegetarian options in their product line. We then sent them a message to congratulate them and to make ourselves known,' Koffeman says. The same strategy has worked with several large retailing companies; the U.K. retailer Waitrose now sells the company's products under its own brand and in a brand alliance, as components for its ready-to-eat meals (<https://tinyurl.com/yc9w5eg9>).

To achieve penetration in these foreign markets, the marketing strategy that has worked in the Netherlands requires some adaptation to local conditions. Websites and social media sites are already available in multiple languages but that is the easy part. For Koffeman, ‘Storytelling is somehow country-based, because triggering responses with the story of the Dutch farmer Jaap in Finland is less easy than getting a response in the Netherlands. To solve the problem we should have more people in the social media team and we are also hiring some people abroad. In markets where we see big opportunities, like Germany or the UK, we find social media strategists who know the local situation and are native speakers.’

Growth outside the European Union is even more challenging, especially due to import restrictions and legal protections for its brand name, recipes, and products. According to Koffeman, ‘If we’re being copied by others, we would consider that an honor, but we have to protect our products and our brand for a while in order to set a quality standard for the category. Because if the copies are not of a good quality they will work against the category of meat analogues. So we have to be able to protect our quality and our standards, at least for some time, to set a standard in the market.’

### 8.3 Alliances

Mainstream food companies and investors have discovered meat replacements as a compelling investment opportunity, and the Vegetarian Butcher is a popular target. Korteweg explains:

On almost a weekly basis we are approached by large food companies and investors. There’s a big belief among these companies that the market for meat analogues will grow substantially in the coming decades. In that respect, it helps a lot that we are known and that we put quality first. The quality of the products makes the real difference. If companies only see the opportunities but have no real alternatives for meat, it remains abstract. We offer them a concrete alternative for meat.

If they are interested, we tell them: ‘our ambition is to become the largest butcher in the world, please explain what a collaboration with your company would bring us?’ We evaluate the possible collaboration for its potential to make us grow faster without jeopardizing the quality of the products. We are convinced that these two should go together. In addition, the product and production process should of course be healthy and sustainable, but these are more baseline conditions. If a party can help us, we will step into a collaboration. So far yet, it didn’t happen though.

We talked for some time to a large American investment company that wanted to invest several tens of millions to introduce our products in the U.S. market. We agreed with that and suggested that they could have a majority of shares in the American operation, let’s say 75%, because we aren’t able to do a market entry by ourselves at this moment. We would keep our European operations however separate from that. That appeared to be a breaking point and the negotiations stopped.

### 8.3 Appealing to different market segments

The market for meat analogues is not homogeneous. The segments of vegans, vegetarians, flexitarians and meat-eaters all have different motivations that may require different strategies. While the current technology used by the Vegetarian Butcher may be acceptable and attractive to the segments of (egg eating) vegetarians and flexitarians, the growing group of vegan consumers doesn’t eat eggs. The company is therefore confronted with the questions how large this segment will be as compared to the vegetarians and flexitarians, and perhaps more important: will there be a spin-off from the vegans to other segments. Retailers that buy the Vegetarian Butchers meat analogues for example as components for ready to meals, may in time switch to producers with no-egg technologies to potentially cover all market segments.

Next, consumers’ motivations may differ within segments. Consumers with strong health motivations may for example look critically at the salt content of meat replacers. This issue again raises the questions how

large that segment would be and how the opinions of the consumers that develop preferences for other meat replacers would spill over to the other segments targeted by the Vegetarian Butcher.

A final market segment is formed by the price-sensitive meat consumers. The internal production in the new factory should decrease costs, which may enable the Vegetarian Butcher to move toward another market segment, namely, people who are less conscious of the environment and animal welfare but make consumption choices on the basis of price. For Koffeman, ‘Many of these consumers already eat cheese analogues on cheap pizza, because analogue cheese is now cheaper than actual cheese. With our meat analogue we also want to reach that stage. If people then want to buy a hamburger they don’t mind whether it’s real meat or meat analogue as long as the taste is good and the price is cheap.’

#### *8.4 Selling machines*

As successful as the company is in selling meat analogues, its future also might benefit from sales of the machines that produce the products. The Vegetarian Butcher has managed to set the standard in the market leaving the floor open to competitors that can use the technology to produce their own, better, different, or locally preferred meat analogues. Then the Vegetarian Butcher could move back up the supply chain by selling machines to producers of meat analogues (becoming the ASML of the meat analogues; [https://en.wikipedia.org/wiki/ASML\\_Holding](https://en.wikipedia.org/wiki/ASML_Holding)). If it could devise even smaller machines, such that consumers could pour water, soy powder, and other inputs in at home, and the machine would produce the requested meat analogues (similar to home bread machines), they could appear in butcher shops, supermarkets, catering venues, restaurants and households. People would essentially have their own butchers in their homes. For Van der Goot, this potential is promising: ‘if we have more companies to produce meat analogues then I think that companies that produce machines, for example for automatic slaughter lines will be interested to join projects that can create a new market for them.’

#### *8.5 Entering emerging markets*

‘Even though we get invitations from retailers in countries like China and India, we need more expertise to enter these markets,’ Koffeman says. He adds: ‘if we hear that many vegetarians in India now start eating chicken it’s certainly relevant to bring meat analogues to emerging markets.’ Korteweg concurs, noting that ‘In China, we see a market of consumers with a strong preference for European food products among those who can afford them. The market in India is probably enormous. The production experience that we are building now may in time help us to find the right partner and leverage the right experience to exercise the control over the development of these markets that we need.’

Finally, the shearing technology that produces the meat analogues may offer a viable scenario for more remote areas, in emerging markets where resources are scarce. Using machines they can create meat analogues with the soy they produce themselves, without feeding the soy to animals first. The resulting supply chains would be less expensive and vulnerable, so Van der Goot acknowledges, ‘It can be very attractive to have production decentralized, because then their supply chain can remain dry, which makes it considerably less perishable until a very late stage in the chain.’

### **Supplementary material**

Supplementary material can be found online at <https://doi.org/10.22434/IFAMR2018.0051>.

### **Financials.**

**Recent developments** around the case ‘the vegetarian butcher: on its way to becoming the world’s biggest ‘meat’ producer?’



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