McKinsey & Company

The Next Normal

The future of food: Meatless?

October 2019

Plant-based “meat” is all the rage. Companies big and small are investing in alternative proteins, expecting continued strong growth—but skeptics warn the novelty will soon wear off and demand will plateau. Who’s right? In this edition, *The Next Normal* peers into the future of protein consumption.

In this issue

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Alternative proteins and the future of meat

Four McKinsey experts share what they see—and foresee—in the evolving meat and protein market.

What's driving consumer demand?

Liane Ong: I think the motivations for why people are eating alternative proteins differ. If you think about the US, what you see as a primary driver is health. Environmental concerns, animal welfare, et cetera, are drivers that people list but are secondary concerns. If you go to the UK, that order of priorities—why people want to eat less meat and want to eat alternative proteins—reverses. I think in Asia, there is much more of an acceptance, more broadly, of alternative proteins. For centuries, populations within Asia have been eating plant-based proteins, and so the drivers there are different.

Tamara Charm: Ninety-five percent of people we studied in a qualitative study said that health was one of the primary reasons—and over two-thirds said that it was *the* primary reason—that they were eating alt protein. I think another thing that was surprising is, when you look at what they're substituting for—and what they're eating less of—to eat more alt proteins, it's not red meat. It's not burgers: it's fast food or processed meats.

Liane Ong: They say, "I want to eat less meat, and I'm looking to move away from processed foods." In reality, the alternative proteins that are on the market today are processed foods. So, there is a disconnect between what consumers are saying they want and what they perceive to be true.

Tamara Charm: I think one of the things that alt protein is tapping into is this idea of "ecoindulgence": if there's some ecological benefit or there's some sustainability benefit, people will go ahead and indulge more happily.

Will the market continue to grow?

Joshua Katz: I think we've seen a history where people are willing to shift their diet dramatically. In the US, for example, 40 years ago, we ate 90 pounds of beef per person; now we eat 60. We used to eat something like 40 pounds of chicken, and now we eat 90. So, there is room for material changes in diet.

Jordan Bar Am: I already see younger parents bringing this into their children's food repertoire earlier on. This will be a norm for a new generation of folks. I don't believe that traditional meat or animal protein goes away in the next ten years, but I do think this becomes a meaningful part of diets across markets: the US, Western Europe, and emerging markets as well.

Liane Ong: Consumption of alternative proteins will take more of a trajectory like what you've seen in alternative dairy or like what you've seen with organic meats, for example. It'll continue to be a niche segment. It'll be sizable. It'll be fast growing. But in reality, it will only be 10 to 15 percent of future total consumption.

Joshua Katz: I think this will be a material part of the food system. I think it's incredibly exciting. But I don't see a world where the hamburger is gone from your diet or the chicken strips don't go on your salad. I think these are all staples that will be part of our lives—maybe not our grandchildren's lives, but our lives. I think some of this stuff is here to stay—almost all of it.

What should companies be paying attention to?

Joshua Katz: I would think about consumer adoption, which you need to think about at a regional level because, again, this is food. Diets are different in different parts of the world. There are going to be some surprises about who picks up this stuff faster versus slower. Paying attention to where the unit economics are going to fall, or could fall, for each of these technologies will also be material because, candidly, that's going to drive adoption of what you can charge and how attractive it can be from a margin perspective.

Liane Ong: In my mind, there are bigger shocks beyond alternative protein that could happen to the protein industry that folks should be paying attention to. You've got African swine fever that's taken out almost half—predictions are, by the end of 2019, almost half—of the pork population in China. If that happens to be true, that's roughly a quarter of the world's pork supply.

What's next in alternative proteins?

Jordan Bar Am: My craziest prediction about protein consumption in 2030 is that in every fast-food and fast-casual outlet and fine-dining establishment, there will be multiple options on the menu for flexitarian and "lessitarian" consumers. It won't be just the one vegetarian option at the bottom of the menu segregated by itself. It will be as delicious as, and it will be competitive with, the other options on the menu.

Joshua Katz: Where I think this gets interesting is when we get to a point where we can make a steak that is indistinguishable from a traditional steak, or an alternative French cheese that is indistinguishable from the best Camembert in the world. I think that's a ways out, but it will be an interesting moment when we get there.

Jordan Bar Am is an associate partner in McKinsey's New Jersey office, **Tamara Charm** is a senior expert in the Boston office, **Joshua Katz** is a partner in the Stamford office, and **Liane Ong** is an associate partner in the Chicago office.

Watch this and other *The Next Normal* videos on McKinsey.com.

Designed by Global Editorial Services

October 2019 | Interview

Small plant, big protein

Could a tiny aquatic vegetable become the primary source of protein for millions of people worldwide? An Israeli start-up believes so.

What if all food—even processed food—could be made protein rich and more nutritious just by adding one ingredient? Better yet, what if that ingredient could be grown year round using very little land, water, and energy?

That's the vision of Hinoman, an Israeli agritech start-up. And it's betting on a tiny, protein-packed vegetable—a member of the duckweed family—to shape the future of global protein consumption. Hinoman has spent close to a decade cultivating this vegetable and developing methods to grow it in a scalable and sustainable way. The vegetable is called Mankai (see sidebar, "What is Mankai?").

In 2019, some cafeterias at Harvard University started serving Mankai smoothies and veggie burgers, with more Mankai-containing menu items rolling out later this year. Soon, Mankai will be available at dining establishments on the Massachusetts Institute of Technology campus as well. Hinoman is also preparing to launch its product at retail in Japan. One of its goals is to build Mankai into a well-known, widely available food brand by 2025.

Ron Salpeter, Hinoman's CEO and one of its three cofounders, recently spoke with McKinsey partner Michael Taksyak at Hinoman's headquarters near Tel Aviv. Salpeter shared his views on how consumers' eating habits are changing and what lies ahead in meat and protein consumption. An edited version of their conversation follows.

McKinsey: *Alternative proteins have been a hot topic in the food industry this year. How do you see the demand for alternative proteins unfolding in the next decade?*

Ron Salpeter: Alternative protein must be viewed within the broader context of two megatrends: conscious eating and the "plant forward" agenda. Young consumers—millennials and Gen Zers—are the predominant force shaping demand in everything, including food, and they are the ones driving these two megatrends. So, I believe these two trends are going to dominate the food industry in the next 20 or 30 years.

The first trend, conscious eating, means that consumers now think, "How does the food that I eat actually affect my body?" People are willing to spend time educating themselves about this. I have two daughters—one is 24 and the other is 20—and very rarely do they put anything into their bodies without first looking at the label. The younger generations want to know what is in their food. Consumers now also take into consideration how their food affects the planet. I don't subscribe to the idea that people will stop eating meat in the next 20 or 30 years, but I do think that as soon as 2030, eating meat will, to a large extent, become immoral; people will feel rather uncomfortable eating meat.

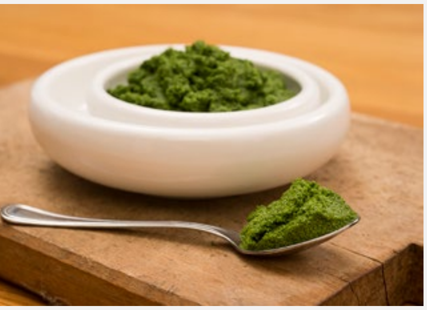
The other megatrend is the plant-forward agenda. This agenda, promoted by organizations like the Culinary Institute of America, is about making sure people are exposed more and more to fruits and vegetables because these foods provide elements that are lacking in processed foods. And there is growing evidence that procuring one's needs for protein or iron solely from meat sources is not enough.

Here's how I think these trends will translate in the food industry: more regulation in food labeling and food marketing. I think that, in the not-too-distant future, regulators will establish a scale for food labeling that will clearly indicate what we call the bioavailability of the food—how much of what is in the food is really absorbed into the body—and the food's impact on the environment. So, food labeling will change. And the same goes for food advertising.

McKinsey: *The food industry has changed quite a bit, even in just the past few years. Has anything surprised you as the market has evolved?*

Ron Salpeter: Social media has proven even more effective than I thought. It is very effective in creating a space for newcomers. I'm surprised at how fast it brought innovative food manufacturers, like Beyond Meat and Impossible Foods, to consumers' attention.

What is Mankai?



"Mankai is a proprietary strain of duckweed, the world's tiniest leaf vegetable. It has no roots; it floats on the water. Duckweed has been eaten for hundreds of years in Southeast Asia. Grandmothers in certain tribes, in certain villages, in Laos, Vietnam, and the north of Thailand used to pick it up from slow-moving water bodies in the winter season and use it in soups and salads as a source of protein. The word 'Mankai' combines 'manna,' the heaven-sent food; 'chai,' which means 'alive' in Hebrew; and 'khai-nam,' which is the Thai name for duckweed. At Hinoman, we've built an entire ecosystem to enable uniform, sustainable production of this plant year round."

—Ron Salpeter, CEO, Hinoman

Ron Salpeter biography

Vital statistics
Born in 1961 in Jerusalem
Has four children

Education
Holds a master's degree in law from Osaka University and a bachelor's degree in law from Tel Aviv University

Career highlights
Hinoman
(2013—present)
CEO

Taiyo Holdings
(2001—11)
Managing partner

Weksler Bregman
(1995—2001)
Head of international legal practice

Fast facts
Served as a pro bono board member at Shahal Telemedicine and at Shenkar College of Engineering, Design and Art

Speaks Hebrew, French, and Japanese

Another data point that surprised me is that, according to Innova, a market-research company, new food offerings with vegan-related claims have grown more than 45 percent annually over the past few years. That's tremendous growth in new products targeting a consumer group that even just five years ago was considered marginal by most large food companies.

McKinsey: *Are vegans the target customer for Mankai? Interestingly, the two alternative-protein companies you just mentioned have grown so rapidly because they're targeting meat eaters, not vegans or vegetarians.*

Ron Salpeter: Mankai is for everyone. We believe we can make the world a healthier place by embedding Mankai, an all-natural source of macro- and micronutrients, into the processed foods that consumers like to eat. We actually do not think of Mankai as an alternative protein; that term does not do justice to the virtue of this product. It's a superfood—a dietitian's dream.

By 2025, we want to build consumer awareness to the point that the emblem or the stamp of Mankai on a food product will become synonymous with quality and bioavailability. That means when consumers see the Mankai emblem on a food product, they'll know that the food they are buying is packed with protein, iron, vitamin B12, calcium, and other nutrients that won't just pass through and leave the body very quickly but will make a significant contribution to the overall health of the body.

McKinsey: *What do you think it will take for Hinoman to achieve that level of consumer awareness?*

Ron Salpeter: I've been told by many people, "Keep your messages simplistic. Consumers know nothing about protein or iron or vitamin B12; they know so little about what they eat."

I think that, in the not-too-distant future, regulators will establish a scale for food labeling that will clearly indicate the food's bioavailability and impact on the environment.

People have been telling me that education will be a challenge, a barrier. But I'm finding that consumers are more savvy and more sophisticated than people tend to think—and they have a strong appetite to try new solutions.

The true challenge is scalability. In the food business, if you cannot offer your product in large quantities, you're a marginal—and probably soon-to-fade—phenomenon. Scaling up is a capital-intensive effort for us because it requires constructing aquatic precision-agriculture basins in greenhouses; that's our cultivation environment for Mankai. So, becoming more efficient in our production to improve our yields is our biggest challenge. That's where we will be concentrating our efforts in the years to come.

McKinsey: *What's your craziest prediction for food in 2030?*

Ron Salpeter: By 2030, it will be possible to achieve personalized nutrition. If people somewhere realize that there is a specific need—for example, a need for more iron to deal with anemia in a certain region—then we will be able, with just the touch of a screen, to create a non-GMO iron-accentuated crop right there. This will be just an initial step toward a far more ambitious endeavor: creating ingredients that match the unique physiological and metabolic needs of each individual. That's what I see as the future of food.

Michael Taksyak, a partner in McKinsey's Tel Aviv office, conducted this interview.

For more from Ron Salpeter, see the videos accompanying this article on McKinsey.com.

Designed by Global Editorial Services

August 2019 | Interview

An incredible year for Impossible Foods

CFO David Lee believes the company’s continued success will depend heavily on its ability to create many more “craveable” products and to maintain its corporate culture.

Like most of the 150-plus employees at the Silicon Valley headquarters of Impossible Foods, David Lee often partakes of the vegan breakfast and lunch served daily in one of the company’s quirkily named meeting rooms (“Ketchup,” “Narwhal,” “Zeep”). But Lee isn’t vegan. He is—like the company’s target customer—a self-described “hard-core meat eater.” These days, though, the “meat” he eats is increasingly coming from plants, not animals. And he’s signed on to the mission that his boss, Impossible Foods CEO Pat Brown, has set out: to have people stop eating animals and animal products by 2035.

It’s a bold mission. Then again, the company is called Impossible Foods. And it’s had a whirlwind year: as one of the two biggest brands of alternative proteins (its main rival, Beyond Meat, went public in May), it’s been in the news almost nonstop since early 2019. Its launch of the Impossible 2.0 burger—which looks and cooks (and, to many people, tastes) almost exactly like ground beef—led to a stratospheric rise in consumer demand that even the company didn’t anticipate. Massive out-of-stocks seemed to further stoke demand. Impossible ramped up production, hiring more people at its factory in Oakland, California, and partnering with large food manufacturer OSI Group. Just weeks ago, the Impossible Whopper became available at all Burger King restaurants nationwide; it will soon be sold in grocery stores.

Impossible Foods counts several celebrities among its fans, and some have even become investors. The company now employs close to 500 people and has been making new hires almost every week. In other words, it’s no longer the risky start-up that Lee joined four years ago. During a recent conversation with McKinsey partner Joshua Katz, Lee shared his thoughts on what differentiates Impossible Foods from its competitors, how it makes decisions about marketing and pricing, and the challenges that come with being the CFO of a company experiencing tremendous growth.

McKinsey: *It feels like we've entered a new period of unprecedented demand and interest in plant-based proteins. What are the biggest factors driving this heightened demand?*

David Lee: It's not so much the demand that's new. The meat eater has desperately wanted something better than meat but has been starved for it for the past several years. What's new is that there are companies like ours that now offer something "craveable" and delicious for meat eaters like me, without those compromises that we're in denial about—like the impact to our health or the impact on the environment.

Meat eaters are in love with meat. They're emotionally connected not just to the quality and the taste of the meat but also to the entire experience of meat eating. We believe that we can create that same craveability that feeds the meat-eater addiction—but without using animals. For us, the key has been this crazy molecule called heme, which is a building block of life in animals. We call it the magic molecule. We just happened to find it naturally occurring in a plant, and we believe it gives us an edge over a lot of the other competition.

McKinsey: *Do you think the demand for your products will come primarily from Western millennials? How do you see consumption patterns evolving either by customer segment or by geography?*

David Lee: In the US, the number-one demographic consumer of meat is the millennial. Many had thought that younger millennials don't spend a disproportionate amount of their money on food. But it's the opposite: they spend more on not only food but also on food experiences. The chef, the restaurant, and the mission all make more of a difference to millennials. They care about what food says about who they are and what they're doing for the environment. So, millennials are not only the biggest consumer base for us from a financial standpoint; they're also the most important strategic demographic, because they set food trends.

That said, meat and dairy are ubiquitous. In every demographic and every culture, people crave dairy and meat as part of their everyday life. And you can give the same ground beef to two different chefs—say, White Castle versus David Chang at Momofuku—and they will produce an entirely different experience. People ask, "How do you stay relevant for one market versus

A scientist at Impossible Food's Silicon Valley lab inspects the company's product, which is shipped to distributors and restaurants in the form of five-pound bricks.

another?" Well, how does beef stay relevant for one market or another? It's because it can be spiced differently. It can be "pattied" differently. It can be seared or long-simmered. It's a great bao. It's a great dumpling. The same is true of the Impossible burger, and we think that meat eaters everywhere will crave it. Since March 2019, our Asia business has more than tripled in Singapore and Hong Kong.

McKinsey: *You've also made some very savvy marketing choices to build the Impossible brand. Tell us about those.*

David Lee: We spend a lot of time thinking about creating followership in the market and doing it in a way that tends to break the playbook of the traditional food marketer. A lot of new food brands rush to retail. We instead pulled off a neat trick, which is to get the Impossible brand on every menu of every restaurant we're in, without paying for it.

And we leverage social media to build followership among millennials, who are not influenced by "push" media like radio and TV and print. They tend not to trust promotions that are obviously paid for. None of our celebrity endorsements are paid—they're all authentic. When Katy Perry [who is an Impossible investor] showed up at the Met Gala dressed as a burger and tagged us on Instagram, we didn't pay for that.

McKinsey: *Impossible has won many fans, but it also has detractors. One of the criticisms is that the Impossible burger isn't a healthful food. How do you see the health profile of your products evolving?*

David Lee: The Impossible burger was never designed to compete with the health benefits of, say, a piece of broccoli. It was designed to compete in the $1.7 trillion global meat and dairy market in which meat eaters want to eat meat not just every week but at every meal. They want it as a part of their everyday life. So if people could have an Impossible burger as part of their everyday life, they're forgoing the cholesterol that they'd get from a cow, because the Impossible burger has no cholesterol. And it has 10 to 20 percent fewer calories.

McKinsey: *But it's more expensive than a beef burger, which might hinder some people from buying it. At Burger King, the Impossible Whopper is about $1 more than a regular Whopper. As the CFO, how do you think about pricing?*

David Lee: Pricing for us is a strategic choice. We use a fraction of the resources the incumbent industry does to make its products, so with that comes the ability to choose. Could we have a much higher profitability and offer a lower price in the market? Absolutely. But to achieve that, we need scale—we need to actually have the size of the business that the incumbent industry has. So, I go back and forth: I know that meat eaters are willing to pay a premium, but I also know that the more Impossible burgers we sell, we fundamentally reduce the cost structure of the business. So it's a strategic choice.

McKinsey: *Impossible 2.0 was a major breakthrough. What's next?*

David Lee: Anything the meat eater can imagine will eventually be launched by this company. We do 100 prototypes a week. We're working on technology that creates prototypes for plant-based pork. I've had a chicken noodle soup and a fish risotto that were both entirely plant based. We already have platforms under way to develop what we call a whole cut—a great piece of steak,

David Lee biography

Vital statistics
Born in 1971, in Spokane, Washington
Married, with 2 daughters

Education
Holds an MBA from the University of Chicago and a bachelor's degree from Harvard College

Career highlights
Impossible Foods
CFO (2019)

COO and CFO (2015—19)

Zynga
CFO (2014—15)

Best Buy
Senior vice president (SVP) of corporate finance, treasury, M&A, and corporate strategy (2012—14)

Del Monte Foods
SVP consumer products; various leadership roles in finance and general management (2004—12)

PG&E Corporation
Director of strategic planning; principal of Pacific Venture Capital (PG&E's VC firm) (2001—04)

Enterprise Partners VC
Senior associate (1999—2001)

McKinsey & Company
Consultant (1998—99)

Leo Burnett
Account supervisor (1994—98)

Fast facts
Serves on the board of the Council of Korean Americans

Is a Fellow of the Network of Korean American Leaders (NetKAL)

a whole cut of chicken breast, a whole fish filet. We've been shy about offering specific time frames, but we're hard at work on all of those.

McKinsey: *The competition is not stagnant. How are you thinking about the competitive environment?*

David Lee: We welcome the competition. It's a rising tide. Meat is such a ubiquitous product that there will be many winners. And our bet is that meat eaters will pick the best product. We think that innovation will be the biggest catalyst to change the world—not regulation, not browbeating. We don't rely on any of that. We just rely on the better product.

At Impossible, some of our scientists previously worked on solving the problem of cancer—so they were not incrementalists but rather breakthrough scientists. Our approach has always been about breakthrough science. Our pace of innovation is much faster than a large food company. When I was running the consumer-products business at a large food company, we had hundreds of food scientists—but we were looking at how to make something 20 percent cheaper or 10 percent less salty. We weren't thinking about the fundamentals of what creates craveability. And that's been what distinguishes Impossible.

McKinsey: *You've been a CFO before. How do you think your job at Impossible is different from your prior roles or from those of other CFOs at consumer brands?*

David Lee: When a CFO has a team that is completely focused on a long-term mission, the choices about return on invested capital or picking a channel are so much easier, because the long-term mission—which is to become a sizable portion of this very large market—is at a level of profitability that serves the investor interest as well. So most of my job is to advise the team on how to create more market adoption. The unit economics are strong enough for that positive momentum to contribute to the bottom line. We obsess as much about gross profit as we do about market share, because gross profit is the financial fuel for us to invest in market expansion.

I think the best thing I ever did to prepare me for the CFO role was to start as a marketer, to spend time as a general manager, to own a P&L, to run a factory, to have to launch a business. Being a great CFO means you have to be able to provide great advice, and there's no way to do that unless you've walked in the shoes of your peers. By the way, I don't view being a CFO as a destination career. I think the CFO role can allow someone to go beyond just finance—to be a strategist or an operator. "Take a multifunctional view of the role" is probably the best advice I could offer someone who wants to be a CFO.

McKinsey: *What's the biggest thing you've learned at Impossible?*

David Lee: I've learned that culture matters more than strategy. When I started at Impossible Foods, we had a total of 100 people. We were pre-revenue; the company had no commercial viability yet. We didn't have a supply chain or a brand strategy or many of the commercial functions that we see today. Now we're pushing close to 500 employees; we are nationwide. When it comes to talent, our challenges now are less about attracting capable people and more about making sure that the talent we're seeing is truly mission-aligned—that they're here not because they want to be part of the next big IPO but because they want to make a difference.

Preserving the DNA of the company—this notion that we blast ahead and we break rules against a big mission—is sometimes difficult when you're onboarding so many people so quickly. So a big lesson for me is that culture is probably one of the biggest challenges in hypergrowth; it's an even bigger challenge than developing a go-to-market strategy or creating a winning brand.

This interview was conducted by **Joshua Katz,** a partner in McKinsey's Stamford office.

For more on Impossible Foods, see the videos accompanying this article on McKinsey.com.

Designed by Global Editorial Services

February 2020 | Interview

Reviving the center aisle: An interview with Kellogg's chief growth officer

From Monica McGurk's perspective, innovation is alive and well in packaged food—and Kellogg's best days are still ahead.

Since Monica McGurk took on the global role of chief growth officer (CGO) at Kellogg Company in early 2019, the food manufacturer has logged four consecutive quarters of organic sales growth. McGurk expects that pattern to continue—especially with this year's rollout of two new highly anticipated product lines: Incogmeato and Leaf Jerky. The launch of these two brands in retail stores marks Kellogg's entry into the booming market for plant-based meat alternatives.

McGurk recently spoke with McKinsey's Jordan Bar Am in Chicago about these new products and about innovation and growth more broadly. Edited excerpts of the conversation follow.

McKinsey: Many Americans associate Kellogg's with breakfast cereal—a category that's been stagnant in the US market for several years. From that standpoint, your job as CGO sounds like a tough one. How's it going?

Monica McGurk: Many people don't realize that cereal is no longer the largest part of Kellogg's portfolio, and the United States is no longer the main growth engine of the company. We're more of a snacking company. In fact, if you combine snacks with cereal consumed for snacking occasions, which are often in different packages and different forms, we're over 55 percent a snacking company. We've also got our plant-based-protein business, a frozen-food business, a noodle business, and a cookie business. So we're quite diversified. And our emerging-markets footprint has been driving—and will continue to drive—a lot of our growth. On top of that, there's still a lot of upside for cereal. Around the world, we're seeing sequential improvement in the performance of our cereal portfolio. I believe the best days of our company are yet ahead of us.

McKinsey: Let's talk about one of the businesses you mentioned: plant-based protein. That market has taken off in the past year. How big will it get?

Monica McGurk: It's going to be big. To me, it doesn't really matter exactly how big, so long as we're prepared for that future. The demand will vary around the world, based on a number of factors: religious and cultural drivers, concerns about health, concerns about sustainability, government regulations, and so on. The key, whether we're on the retail or the manufacturing side of the equation, is to be prepared for all sorts of different paths and flexible in how we approach the market.

McKinsey: Big food manufacturers seem to be going after the opportunity organically, as opposed to acquiring start-ups. Is that because developing plant-based products is proving to be easier than initially thought?

Monica McGurk: It is perhaps proving to be a little bit easier technically than some people thought. Remember, though, that some of the solutions that are coming to market are blends that contain meat—not pure plant-based products—so that's a reflection of companies using what's already in their tool kits.

I think another reason that big manufacturers are throwing their hats in the ring is that the end-to-end value chain—the supply chain—for this category is really important to get right. Designing and making the food is just the first part. You then need to get it through the supply chain so that it shows up on time, in full, in the retailer's case, looking great to the consumer—and that's hard to do at scale. One of the things that retailers have told us is that a lot of start-ups underestimated the difficulty of getting the supply chain right.

McKinsey: Speaking of retailers, how do you see the retail landscape evolving to accommodate the growing demand for plant-based protein?

Monica McGurk: What we've seen so far is retailers expanding the space they allocate to plant-based products, starting in the frozen case and now encroaching into the fresh-meat case. But retailers don't yet have a full category strategy that looks across every relevant temperature state: frozen, fresh meat, and ambient meat. Globally, one of the biggest categories of animal-based proteins is dried-meat snacks; we recently introduced Leaf Jerky, a plant-based jerky product. I think retailers still have a ways to go in thinking through the role of plant-based protein in shoppers' lifestyles.

McKinsey: What are your expectations for Incogmeato?

Monica McGurk: We've got really high aspirations for it. The kinds of metrics we'll be paying attention to are household penetration, trial, and repeat rates. What's also important to us—and we'll be watching this closely and continuously iterating to improve it—is how it stands head to head against competitors on a sensorial basis, not just at the moment of consumption but in every part of the experience. How does it look on the shelf? How does it smell and sizzle when consumers cook it at home? What aroma is left in the air after they're finished with their meal? Those, I think, will be the acid tests of whether consumers ultimately embrace the brand.

McKinsey: It seems like both Incogmeato and Leaf Jerky were developed relatively quickly. Is Kellogg innovating faster than it has in the past?

Monica McGurk biography

Vital statistics
Born in 1970 in Chisago Lakes, Minnesota

Married, with 3 children

Education
Holds master's degrees in business and education, both from Stanford University, and a bachelor's degree in government from Harvard University

Completed the Agribusiness Seminar, part of Harvard Business School's Executive Education program

Career highlights
Kellogg Company
(2019–present)
Chief growth officer

(2018–19)
Chief revenue and e-commerce officer

Tyson Foods
(2017)
Chief growth officer

(2016–17)
President, food service; executive vice president, global strategy and new ventures

Coca-Cola North America
(2012–16)
Senior vice president of strategy, decision support, and e-commerce

McKinsey
(1993–2012)
Partner

Fast facts
Is on the board of directors of Mid-America Apartment Communities, a real-estate investment trust

Recently served on the Governor's Blue Ribbon Commission on Data Analytics and Computing for the state of Arkansas

Monica McGurk: Yes. For years, the industry has been bemoaning lack of growth in certain categories; everyone says, "The center of the store is dead." No, it's not. To me, the fact that many small, emergent brands are growing fast is proof that every single category will thrive if innovation is breathed into it.

At Kellogg, we're doing a lot to diversify our innovation model so that we can be faster to market while also keeping in mind that our biggest advantage is scale. We're experimenting with agile techniques. We've run internal incubator and start-up challenges. We have a venture-capital fund that we use to invest in high-potential companies. We've refined our external network. All those things are helping us innovate faster.

Underpinning all of it are, of course, great insights. There's no substitute for those. We're upping our game with advanced analytics and big pushes in behavioral science so that we can uncover needs or desires that consumers might not even be able to express themselves.

One brand that's exemplified this agile approach is Joyböl, which is a compact, portable, smoothie-like breakfast product that people can eat at their desks. We got a lot of negative feedback on our first prototypes, quite frankly. So we could've just said, "Oh my gosh, this is a failure." Instead, we renovated the product and put it back in market for further testing, and now it's performing at the high end of retailer benchmarks. That took us less than six months. So we need to figure out how to do that again and again, in a way that isn't reckless but drives faster growth and is profitable for us.

McKinsey: There aren't many consumer companies today with CGOs. You've now had that role at two large consumer-goods companies. If I'm a CEO, how should I think about installing that role? Does a CGO replace the chief marketing officer?

Monica McGurk: At Kellogg, the CGO is responsible for all demand-generation levers. I oversee our insights and analytics team, our global R&D team, and the commercial COEs [centers of excellence]—that's marketing, revenue-growth management, sales and channel development, and a team that we've pulled out to focus on digital and e-commerce because of our aspirations for leadership in that space.

If you're a CEO, and you're thinking about creating a CGO role, you first need to recognize that the CGO can't be a Band-Aid for capability gaps in the P&L [profit-and-loss] owners or in the regional business units. But if there's a need to better integrate commercial execution, or a need to inject new capabilities to supplement traditional commercial capabilities, a CGO structure can make that happen much faster than leaving every business unit to figure it out on its own.

It's critical to look for talent that has the breadth of commercial capability—someone who has not only been a CMO but also has had a tour of duty through lots of different commercial roles and, ideally, has P&L experience so that he or she understands what a business needs on a practical level. As CGO, I work with and for our region leaders on the P&L so that we're working together in a way that one plus one equals three. It's a collaboration engine. The CGO structure is the wind beneath their wings, or the fuel in their engines, so to speak.

Jordan Bar Am, an associate partner in McKinsey's New Jersey office, conducted this interview.

For more from Monica McGurk, see the videos accompanying this article on McKinsey.com.

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October 2019 | Interview

‘It’s our job to evolve with consumers’: Tyson Foods on alternative protein

Justin Whitmore is the head of alternative protein for one of the world’s largest meat companies. In this interview, he shares his views on the future of food.

The food industry may well look back on 2019 as the year when alternative proteins went mainstream. After all, it’s the year in which Tyson Foods—the largest US food company and the world’s second-largest meat processor—named its first-ever head of alternative protein. Justin Whitmore took on the new role in February. Just months later, Tyson Foods introduced Raised & Rooted™, its first brand of plant-based and “blended” (made of both meat and plants) products.

In August, Whitmore spoke with McKinsey associate partner Jordan Bar Am in Chicago. They discussed food trends, how Tyson Foods will stay competitive, and what lies ahead in meat and protein consumption.

McKinsey: *For a big food company to put a top executive in charge of alternative protein is a huge step, especially considering how small the alt-protein market is relative to meat. What was the tipping point for Tyson Foods?*

Justin Whitmore: Alternative protein plays an important role in our “future of food” agenda. A question that’s on many minds about this market is, “Is this double-digit consumption growth just a fad?” But when we look at the data, we see a fundamental change in eating patterns among meat eaters across demographic groups. It’s not just in the cities, not just on the US coasts, not just with young people. So we see it as more of a lasting component of the broader protein-consumption landscape than a fad.

Consumers’ tastes will continue to evolve. It’s our job, as one of the world’s largest food companies, to evolve with them. So, it’s an “and,” not an “or.” I fully expect that beef, pork, chicken, and turkey will continue to be on people’s plates, and alternative protein will be another great option.

McKinsey: *Yet it's becoming a crowded playing field. Well-funded Silicon Valley start-ups as well as traditional players—Nestlé, Perdue Farms, Smithfield Foods—have all jumped into the alt-protein market. What does Tyson Foods have to do in the next decade to be not just a competitor but a leader in alternative proteins?*

Justin Whitmore: It's true that there are interesting new start-ups, and we've been investing in several of them through our venture-capital arm, Tyson Ventures. We realize that there are specific needs for specialized expertise when it comes to individual substrates like pea-protein isolate or concentrate, fava beans, wheat, or soy, so we'll be looking to bring in those experts to help us make the right decisions about the types of protein we work with and the propositions we can create from those proteins.

But I think some of the conversation about R&D and technology as the drivers of growth in plant-based protein doesn't match the reality of how the industry is behaving today. I'm not seeing a very robust list of new technological developments or patents. What I am seeing is pretty extraordinary culinary advances: companies making food that tastes good and providing that food to people in ways that resonate, with new brands and new market propositions. That's the same kind of blocking and tackling that Tyson Foods has always done successfully.

In my view, there are four things that position Tyson Foods to win: a great supply chain, great-tasting products, healthy products, and consumer and customer relationships built on trust. Those foundational things will set us apart and allow us to lead in the alt-protein space faster than many companies that have to build all that from scratch.

McKinsey: *Speaking of moving fast, Tyson Foods has been able to bring Raised & Rooted to market quickly. Speed and agility aren't typically core competencies of companies as big as yours. What do you think is the key to getting things done fast?*

Justin Whitmore: Big companies are going to have to figure out ways to move fast and respond quickly to how marketplaces are changing. You'll see some other players struggle in this new world because I think the spirit behind how leadership teams lead and invest will be different over the next 20 years than over the past 50. At Tyson Foods, we're setting up teams that behave like start-ups. They can operate on their own, with their own budgets. They're able to move capital around quickly and take risks that may not work out. "Failing forward," which is a term you hear often, is something that we're preaching in our company.

"At Tyson Foods, we're setting up teams that behave like start-ups. They can operate on their own, with their own budgets."

Justin Whitmore biography

Vital statistics
Born in 1982 in Cleveland, Ohio
Married, with one child and one on the way

Education
Holds an MBA from the University of Notre Dame and a bachelor's degree from the University of Alabama at Birmingham

Career highlights
Tyson Foods
(2019)
Executive vice president, alternative protein

(2017–19)
Executive vice president corporate strategy and chief venture & sustainability officer

McKinsey & Company
(2014–17)
Associate partner

Booz (now Strategy&)
(2010–14)
Senior associate

Johnson Controls
(2005–09)
Various roles in production management, process engineering, and procurement

Fast facts
Serves on the corporate advisory board of the University of Notre Dame's Mendoza College of Business

Is a member of the Executive Leadership Council, an organization for the development of global black leaders

Is included in *CNN*'s 2019 list, "Risk Takers: The 20 leaders driving global business forward"

Was named as one of the 2018 Most Influential Blacks in Corporate America by *Savoy* magazine and one of the 300 Most Powerful Executives in Corporate America in 2017 by *Black Enterprise*

McKinsey: *What metrics are you watching closely in alternative proteins?*

Justin Whitmore: We're looking at growth rates across different demographic cuts. This is a growth industry that's coming off a small base, so we'll want to see that momentum continue, and we'll watch the categories where growth is occurring. We'll also be looking at the structure of the industry and where profit is generated. Is it through the retailers that ultimately serve the consumer and distribute the products? Or is there going to be more vertical integration in alternative proteins than in other packaged-goods industries? Tyson Foods has experience in these areas, and we understand the markers of success, so we're confident that we'll be able to compete.

Finally, we'll be looking at product development. Where is the best-tasting product showing up? Who are the chefs and the R&D experts helping to create these amazing products, and how do we either partner with them or bring them in house? We'll be able to identify them and attract them to Tyson Foods because our scale and the impact that we can have on the world of food are appealing to people—particularly when they see our internal commitment to the alternative-protein space.

McKinsey: *Your core business is meat. How are your investments in alternative proteins being viewed by people in the traditional meat industry? Is that something you think about?*

Justin Whitmore: We think about it all the time. Many farmers view alternative protein as a threat to their livelihood, so it's vital for us to communicate to farmers that our core meat business will remain central to our vision for the future of food.

Unfortunately, when you look at a lot of the media out there about alternative proteins, you see a different narrative—one that excludes farmers. We cannot, as a company, leave behind farmers who are the bedrock of who we are around the world. It's critical for us to partner in this process and work together to improve upon what we do today. We have people on the ground working every day alongside farmers, helping them deploy new practices that will create an even more sustainable future.

McKinsey: *What impact has the growing demand for alternative proteins had on the environmental and social practices of Tyson Foods?*

Justin Whitmore: Alternative protein itself is not going to compel Tyson Foods to behave differently. Instead, our values and our responsibility as the largest food company in the United States is what compels us to behave in new ways. My view is that alternative protein becomes another element in our business that must operate as sustainably as possible. For example, topics like deforestation affect plant-based protein. So rather than thinking about sustainability in proteins as "one is good, one is not," we need to think about creating the right supply chain in the most sustainable way possible across proteins.

McKinsey: *Any controversial predictions about meat and proteins in 2030?*

Justin Whitmore: In 2030, Tyson Foods will be the global protein leader.

Jordan Bar Am, an associate partner in McKinsey's New Jersey office, conducted this interview.

For more from Justin Whitmore, see the videos accompanying this article on McKinsey.com.

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