

Business Model of a Vegan Food Company in Germany

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Abstract: In the context of the global vegan trend, Germany stands out as a significant contributor to the international vegan food market. This study investigates the business models of German vegan companies, aiming to identify the factors that drive their success, the marketing strategies they employ, and the challenges they face. The research begins by clarifying fundamental concepts, including the definition of business models, and outlines analytical tools such as the Business Model Canvas, which encompasses nine dimensions: customer segments, customer relationships, channels, revenue streams, key activities, key resources, key partners, cost structure, and value proposition, as well as the magic triangle, which considers cost, performance, and time. In addition, a SWOT analysis is employed to provide a comprehensive evaluation of strategic positioning. The study then analyzes the contemporary German vegan market, revealing rapid growth in both consumer numbers and the production and sales of vegan products. The Business Model Canvas is applied to conduct external analyses, including an examination of customer segments and partnerships, and internal analyses of cost structures and revenue streams. It also serves as a framework for exploring strategic and operational marketing approaches adopted by vegan companies. Using Rügenwalder Mühle, Germany's leading vegan company by sales, as a case study, the paper applies a SWOT analysis to assess its strengths, such as product innovation and brand recognition; weaknesses, including logistics overload and outdated marketing practices; opportunities, including market expansion and policy support; and threats, such as rising costs and competitive pressure in the retail sector. Based on this analysis, the study proposes targeted recommendations for enhancing company performance. In conclusion, the paper summarizes the key findings, acknowledges the limitations of the research due to incomplete reference data, and provides suggestions for future studies.

Keywords: vegan business models; German market; business model canvas; SWOT analysis; marketing strategies; market growth

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1. Introduction

1.1. Problem

According to German media company The Local, contemporary society has developed a heightened awareness of animal welfare and environmental protection. Vegetarian culture has gained widespread popularity, with vegan foods and diets becoming a significant trend. This shift has resulted in vegan products attracting a large and growing audience. Recent studies indicate that the number of vegetarians in Germany ranges between 1.13 and 2.6 million, compared to fewer than 80,000 in 2008. The vegan population has increased dramatically within just a few years, with an increasing number of young people adopting this lifestyle. Market research firm Mintel reported that Germany was already one of the world's largest markets for vegan foods in 2016, accounting for an 18 percent market share. Specialized vegan supermarkets are now

present in all major German cities, restaurants are offering dedicated vegetarian menus, and the market is continuously witnessing the launch of new vegan products [1].

Concurrently, the number of vegetarian restaurants and companies in Germany is expanding rapidly, accompanied by the emergence of innovative vegetarian business models. A notable example is Rügenwalder Mühle, a sausage company that leads the market in vegan product sales. Vegetarian companies can be analyzed using the Business Model Canvas, which connects to vegetarianism through three dimensions: internal factors, external factors, and the value proposition. The nine dimensions of the Canvas enable companies to better address the needs and challenges of the vegan market.

1.2. Objectives

This paper aims to examine the business models of German vegan companies to identify their key success factors and challenges and to clarify the relationship between their customer base and vegetarian products. It also investigates how vegan companies design marketing strategies aligned with the evolving vegan market. Within this context, three central research questions guide the study: What are the most important success factors for companies offering vegan products? What marketing strategies do these companies prioritize? And what challenges do vegan companies encounter?

1.3. Structure of the Work

The first chapter presents the background of the research, outlines the topics and content to be analyzed, and specifies the objectives and research questions. Chapter 2 introduces fundamental definitions and provides a detailed examination of the business model and SWOT components. Chapter 3 analyzes the business development of vegetarian companies from both market and business model perspectives, including an assessment of the current market situation and the application of the Business Model Canvas to identify growth opportunities. Chapter 4 offers a concrete example of applying theoretical findings through a case study of Rügenwalder Mühle, divided into three sections. The final chapter summarizes the entire research work, highlighting the main points from each chapter and addressing the research questions introduced in the first chapter [2].

2. Basic Definitions

2.1. Definition of Business Model

A business model is a well-established concept that can be initially understood as the way a company operates, the products and services it offers to generate revenue and profits, and the manner in which it delivers value to customers while simultaneously creating value for itself. Although the term "business model" is widely used, it lacks a comprehensive, universally accepted definition or structured approach in both academic research and business practice. The term first appeared in 1998 and has since gained prominence in business literature. A detailed interpretation describes a business model as the underlying logic through which an organization creates value. It defines the value an organization offers to its customers, the processes by which this value is generated within the organizational system, and how this value is delivered and captured in the form of revenue. Understanding how value is distributed within the organization and among stakeholders is essential for evolving the underlying logic of value creation and ensuring the sustainability of future business models [3].

2.2. Business Model Analysis Model

Business models play a crucial role in organizational development by visualizing otherwise abstract concepts, making them understandable and discussable. They allow the proposal of new business ideas or the analysis of existing companies. Moreover, business model thinking facilitates comprehension of a company's core activities and

success factors, enabling better assessment of profitability, identification of potential risks, optimization of operations, and strengthening of market positioning. Business models are versatile in application, with typical examples including the Business Model Canvas and the magic triangle.

2.2.1. Business Model Canvas

The Business Model Canvas is a strategic management tool designed to visualize and evaluate a business idea or concept. It consists of a one-page framework containing nine sections that represent essential elements of a business. The Canvas offers a simpler alternative to traditional multi-page business plans by providing a clear overview of the core components of a company. Originally developed by Alex Osterwalder and Yves Pigneur, the Business Model Canvas serves as a visual framework for planning, developing, and testing business models for organizations ranging from start-ups to established enterprises. The nine sections of the Canvas include Customer Segments, Customer Relationships, Channels, Revenue Streams, Key Activities, Key Resources, Key Partners, Cost Structure, and Value Proposition. These sections collectively facilitate a comprehensive analysis of a company's business model [4].

2.2.2. Magic Triangle

The magic triangle consists of three interrelated dimensions: cost, performance, and time. It addresses critical questions: What budget is available? What are the costs required to execute the project? How much time is available for implementation? What is the expected scope and quality of the output? The three factors are interconnected, and a change in one dimension necessitates adjustments in the other two. Project managers must continuously monitor and balance these variables. The magic triangle also enables early identification of requirements and risks, ensuring proper project execution. It serves as a communication tool among stakeholders, enhances customer satisfaction, and guides the planning of project priorities. Customer satisfaction functions as the bridging element within the magic triangle, helping project managers align the three variables to meet customer needs effectively.

2.3. Terms Used in SWOT Analysis

2.3.1. Definition of SWOT

SWOT analysis evaluates internal and external factors to develop strategies based on their comparison. Strengths describe areas where an organization excels and distinguishes itself from competitors. Weaknesses represent limitations that may prevent optimal performance. Opportunities are favorable external conditions that can provide a competitive advantage. Threats are external factors that may negatively impact the organization. Strategic combinations include:

- 1) SO (Strength-Opportunity): Leveraging strengths to maximize opportunities.
- 2) ST (Strength-Threat): Using strengths to mitigate potential threats.
- 3) WO (Weakness-Opportunity): Addressing weaknesses to seize available opportunities.
- 4) WT (Weakness-Threat): Developing defensive strategies to protect against threats arising from weaknesses.

2.3.2. Application of SWOT

SWOT analysis provides a realistic, data-supported perspective on the strengths and weaknesses of an organization, program, or industry. It often leads to several strategic implications for corporate management that must be coordinated and integrated into an overall strategy. This process enables critical evaluation, prioritization, and selection of sub-strategies, ensuring they complement the overarching strategic objectives.

3. Market Analysis of Business Models for Vegan Companies

3.1. The Current Market Situation

In contemporary society, an increasing number of individuals are adopting veganism to protect the environment and promote animal welfare. The market for vegetarian and vegan foods is expanding rapidly, with a growing number of vegetarian events and businesses. Recent studies indicate that between 1.13 and 2.6 million people in Germany follow a vegan diet, compared to fewer than 80,000 in 2008 as reported in the National Consumption Study II. This demonstrates a substantial growth in the vegan population within a few years. Between July 2017 and June 2018, 15 percent of food and beverage products in Germany were classified as vegan, a significant increase from only 4 percent five years earlier. Germany is recognized as the leading global market for new vegan food and beverage products, followed closely by the United Kingdom and the United States [5]. According to the Federal Statistical Office, production of vegan products in Germany increased by more than 39 percent in 2020 compared to the previous year, rising from 60,400 tons to nearly 84,000 tons, while sales increased by 37 percent, from approximately 273 million euros to around 375 million euros. These figures reflect the rapid growth and strong potential of the German vegan market.

3.2. Analysis with Business Model Canvas

3.2.1. External Analysis of the Business Model Canvas

The external analysis of the Business Model Canvas examines six areas: customer segments, customer relationships, channels, key activities, key resources, and key partners. Understanding these external factors is essential when developing a vegan business and market strategy. Identifying target customers and integrating their needs into company resources enables more consistent product development and sustainable growth. In the vegan market, target customers can generally be divided into three groups: individuals who are physically unable to eat meat, those with dietary restrictions due to religious beliefs, and consumers willing to explore new products for personal, environmental, or ethical reasons. Companies should consider the needs of these three groups in long-term planning and product development to generate comprehensive customer engagement.

Key activities, key resources, and partnerships are critical factors in the external analysis. Key resources include the inputs required to create value propositions, serve customers, and deliver products or services. Both tangible and intangible resources are essential for business success. Strategic partnerships allow a company to leverage external expertise and resources, reducing the need to perform all critical activities internally. In vegan companies, key resources include the products themselves, associated services, and the activities necessary for innovation and growth. Partnerships with suppliers, distributors, financial advisors, and other experts support efficient operations and facilitate market expansion [6].

3.2.2. Internal Analysis of the Business Model Canvas

Internal analysis focuses on cost structures and revenue streams. Understanding cost structures allows companies to identify their most resource-intensive areas, forming the basis for optimization and efficiency strategies. Aligning cost structures with strategic goals is vital for financial sustainability and profitability. Cost structures are directly linked to key activities, resources, and partnerships. Revenue streams, represented in the lower right section of the Business Model Canvas, describe how a company generates income. Effective management of revenue streams enables companies to diversify income sources, optimize financial performance, and access new markets.

3.2.3. Analysis of the Value Proposition of the Model Canvas

The value proposition represents the unique combination of products, services, and benefits a company offers to its customers. It differentiates a company from competitors and explains why customers prefer one product or service over another. In the vegan market, value propositions extend beyond physical products to include the overall customer experience, encompassing brand reputation, customer service, and support. Understanding and delivering a compelling value proposition is essential for achieving competitive advantage and ensuring customer loyalty. The perceived value by customers forms the foundation for the company's market positioning and communication strategies.

3.3. *Marketing Strategy for Vegan Companies*

A marketing strategy defines the overall approach a company uses to promote its products or services, reach potential consumers, and convert interest into purchases.

3.3.1. Strategic Marketing for Vegetarian Companies

Strategic marketing involves aligning a company's business objectives with market demands. Economic marketing goals typically include sales, revenue, and profitability, which are directly related to target customers and product offerings. Companies should forecast product sales and profitability, analyze sales performance across customer segments, and adapt product offerings to meet demand effectively. This approach helps maximize revenue and identify opportunities for market expansion [7].

3.3.2. Operational Marketing for Vegetarian Companies

Operational marketing focuses on the implementation of marketing activities, including advertising, partnerships, and brand management. For a vegan company, visibility and influence among target customers are critical for growth. A strong alignment between brand values and customer expectations enhances product acceptance. Rügenwalder Mühle, Germany's leading seller of vegetarian products, employs the advertising slogan "IT TASTES BEST WHEN EVERYONE LIKES IT" to reach a broad customer base. Strategic partnerships with suppliers ensure a reliable production chain, while internal management and marketing teams maintain and communicate the brand image. Multi-channel media strategies, personalized brand management, and coordinated operational efforts collectively reinforce brand reputation and market presence.

3.4. *Development Opportunities for the Vegan Market*

The vegan market is expected to experience continued growth in the coming years. According to the German government's BMEL Nutrition Report 2020, 55 percent of respondents identify as flexitarians, individuals who occasionally abstain from meat. Vegan product alternatives represent a lasting trend driven by broader economic and social changes rather than a temporary fad. Research indicates that sustainable diets require increased reliance on plant-based foods, a trend observed not only in Germany but globally. Consequently, vegan companies have substantial opportunities for market expansion, customer acquisition, and overall business growth [8].

4. **Practical Example**

Among German vegetarian companies, Rügenwalder Mühle ranks first in terms of sales and, as a vegetarian sausage company, holds the largest market share in the vegetarian sector. This section analyzes Rügenwalder Mühle as a practical example of a successful vegetarian company.

4.1. The Objective Situation of the Rügenwalder Mühle Company

4.1.1. The Business Areas of Rügenwalder Mühle

Rügenwalder Mühle's operations are organized into eight divisions: Technology, Finance, Consulting and Technology Management, Logistics, Production and Packaging, Sales, Technology, and Communication. The company employs approximately 1,030 people. Each department is responsible for specific functions, including technical research, financial management, production and transport, packaging, sales and innovation, and corporate communications. The well-integrated structure of these departments ensures the smooth operation of Rügenwalder Mühle's business [9].

4.1.2. History and Sales

Rügenwalder Mühle has a long history as a family business, beginning in 1834 in Rügenwalde, a town known for its sausage specialties. In 1956, the Rügenwalder Wurstfabrik Carl Müller KG was established in Bad Zwischenahn. In the mid-1990s, Christian Rauffus took over the company from his parents, Kurt and Ruth, transforming Rügenwalder Mühle into one of Germany's best-known food brands. At the end of 2014, the company expanded its product range to include vegetarian and vegan products. In early 2020, Gunnar Rauffus succeeded his father Christian as Chairman of the Supervisory Board, maintaining the family-run structure 186 years after its founding. Rügenwalder Mühle has become the largest vegetarian company in Germany.

Sales in the vegetarian sector have grown steadily since the launch of vegetarian products in 2014. In 2021, for the first time, sales of vegan and vegetarian products surpassed traditional meat and sausage products over the full year. The company further strengthened its market leadership in the vegan and vegetarian segment, achieving a growth of 41.6 percent compared to 33.2 percent for the overall market. Annual sales reached €263.8 million, reflecting the company's dynamic growth in a rapidly expanding market [10].

4.2. SWOT Analysis of Rügenwalder Mühle

Rügenwalder Mühle's strengths include a strong product and market advantage, rapid innovation, and high brand awareness. The company offers unique products such as large packs and vegetarian items specifically designed for children.

However, the company has faced challenges in meeting rising demand. Despite frequent product launches, logistics have not been sufficiently developed, leading to operational overload. Additionally, marketing strategies have not always kept pace with emerging market segments, resulting in inefficiencies.

Opportunities for Rügenwalder Mühle include the growth of the vegetarian market and increasing demand for plant-based products. The use of locally sourced German soybeans reduces transportation time, allowing the company to enter the market faster than competitors and capture market share.

Threats include rising costs and market pressures. In early 2024, the company reported 2022 sales of €277.6 million but a 92 percent decline in profits, citing limitations in expansion. Crises such as energy shortages, supply chain disruptions, and inflation-related consumer uncertainty further challenged operations. Retailers also introduced competitive products, increasing market competition.

4.3. Recommendations for Action for Rügenwalder Mühle

Rügenwalder Mühle demonstrates above-average growth but faces both opportunities and challenges. To maintain its position, the company should continue innovating its products, strengthen advertising, and leverage market advantages. Strategies should include analyzing customer needs, monitoring domestic and international trends, developing specialized products, expanding into foreign markets such as China, and closely tracking industry developments.

Logistics and transport development must be prioritized. Expanding distribution channels and partnering with transport companies will ensure smooth delivery and marketing of products. Additionally, management optimization is crucial, particularly following the merger with Pfeifer & Langen Industrie- und Handels-KG. Leveraging the family's management experience and hiring specialized personnel will enable the company to adapt effectively to market demands and strengthen its competitive positioning for the future.

5. Summary

5.1. Key Findings and Conclusion

This paper examines the business model of a vegan company in Germany and introduces two analytical frameworks-the Business Model Canvas and the Magic Triangle-based on the definition of a business model. The nine sections of the Business Model Canvas are used to analyze the development of vegan companies by considering the current state of the vegan market. Furthermore, a SWOT analysis is employed to evaluate the strengths, weaknesses, opportunities, and threats of a representative company. The case study of Rügenwalder Mühle provides a detailed examination of the business model of a leading vegetarian company. Both the company and the market show a positive growth trend. However, the development of vegetarian companies is influenced by factors such as market share, target customers, product innovation, internal management, advertising, and opportunities and challenges in international markets.

5.2. Limitations of the Work

A key limitation of this study is the lack of comprehensive reference data on the business models of German vegetarian companies. The analysis of business models and their various aspects in the vegetarian industry relies primarily on comparative assessments and summaries of available websites and other sources, which are not fully complete or comprehensive.

5.3. Future Research Opportunities

Future research should explore how the business models of vegetarian companies will adapt to evolving societal needs, the growing potential of the vegetarian market, and macroeconomic regulations. It is important to investigate how vegan companies can successfully sustain the outcomes of their business models in the face of changing market conditions and capitalize on emerging opportunities for the next stage of development.

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