



TECHNOMIC
Experience • Vision • Impact

Sustainability in Foodservice

entegra
PROCUREMENT SERVICES®

Purchasing That Fits®

Sustainability is a growing concern across the foodservice supply chain. Suppliers, distributors, and operators all recognize the need to contemporize their appeal, incorporate environmentally responsible initiatives, and communicate operational changes to their customers, all while maintaining their budgets in the face of rising food costs. Keep in mind, sustainability is a broad term, leaving operators to determine which “green” programs best fit their brand, while others are addressing employee wage concerns and incorporating fair trade products on their menu. The “people”, the “planet”, and the “plate” are all part of a sustainable culture, and while it is not an easy task to address the multi-faceted goal of “sustainable practices” it is a trend that cannot be avoided and is only growing more critical.

- Consumers and operators both ranked food safety, a quality work environment, and health and wellness among their top 10 concerns.
- Operators also consider profitability and energy efficiency to be top concerns, while consumers were more interested in community involvement, recycling and animal welfare.
- Less than one-third of consumers believe that foodservice is adequately addressing environmental and sustainable challenges properly, yet 60% of operators believe that consumers desire sustainable initiatives, yet are unwilling to pay a price premium for them.

Manufacturers and foodservice establishments alike must consider how they can best meet demands within the industry, maintain customer expectations, and demonstrate responsibility to our planet.

UNDERSTANDING SUSTAINABILITY

Sustainability is based on a single principal: Everything that we need for our survival and well-being depends, either directly or indirectly, on our natural environment. Sustainability is critical to ensure that we will continue to have the water, materials, and resources to protect human health and our environment.

While the concept of sustainability is a rather simple one, putting it into practice can be extremely challenging for operators. Especially since switching to “green” products, re-furbishing their operation, and incorporating new equipment is expensive – not just in product cost but also in assigned resources. However, due to climate change, eroding natural resources and, of course, consumer demand, foodservice professionals across the supply chain have come to understand that sustainability is not a trend that will simply disappear, but a new element that must be incorporated into the economics and practice of foodservice.

The equation is deceptively simple: People + Planet + Product = Sustainability. While the theory is quite basic, these three tiers create an incredibly broad scope. There are a large number of elements that are captured by the three P's, forcing suppliers, operators, and customers to prioritize which elements are most important to them and which they will pay a price premium to incorporate.



There are a large number of elements that are captured by the three P's, forcing suppliers, operators, and customers to prioritize which elements are most important to them and which they will pay a price premium to incorporate.

“People” represents the employees of a company, as well as the people of the community it serves. This tier includes issues that directly impact the employees of a restaurant – such as a living wage, company diversity, and fair hiring practices – as well as the residents of the community and the world at large. This can include charitable giving, local sponsorship, and being a responsible and considerate member of the neighborhood. Starbucks has received commendation for their new practice of helping their employees obtain a college degree, and Panera has been an active member of their communities by donating food to local food banks and offering “pay what you can” in select stores.

“Planet” references the treatment of the earth and the animal population. This tier includes eliminating greenhouse gas emissions, reducing the carbon footprint, recycling, energy efficiency, as well as the humane and ethical treatment of animals. Finally “Product” or “Plate” focuses on the ingredients that will be enjoyed by the consumer. This third tier includes using fair trade products, local sourcing, as well as the traceability and transparency of ingredients, often communicated through clean labels.

With so many things to consider, it is a daunting task to comply with all of the elements that fall under the umbrella of sustainability, leaving operators to determine what they can incorporate based on their existing practices and expenses, what their specific customers want, and what fits into their brand image.

OPERATOR PERSPECTIVE

In a Technomic survey, 93% of operators reported that sustainability was very important or somewhat important to their operation today and more than half believe that a sustainability strategy will be necessary to remain competitive in the next two years. However, operators must weigh a fourth “P” when evaluating what role sustainability will play in their operation: Profit.

The majority of operators have made changes to their restaurant or foodservice operation in the last two years to comply with new sustainability initiatives. These changes most likely revolve around new menu offerings, customer communication, expectations of distributors and suppliers, as well as sourcing practices. Communicating sustainable practices to consumers is an ongoing challenge and operators often utilize multiple forms of media to share their values and beliefs with their customers. Restaurants across segments are likely communicating with their customers via menu mentions (61% overall) but non-commercial operators actually over-index in this category, as more than two-thirds report that they communicate with their customers via menus. Four in ten Quick Service Restaurant (QSR) operators communicate their sustainability efforts to their customers in public areas of operations, while just over one-third of Full Service Restaurant (FSR) operators showcase their green initiatives through social media.

10 Most important factors for operators

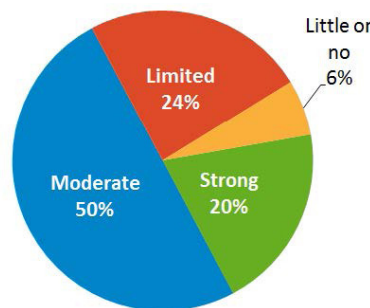
Top 10 for consumers

| | | |
|---------------------------|--|---|
| Quality work environment | | ✓ |
| Health and wellness | | ✓ |
| Food safety | | ✓ |
| Maintaining profitability | | |
| Energy efficiency | | |
| Community involvement | | ✓ |
| Operational efficiency | | |
| Recycle and reuse | | ✓ |
| Animal welfare | | ✓ |
| No GMOs | | |

Operators’ obstacles include higher costs, lack of financial resources, and product availability. While they evaluate these factors, they must also determine their consumers’ willingness to pay more for environmentally responsible products that are bought from suppliers at a price premium. While consumers have high expectations, they often are extremely budget-conscious. More than half of operators (60%) say that their customers believe in sustainability but are not willing to pay for it.

Despite these concerns, many operators are moving forward on sustainable initiatives and they consider the primary benefits of these initiatives to be the positive impact on the environment, rather than increased sales. More than three-quarters of operators (79%) reported that they incorporate sustainability practices because it is the right thing to do. Compared to just half that say that they incorporated sustainability practices in order to keep up with the competition. Certainly with the announcements by major chains – such as Chipotle’s recent statement that they will be GMO-free and McDonalds’ pledge to eliminate human antibiotics from poultry – it is evident that the standards for foodservice are quickly rising. It is important to note that while pleasing customers is a critical part of foodservice, many operators are implementing green practices simply because they believe it is the right thing to do, as well as an emerging restaurant standard.

How would you characterize your understanding of sustainability?



| Age | Strong | Moderate | Limited | Little or no |
|-------|--------|----------|---------|--------------|
| 18-24 | 23% | 51% | 21% | 5% |
| 25-34 | 23 | 47 | 24 | 6 |
| 35-44 | 22 | 52 | 20 | 6 |
| 45-54 | 16 | 51 | 25 | 7 |
| 55-64 | 14 | 46 | 32 | 8 |

CONSUMER PERSPECTIVE

The vast majority of consumers are concerned about environmental issues (85%), social responsibility (83%) and sustainability (80%). However, less than one-third of consumers believe that the foodservice industry is addressing these challenges properly. It should not be surprising that younger consumers are more concerned with these factors than more mature individuals, and Millennials and Gen Zs often consider green programs to be table stakes at restaurants.

When asked how likely they would be to choose one foodservice establishment over another because of the commitment to social responsibility or a sustainable menu, more than eight in ten customers said it was very likely or somewhat likely. While consumers might not always be willing to pay a price premium, studies have shown that they do want to reward operators that are doing their part to protect the environment.

One of the biggest challenges is that the sustainability lexicon is so broad. Two-thirds of consumers (66%) believe that the word “responsible” captures what sustainability is about very well. More than half of consumers also mention that “environmentally-friendly,” “preservation,” “conservation,” “better for the community,” “safe” and “efficient” also capture the fundamental essence of sustainability. Exactly what sustainability is and how restaurants can incorporate sustainable practices is difficult for consumers to define, yet, they are increasingly looking for green alternatives, are concerned with real and natural products, and most importantly, do not believe that restaurants are serving what they are seeking. With so much still unknown and undecided about sustainability, operators and suppliers still have an early adopter advantage and can help determine and define what responsible practices really are. Communicating these practices to consumers is a challenge, yet it is the key to success.

About entegra Procurement Services®

Entegra Procurement Services provides customized procurement and distribution services for food and related supplies for multi-unit clients in the hospitality and non-commercial industries. As part of a global purchasing network with annual purchases that exceed \$5 billion, entegra uses some of the most competitive pricing in the industry for our customers. We have the ability to impact not only the cost of goods our clients pay, but also the level of service that they receive from our supplier partners. www.entegraPS.com

KEY TAKEAWAYS

- 1** Consumers are struggling to identify sustainability. Nearly one-third of consumers admit they have little to no understanding of sustainability and many elements are still being shaped and defined, without a real industry standard. Educating consumers about a brand's unique sustainable practices and its partnerships are important ways to win the trust of consumers.
- 2** Nearly eight in ten operators support sustainable initiatives because it is “the right thing to do”. While consumer support and food costs matter, many operators want to be responsible and create sustainable practices for the benefit of the planet. Communicating sustainable efforts to the consumer is easiest when the “green” mindset becomes part of the corporate culture and is an overarching goal, rather than a singular strategic program that does not fit in with the overall brand identity.
- 3** Consumers are often unaware of sustainable initiatives, particularly those that revolve around employee practices or back of the house programs, such as energy saving measures. Operators use a variety of methods to communicate sustainable practices with customers, with menus, employees, social media, and POS materials being the most popular methods of communication. While customers might not be willing to pay a price premium, they are often eager to support foodservice operations that are working to better the planet. Operators should consider utilizing table tents, menu development, social media, fact sheets or other materials to showcase positive programs.
- 4** While consumers are concerned about the planet, the most important sustainable practices for consumers often revolve around what they are putting into their bodies. Local sourcing, transparency, clean labels, and “real” food are some of consumers' primary concerns. It is important to showcase waste management solutions or water conservation projects, but any sustainability project should highlight the fact that consumers are fueling themselves with fresh, wholesome products.



Entegra was founded in 1999 to provide procurement management services for the healthcare industry. Due to an unwavering commitment to integrity, quality, value and customer service, we have grown to service multiple segments within the industry. Today, entegra is a leading provider of procurement management services for segments including acute, seniors, hospitality, leisure and restaurants. **To learn more about entegra, contact us at 866 ENTEGRA or info.USA@entegraPS.com.**

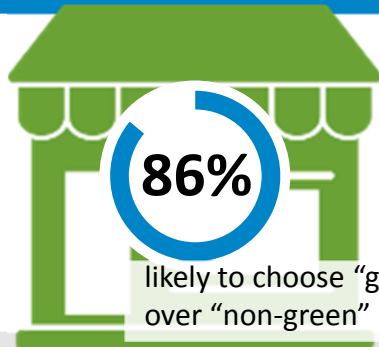


Technomic is the leading dedicated fact-based research and consulting firm serving the food industry. For over 45 years the firm has been tracking trends, advising clients, and publishing key industry reports. Technomic specializes in business planning, competitive evaluations, customer satisfaction, distribution, go-to-market effectiveness, opportunity assessments, specialty channels, and trend forecasting. Its clients are restaurants and supermarket chains, distributors, food/beverage/non-foods manufacturers, and trade associations.

Sustainability in Foodservice

Food safety, quality work environment, and health & wellness are among the top 10 sustainability concerns for consumers and operators.

CONSUMERS



likely to choose “green” restaurants over “non-green” restaurants.

66% believe the word “responsible” captures what sustainability is about.

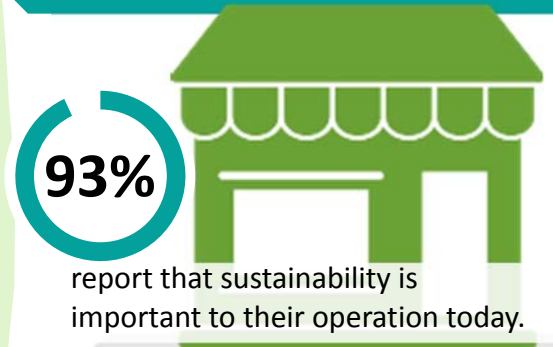
ONLY 31%

Willing to pay a price premium for green or sustainable offerings.



Operators most frequently communicate sustainability initiatives to customers through menu, website, and social media.

OPERATORS



report that sustainability is important to their operation today.

79% incorporate sustainability because it's **The right thing to do.**

53% believe a sustainability strategy is necessary to remain competitive in the next two years.

“Everything we need for our survival and well-being depends, either directly or indirectly, on our natural environment.”

entegra
PROCUREMENT SERVICES®

Purchasing That Fits®

TECHNOMIC