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Restaurant News

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WHAT AMERICA EATS

**SPECIAL
REPORT
BEGINS ON
PAGE 10**

DATA SNAPSHOT

GAINING GROUND

Percent of consumers actively seeking to add each food to their diets



GREEN TEA



SEA SALT



CANOLA OIL



CHIA SEEDS

SOURCE: THE HARTMAN GROUP

Beyond fuel: Modern eating linked to identity, community

Food has always been an important part of life, but how Americans relate to what they eat has undergone a substantial shift in the past couple of decades. What was once a source of fuel for everyone, and a source of solace and pleasure for many people, is now a vehicle for self-expression, a point of pride, a political statement, a declaration of identity and much more.

Health seems to be on more consumers' minds, too, although their definition of health, and their perception of what's good for them, has shifted in varying and often contradictory ways.

Restaurants have responded by finding new ways to engage with their customers, not merely with new menu items, but with entire new conversations about how their food is sourced, prepared and served.

As Yum! Brands Inc. CEO Greg Creed observed at an investor and analyst conference last year, consumers, particularly young people, see social responsibility as part of the food conversation.

"From a Millennial perspective in particular, it is good for me and good for we," the head of the parent company of KFC, Pizza Hut and Taco Bell said.

With food now woven into many Americans' sense of identity and place in society, Nation's Restaurant News takes a look at this state of affairs and what restaurants should be doing about it.

FOOD AS SELF-EXPRESSION

If you're concerned about the environment, you might be a vegetarian. If animal welfare is your cause, then you could well be a vegan. Into CrossFit? Then Paleo's the diet for you. "You are what you eat" might be a cliché, but these days it's truer than ever as many Americans tout their dietary preferences loudly.

Market intelligence agency Mintel estimates that more than 29 million Americans have posted a picture of food or drink from a restaurant via social media, but that's just the most literal form of using what you consume as a way of expressing yourself. These days, what people eat has deeper connotations than merely getting "likes" on Instagram.

Psychologist William Hallman, department chair of human ecology at Rutgers University in New Brunswick, N.J., said people's eating habits help them identify who they are on many levels.

On one level are the people — particularly young men, he said — who watch food competition shows and food adventure shows such as "Bizarre Foods with Andrew Zimmern" and "Anthony Bourdain: Parts Unknown," and use them as sources for social currency.



The American consumer views food as an outlet for self-expression, and use it as a vessel to connect with other people.

Many of the viewers of these shows, Hallman said, don't cook themselves, but enjoy the competition. They also get introduced to new ingredients that then become part of casual conversation, or even a sort of one-upmanship: "Oh, you've never tried sailfish roe?"

That was the idea behind the jelly doughnut milkshake that Mooyah Burgers, Fries & Shakes added to the menu earlier this year as a limited-time offer.

Michael Mabry, chief operating officer of the 85-unit chain said his team introduced the somewhat offbeat item to "get people to talk about it and drive them to our shake section, and it worked. The jelly doughnut shake sold relatively well, but shake sales [overall] improved from the same time last year," he said.

Now that food is fashionable, a certain amount of diners want to be trend leaders by being the first to try new foods, while others want to try new things for the fun of it. This consumer shift has been exhibited in recent years by widespread acceptance of formerly obscure ingredients such as hummus — now a supermarket staple — and quinoa.

The latter was introduced to casual-dining chains just three years ago, when it was part of a vegetarian tasting menu at Darden Restaurants Inc. subsidiary Seasons 52. It wasn't listed as quinoa, however, but as "grains of life," because quinoa wasn't a readily recognized ingredient.

The majority of consumers are looking for food adventure. According to a recently conducted survey by the National Restaurant Association on consumption of ethnic food, 20 percent of respondents

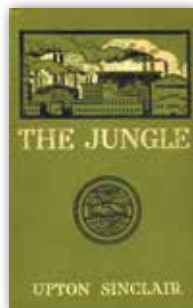
PHOTOGRAPHY: THINKSTOCK

A BRIEF HISTORY



1875 Standardized fare

Freight agent Fred Harvey opens the first railroad eating houses in Wallace, Kan., and Hugo, Colo., to serve travelers on the Kansas Pacific Railway, eventually growing his chain of Harvey House depot restaurants across the nation with somewhat standardized menus.



1906 Meat worries

Upton Sinclair publishes the novel, "The Jungle," which exposed harsh and unsanitary conditions of immigrants working in Chicago's meat packing industry and raised concerns about the meat supply among some consumers.

1921 Castle doctrine

With its five-cent "sliders," White Castle opens in Wichita, Kan., and helps forge a new fast-food industry. Americans were leery of eating beef after "The Jungle," and White Castle's design — porcelain enamel and stainless steel interiors — conveyed cleanliness.



WHITE CASTLE



WHAT AMERICA EATS

DATA SNAPSHOT

WHAT'S DRIVING HEALTH-CONSCIOUS FOOD CHOICES?

Percentage of consumers citing each reason

67% Are locally grown/produced

65% Contain only ingredients I recognize

65% Are minimally processed

58% Are free of antibiotics

58% Are free of hormones



Restaurant chains are acknowledging the new health-conscious food climate and providing diners the ability to customize meals to their tastes and individual dietary preferences.

defined themselves as adventurous diners who “really enjoy trying new dishes that [they have] never had before.” Another 56 percent of the 1,000 people surveyed said they were open to trying new dishes occasionally.

Restaurants have responded to these customers by introducing new ingredients. However, to give those ingredients even broader appeal, the restaurants generally introduce them in a context that makes them less alienating. For example, Rubio’s Coastal Grill this summer introduced a new fish, grilled Japanese sea bass, to its 193 locations, but it did it in the form of the chain’s beloved fish tacos.

Culinary adventurism is even more prevalent among younger customers. The NRA ethnic foods survey found that 29 percent of respondents said they had tried a new ethnic food — defined as food that originated in a different country or that is specific to a certain region within the United States — within the past year. But that figure jumped to 37 percent for people aged 25 to 34 and to 48 percent for people aged 18 to 24.

Those age groups, as well as people under 18, are also the ones most likely to share pictures of those new foods on social media, adding to their reputation as adventurers and giving restaurants new reasons to offer foods their guests might not have tried before. Romano’s Macaroni Grill did that this summer with the introduction of Calabrian peppers, a robust chile from Italy that’s appearing on menus at trendy independent restaurants. To make the new ingredient less of a challenge, the 141-unit casual dining chain introduced it in the form of a pesto made with sundried tomatoes, garlic, lemon juice, sea salt and olive oil as well as Calabrian peppers. To ease the risk even further, it

Consumers, especially Millennials, are more familiar with diverse dietary habits, such as Paleo, vegan or vegetarian, and are adapting aspects of those diets to meet their needs.

served the pesto as part of an approachable breaded steak & eggs dish on its new brunch menu.

Adventure is one level of food-related self-expression. On another level, many diners, often the same ones keen for culinary adventure, have restricted what they will eat, sometimes based simply on preference, but often based on real or imagined allergies, or moral concerns.

“I think it allows them to connect with other people,” Hallman said about these restricted diets. “It’s a signifier. It allows them perhaps to distinguish themselves from other people.”

Social pressures can have an effect on diets, too, like when parents judge what other parents feed their children, Hallman said.

Restaurants have responded with an array of items to suit their customers’ dietary whims, from gluten-free foods to protein-focused bowls and snacks.

Dan Kish, senior vice president of food at Panera Bread, said the 1,900-unit fast-casual chain is taking a broader approach, even developing an app and updating its website to accommodate guests with dietary issues. With the click of a virtual button, customers will be able to choose categories including vegan, “gluten conscious,” “protein rich,” and “calorie conscious.” Then the website or app will only show menu

SOURCE: THE HARTMAN GROUP

TOP: THINKSTOCK

1925 HoJos far and wide

Howard Johnson opens a drugstore soda fountain in Quincy, Mass., and by 1975 the Howard Johnson chain included more than 1,000 restaurants and more than 500 motor lodges, providing convenience for travelers in 42 states and Canada.



1930 Bucket list

“Col.” Harland Sanders opens Sanders Court & Café, a roadside restaurant in Corbin, Ky., and creates the foundation for the Kentucky Fried Chicken bucket empire.



1948 Driving a bargain

Esther and Harry Snyder open California’s first drive-thru hamburger stand, In-N-Out Burger, in 100 square feet in Baldwin Park, Calif. There was no seating.

1955 Quality assurance

Ray Kroc, a multi-mixer (milkshake mixer) salesman, founds the McDonald’s System Inc. based on the San Bernardino, Calif., restaurant created by brothers Dick and Mac McDonald. As the nation’s interstate highway system grows in the post-World War II boom, McDonald’s restaurants pop up along roadway exit ramps.



L. TO R.: HOWARD JOHNSON, KENTUCKY FRIED CHICKEN, McDONALD’S

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OPEN MINDED

Millennials more likely than baby boomers to seek health and wellness info from varied sources

BABY BOOMERS likely to consider helpful and accurate:

- 1 DOCTOR
- 2 PHARMACIST
- 3 PROFESSIONAL MEDICAL ASSOCIATION
- 4 NUTRITIONIST/DIETICIAN
- 5 INTERNET HEALTH SITES/APPS

MILLENNIALS likely to consider helpful and accurate:

- 1 HEALTH CLUB/TRAINER
- 2 MANUFACTURER'S WEBSITE
- 3 ONLINE SOCIAL NETWORK
- 4 ADVERTISEMENTS
- 5 STORE DISPLAY

SOURCE: THE HARTMAN GROUP

items that match those criteria and even reformulate certain items to make them fit, such as removing croutons from salads to make them gluten conscious.

Panera's move also acknowledges another reality of the modern food climate: Although people's diets can give them a sense of belonging, that doesn't mean their choices are permanent.

Laurie Demeritt, CEO of consumer research firm The Hartman Group, pointed to a recent report on health & wellness by her company that found a third of respondents have tried a different customized eating approach over the past 12 months — “doing Paleo for a while, being a vegan for a couple weeks, kind of trying it on and then discarding it and moving on to something else, since they don't really necessarily know what's going to be right for them,” she said.

Restaurants should be aware that such life choices could change every few weeks, so rather than committing to catering to a specific dietary choice, they should have the flexibility in place within their systems to adjust to whatever their customers are looking for, Demeritt said.

POWER OF PERCEPTION

If most Americans are asked, they'll say they're trying to eat more healthfully. But even when they actually act on those claims — and they do with increasing frequency — what they think of as good for them might not actually be. That doesn't merely have to do with salads that are unexpectedly 1,200 calories (dressing, croutons and cheese can sneak up on you). Consumers often confuse terms that seem healthful, like “fresh” and “natural,” with actually healthful food. A naturally raised, local, sustainable slab of pork belly has just as many calories as any other kind of bacon, for example, and with obesity remaining the single biggest health challenge in the United States, calories are important.

“If you're a nutritionist or a dietitian, you think about health and wellness as very structured — how many calories, how much fat, what's the right balance of fiber, and protein, etc,” Demeritt said. “If you're a [health & wellness] professional, you think that's what health and wellness means to a consumer. It by no means does.”

In fact, according to the Hartman Group's recent report, the 13 percent of consumers most engaged with health & wellness think of it as “being attuned and connected to mind, body, soul, relationships and the wider world.” This mindset on health and wellness translates to buying sustainable, humanely raised and

locally sourced items all fit into their notion of their own well-being, and what Demeritt refers to as “fresh, real [and] minimally processed foods.”

That reality is clear to restaurant operators at all levels, whose job is not to police the dietary habits of their customers but to sell them food that they want to eat. In response to consumers' interest in “cleaner” food, restaurants ranging from Panera Bread to Papa John's to Subway have moved to strip artificial ingredients from their food while other large chains, including chicken sandwich giant Chick-fil-A, have committed to buying protein raised without antibiotics. CKE Restaurants Inc. subsidiaries Carl's Jr. and Hardee's now offer a burger made with naturally raised beef — free of added hormones or antibiotics — and smaller, younger chains, such as 28-unit better burger chain Bareburger, have such purchasing practices as part of their corporate DNA.

Creed of Yum Brands said the fact that “fresh and real” foods aren't necessarily better for you, is beside the point.

“I can argue the facts, but the facts don't matter, because it's the perception, the perception is the reality,” he said.

He added that Yum Brands should shift towards food that is “real” and affordable.

Management of Pudge's Famous Chicken, a legacy brand on Long Island in New York that is now down to three-units, has made a similar observation and is in the process of rebranding.

Gary Occhiogrosso, president and chief development officer of Truefoods, which owns the Pudge's brand, said the chain started shifting emphasis away from its signature skinless fried chicken with a



Today's consumer has a heightened interest in leading a healthful and balanced lifestyle, which for some can still mean a diet that includes more indulgent items on occasion.

PHOTO: THINKSTOCK

1958 Millions sold

McDonald's sells its 100-millionth hamburger.



1958 Pizza for the masses

The first Pizza Hut opens in Wichita, Kan., created by two Wichita State University students, Frank and Dan Carney, opening the doors to local franchised locations nationwide.

1961 Delivery vehicles

DomiNick's Pizza (later Domino's Pizza and then just Domino's) marks the start of delivery in February 1961, since a delivery vehicle was involved in defining the company's ownership. Domino's founder Tom Monaghan noted in a 2003 interview with CNN that in the 1960s “most places just delivered to get some volume before they could afford to cut out the delivery.” The convenience has become vital.



1965 Flair for innovation

Alan Stillman swings open the doors at the first T.G.I. Friday's (later TGI Fridays) in New York City, ushering in the swingles era with loaded potato skins, fried cheese and flair bartending for coming-of-age Baby Boomers.

TIMELINE PHOTOGRAPHS: GETTY IMAGES



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MILLENNIALS MORE EXPERIMENTAL

Percent of each group that tried at least one new diet in the past year



SOURCE: THE HARTMAN GROUP

prototype it opened a year ago in Massapequa, N.Y. The skinless fried chicken has a more healthful perception than other fried chicken since it doesn't have the high-fat skin, but it is still fried chicken. The new unit was given a new name: Pudge's Naked Chicken.

"Most people just call it Naked Chicken now," he said, noting that he plans to drop the "Pudge's" in future branding.

The word "naked," apart from being fun marketing, made reference to the chain's signature dish, still an important part of the menu, and also implied a cleanness and purity expressed in new items, such as salads, brown rice bowls and a grilled chicken sandwich.

"The general public today looks toward cleaner eating and healthful options," he said, noting that they love fried chicken but understand the need to eat other things, too.

GIVING CONTROL TO THE CONSUMER

Customizability, and how that resonates with guests, is often cited as a reason for the current success of the fast-casual segment. Never mind that Burger King was inviting its customers to "Have it your way" in the 1970s, or that Subway started assembling food in front of customers long before Chipotle had even been conceived. The open-kitchen feel and overt involvement of customers in the construction of their meals has given those customers a sense of empowerment that makes them feel good about eating a 1,000-calorie Chipotle burrito, when they would have felt bad about eating a 540-calorie McDonald's Big Mac.

Hallman said that people sometimes feel better about what they're eating just by doing something about it — practically anything, in fact, such as deciding to put a little bit less guacamole on their burrito.

"When you give people a sense of control they can feel better," Hallman said. "Giving them something to do, an activity which gives them the illusion of control, can work wonders."

That might be why the easy customization that's a hallmark of fast-casual restaurants has such appeal.

Drew French, founder of Your Pie, a 22-unit fast casual pizza chain, said he established the chain with the idea that it would have a "user-generated menu."

"That's why we call it Your Pie to begin with," he said.

The chain's messaging focuses on asking customers what they like on their pizza. "We added gluten-free dough because people kept coming in with their own dough and asking us to use it," he added.

"What customers like about Your Pie and our [fast-casual] style in general is they can see what they're putting in their bodies. A lot of it is about what they can see and smell and touch and feel," he said.

But the restaurant also benefits from customer suggestions, which currently is inspiring their "Craft Series" of pizzas that use seasonal ingredients. In August that was a peach and prosciutto pizza.



According to a recently conducted survey by the National Restaurant Association on consumption of ethnic food, 20 percent of respondents defined themselves as adventurous diners who "really enjoy trying new dishes that [they have] never had before."

THINKSTOCK

"It's about giving customers access to the brand and asking for their feedback, and then hopefully giving them what they want," French said.

WHAT CUSTOMERS SAY AND WHAT THEY DO

With high and sometimes contradictory expectations for food, many consumers are setting themselves up for disappointment. It's a tall order to have reasonably priced, delicious, nutritious, humanely raised, sustainable, local food on hand for every meal.

As a result, people often pick and choose their values, Hallman said, deciding, for example, to ignore the fact that their strawberries aren't local because they want to make strawberry cheesecake for Thanksgiving.

Or people will engage in what Hallman calls "psychological bargaining," such as drinking a diet soda and rewarding yourself with a slice of pecan pie.

Or, as number crunchers at the online ordering platform Olo observed, eating meals they feel are good for them early in the week and blowing their diets on Friday.

At NRN's request they looked at three national burger chains and how their sales evolved over the course of the work week. Although they couldn't divulge the brands' names for confidentiality reasons, all three displayed slow sales on Monday, which then spiked as the week progressed. They saw a similar increase at a national wing chain, with sales as much as 75 percent higher on Friday than on Monday.

Conversely, a salad brand saw sales on Friday that were 43 percent lower than they were on Monday, indicating that chains with solid health halos might consider offering cheeseburgers on Fridays, or that burger chains might consider highlighting some lighter items earlier in the week.

[Read more about consumer thinking behind the healthful and indulgent divide on page 32]

Apart from the psychological games we all play to justify our choices, sometimes the realities of everyday life intervene at meal times.

Stan Dorsey, chief strategy officer for The Center for Generational Kinetics, a research firm that focuses on Millennials, said that, as we observe this ongoing evolution of Americans' interaction with food, there are still fundamental aspects of eating that remain unchanged.

"Sometimes it comes down to cost and it comes down to speed," he said. "If you're at lunch, you need to get in and get out. There's a chance that you're going somewhere that's probably not as healthy that will get you out faster and that will meet your needs at that time."

As much as people might be concerned about social justice and a clean planet and their own health, sometimes they're hungry and just want to eat lunch. ■

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DATA SNAPSHOT

SUGAR A TOP DIETARY CONCERN



65% of adults are trying to cut back on sugar



64% of adults are trying to cut back on fats

SOURCE: THE NPD GROUP



1966 Casualized

Norman Brinker opens Steak & Ale in Dallas, paving the way for the casual-dining era and brands such as Applebee's, Bennigan's, Chili's, Houlihan's, Olive Garden, Outback Steakhouse and Red Lobster that eventually appealed to busy two-career families.

1971 Farm-to-fork

Alice Waters and a group of idealistic friends open a neighborhood bistro, Chez Panisse, in Berkeley, Calif., focusing on organic and local ingredients harvested in ecologically sound ways. A farm-to-table movement takes root.

1975 Driven to distraction

McDonald's opens its first drive-thru in Sierra Vista, Ariz., to serve soldiers from nearby Fort Huachuca, a convenience as they were forbidden to get out their cars in Army fatigues.

1984 Brewing a new category

Howard Schultz convinces the founders of Starbucks, founded in 1971, to test a coffeehouse concept in downtown Seattle, where the first Starbucks Caffè Latte is served. Schultz founds the Il Giornale coffeehouses in 1985 and acquires Starbucks assets in 1987.



L TO R: STEAK & ALE, STARBUCKS

L TO R: FIVE GUYS, CHIPOTLE

1985 Home-meal replacement

Arthur Cores and Steven Kolow open the first Boston Chicken, later to become Boston Market, in Newton, Mass., taking the short-line cafeteria to the masses and carving out the "home meal replacement" category based on roasted poultry and family-style sides.

1986 Burger meister

Jerry and Janie Murrell and the four Murrell sons launch the first Five Guys in Arlington, Va., foreshadowing the better burger explosion. The brand began franchising in 2003 and now has more than 1,000 locations.



1993 Nutritional advocacy

The advocacy group Center for Science in the Public Interest launches a series of studies on nutritional values of restaurant food, revealing how many popular restaurant dishes are loaded with fat, calories and sodium. Chains start adding "health" sections to their menus.



1993 Fast and fine

Steve Eils opens Chipotle Mexican Grill in Denver, applying fine-dining cooking techniques to quick-service-style tacos and burritos and helping to define the "fast casual" segment. Chipotle later launches "Food With Integrity" emphasis on better ingredients.





Restaurants should engage with social media-savvy consumers.

5 WAYS restaurants can attract today's customers

Restaurant chains can connect to customers and drive traffic by adopting these five approaches. Serving food has proven to be more than just offering a meal; consumers want an experience.

1 BE TRANSPARENT. Many consumers are increasingly interested in knowing where ingredients come from and how their food is made. Be ready to answer their questions honestly and to explain your decisions. If many of your customers object to some of your practices, explore ways to adjust them so they better align with their values. If you're skeptical of the potential return, think of the success of Chipotle's "Food with Integrity" mantra.

2 BE FUN. Try offering unusual items as specials to help express your brand. Mooyah Burgers, Fries & Shakes did just that with its Jelly Donut Milkshake. The item drew attention to the chain's other shakes, and also drove a sales increase. Special items will help your restaurant get noticed, and possibly garner positive attention on social media. With more than 29 million Americans posting pictures of food and drinks from restaurants on social media, that kind of attention can be valuable.

3 BE ENGAGED. Use social media, loyalty programs or other methods to receive and respond to customer feedback. Ask them for menu suggestions to help give them a sense of ownership in your brand. If many of your customers are asking for gluten-free, vegan or other niche products, consider responding to them. If one person in a party of eight wants a gluten-free item and

you can't provide it, then all eight of those people will take their business elsewhere.

4 OFFER HEALTHFUL CHOICES, even if your focus is fried chicken. To many people, a small act of self-sacrifice can justify a fairly high level of gluttony. Ordering a chicken sandwich instead of a hamburger can justify a larger order of fries, according to psychologist William Hallman of Rutgers University. Those items can also offer cover, he said. "Before salads were on the menu at McDonald's, when you went there everyone knew what you were ordering," Hallman said. "Now there's a little bit of wiggle room. [You can say,] 'I went to McDonald's, but I had a salad.'"

5 OFFER CUSTOMIZATION. Many consumers today feel better about their food if they can customize it. The fast-casual model of assembling food in front of customers seems ideal, but regardless of your service style, it's important that your guests know that you will happily add, take away from or otherwise modify their order in any way they like. You might even consider making customization part of the ordering process. When people feel like they've taken control of what they're eating, they feel better about themselves and their food, Hallman said.

—Bret Thom



1999
Using their noodle

Olive Garden, the Darden Restaurants Inc. casual-dining brand, works to hone its Italian street cred by establishing a Culinary Institute of Tuscany. The company says more than 1,200 Olive Garden managers and team members went through the CIT.

2001
Better burger shake (shack) up

Famed New York restaurateur Danny Meyer opens a hot dog cart in Madison Square Park. It was so popular, Meyer opened a Shake Shack kiosk in 2004, reaffirming the notion that quick service could be reinvented with higher quality ingredients. Shake Shack went public in January 2015 in what was one of the biggest valuations for the restaurant industry—\$1.6 billion.

2003
Tackling fats

Legal Sea Foods was among the first major restaurant groups to rid their menus of trans fats amid consumer group pressure. The movement gained momentum in 2005 when other brands such as Au Bon Pain, Fazoli's, Jason's Deli, Quiznos and Ruby Tuesday announced they were cutting the fat. Later in 2014, the Food and Drug Administration determines that artificial trans fats are no longer "generally recognized as safe," leading to a ban.



2003
Open season

Darden Restaurants Inc. opens its first Seasons 52 in Orlando, Fla., debuting a seasonally inspired casual-dining menu crafted with items generally at 475 calories or less and tempting little splurges with the caddy of mini desserts. The chain now has 43 units.

TOP: THINKSTOCK

L, TOP R.: OLIVE GARDEN, LEGAL SEA FOODS



Supply chain catches up with changing consumer tastes

When Chipotle Mexican Grill Inc. was forced to go without pork in some restaurants this year, some saw it as a clear sign that America's food suppliers are not keeping up with the pace of change.

Chipotle, with its emphasis on meat raised without hormones or antibiotics, had suspended a supplier that was not meeting the chain's animal welfare standards. No other source was immediately available, and the chain took a hit in sales by refusing to compromise by serving conventionally raised pork in the interim.

Indeed, the Denver-based, fast-casual chain eventually had to go to the U.K. to find a pork supplier that would fill the gap, and carnitas is expected to be back on the menu systemwide by the fourth quarter.

Steve Ells, Chipotle's co-CEO, said the chain would prefer to source domestically, but "the quantity of pork that meets our standards is simply not available right now from domestic suppliers as the vast majority of pork raised in the United States, more than 95 percent, based on our estimates, is not raised to our standards."

And those standards matter more than ever before — for Chipotle and, increasingly, the industry at large.

This year a torrent of restaurant chains has promised to raise the bar on their own ingredients as consumers increasingly demand fresher food, produce that is local and/or organic, eggs from chickens that have not been kept in cages, dairy produced without growth hormones or meat raised humanely and without the use of antibiotics.

It's a movement that will only pressure the supply chain further. Many say it will take years for Big Agriculture to adapt a system complicated by politics, government subsidies and shifting global trade winds — not to mention the challenges of climate change.

But change is happening. And it's coming from restaurant guests, said Marley Hodgson, co-founder of the fast-casual chain Mad Greens, based in Denver.

"In today's environment, sourcing has become one of the bigger challenges for the restaurant industry because of the way things have gone. Consumer preferences have driven this over the course of the last decade. It started as a slow



Mad Greens is riding a "tidal wave" of changes in consumer preferences, which demand fresh ingredients and information about their source.

shift, but became a tidal wave," he said.

"They want fresher ingredients. They want to know where it's coming from, and how their food is raised. There's just a lot more at stake in the sourcing discussion than there used to be."

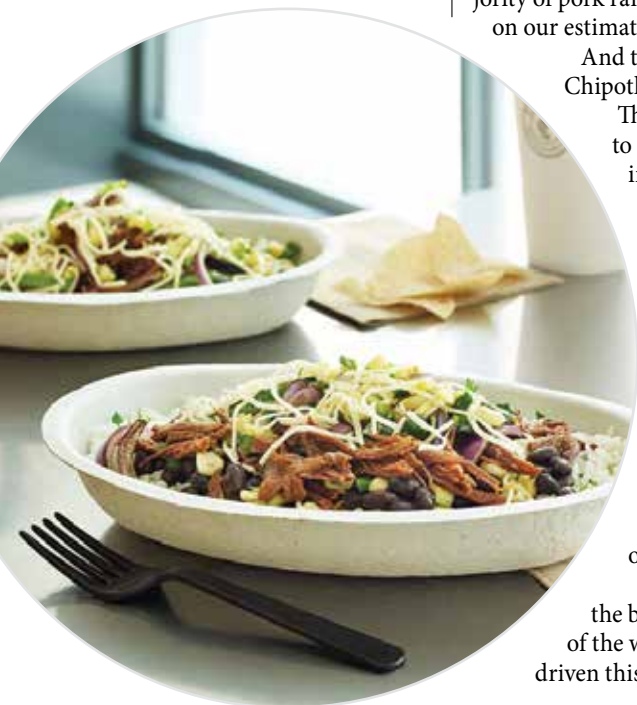
SCALING FRESHNESS

For big restaurant chains, the shift toward fresher and unprocessed ingredients has been a particular challenge.

The Wall Street Journal recently described a three-year effort by The Wendy's Co. to find enough blackberries for a new salad the chain plans to offer next summer. Company officials described it as a "slow and painful journey" that involved visiting more suppliers than ever before and coaxing growers to plant more bushes.

Carl's Jr. launched an All-Natural Burger last year, made with grass-fed, free-range beef raised without added hormones, antibiotics or steroids. But the company was forced to source meat from Austra-

Chipotle chose to remove pork from the menu at hundreds of its restaurants when it found its supplier could not meet the chain's standards for meat raised without hormones or antibiotics.



LEFT: CHIPOTLE / TOP RIGHT: MAD GREENS

2004 New nutritional

Ruby Tuesday, which in late 2003 began frying foods in trans-fat-free canola oil, begins using menus that includes nutritional information for every item, listing calories, total fat, net carbs and fiber. The company removes that info four months later, citing costs, and puts data on a separate tabletop card.

2007 Dining around the clock

Irvine, Calif.-based Taco Bell debuts marketing aimed at the "FourthMeal," or the period between dinner and breakfast. Taco Bell cites the 53 percent of Americans who said they were eating later than in years past because of busy schedules.



2008 Lunch for \$5

Subway launches \$5 Foot-long promotion that later is made permanent as part of its Every Day Value menu. The move cements \$5 as the value price point to beat for lunch.



2010 Menu labeling

Congress passes the Affordable Care Act, calling for the Federal Drug Administration to issue rules on menu labeling for restaurants and other foodservice providers.



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lia. And even then, there wasn't enough beef available to supply sister brand Hardee's until this year.

The burger was a hit, said Brad Haley, chief marketing officer for Carl's Jr./Hardee's parent CKE Restaurant Holdings.

"It seemed to bring in, or perhaps more accurately, bring back consumers who had given up fast food because they simply couldn't get food like this there, so, obviously, we wanted to introduce the All-Natural Burger at our sister chain Hardee's as soon as we could,"

he said in July. "However, there simply wasn't enough grass-fed, all-natural beef available to supply both our restaurant chains until now."

Subway has also faced pressure from the Natural Resources Defense Council and other groups this year to remove from its menu meats raised with the use of antibiotics.

Officials with the Milford, Conn.-based sandwich giant said they are working on it, but "so are many other companies, which makes securing supply challenging for a chain our size."

Though the 44,000-unit chain hopes to have chicken raised without human antibiotics on the menu by next year,

they couldn't give a timeline for other meats to go antibiotic free. "We cannot provide a date when all the work will get done as the demand is somewhat higher than supply right now," officials said through a spokeswoman.

Over the next few years, the ingredient landscape across big chains is expected to shift considerably as more players move to sustainable, natural and less processed alternatives.

"It's not a flash-in-the-pan trend," said Stacie Sopinka, US Foods' vice president of product development and innovation. "Within my career, there's been a massive shift and things will continue to change and evolve."

The trend, however, is still coming mostly from emerging brands and early adopters, she said. College and university campuses, in particular, are demanding better ingredients.

For broadline distributors like US Foods, it's not just about finding the fair trade/organic/all-natural/animal-welfare-friendly product restaurant operators want to serve their customers. It's about being able to accurately tell that product's story.

"Foodservice has historically lagged retail in terms of having to pro-

"[Sustainable sourcing] is not a flash-in-the-pan trend. Within my career, there's been a massive shift and things will continue to change and evolve."

— **Stacie Sopinka, US Foods**

vide that information. For retailers, that information is right in front of consumers (on labels)," she said. "For example, if I wanted to purchase only fair trade products, and I want them to come from within a 100-mile radius, that's a very specific search for products. But that's something we have to wire ourselves to ensure we can provide."

Most recently, the demand has been for simpler products, with fewer ingredients, or "things you can pronounce," said Sopinka.

But the road to offering such products is a journey, not a destination, she added.

"Many companies make commitments that are aspirational," Sopinka said. "They do that because the path to getting there is not clear. Many of these topics are not black and white. There are trade-offs."

GROWING FARMERS

As large restaurant chains grapple with shifting consumer tastes, smaller, younger brands are building entire menus around fresh, organic, local and minimally processed ingredients.

These more-nimble brands are also building break-the-mold models for ingredient procurement to ensure the supply will be available as they expand.

Los Angeles-based Tender Greens, for example, has a regional farm as equity partner, working to supply the fast-casual concept as it plots expansion to 30 units by the end of 2016.

The partnership with Oxnard, Calif.-based Scarborough Farms began not long after Tender Greens was founded in 2006.

"With the first few stores we opened, when we needed breathing room around paying back invoices, we traded lettuce for shares in the company," said Tender Greens co-founder Erik Oberholtzer. "It ended up working for both of us."

Now with 18 units, Tender Greens is working with Scarborough directly as the restaurant chain expands, but also with a combination of growers like the vertical hydroponic "urban microfarm" Alegria Fresh, which uses "Soxx" farming that is done in raised beds; Go Green, which uses hydroponic indoor growing facilities; and even aeroponic towers on its restaurant patios, where heads of lettuce may be growing right next to guests.

"We need the supply chain to grow with us," Oberholtzer said. "The



Tender Greens, which once bartered company shares with regional farm partners, is now stretching its supply chain reach into hydroponics — and even aeroponics on restaurant patios.

PHOTOGRAPH: TENDER GREENS

2010 Preemptive posting

Panera Bread Inc. posts calorie counts for items on menu boards at its company-owned stores ahead of federal regulations. Starbucks follows suit in June 2013, as more Americans express concern about calorie intake and obesity.

Signature SALADS		
mediterranean salmon	8.59	275 542
bbq chopped chicken	7.59	285 508
chopped chicken cobb	7.59	285 508
salmon caesar	7.99	285 480
grilled chicken caesar	6.89	285 510
asian sesame chicken	6.99	285 470
fuji apple chicken	6.99	285 520
Cafe SALADS		
greek salad	5.69	225 420
caesar salad	5.29	285 370
classic salad	5.29	85 170

2011 Eye-opener

Consumers noticeably amp up what is now a four-year love affair with breakfast, increasing visits to restaurants for the morning meal when cutting back on lunch and dinner visits, the NPD Group found. For the year ended May 2015, visits were up by 4 percent for the morning meal, down 2 percent during the afternoon snack period and flat for lunch and dinner.



2013 Extras at fingertips

Chili's Grill & Bar, the Brinker International Inc. casual-dining brand, rolls out tabletop tablets to its company stores, upselling with attractive, moving images and allowing customers to re-order their own beverages and add more menu items without waiting for a server.

TIMELINE: LEFT: PANERA BREAD / RIGHT: CHILI'S GRILL & BAR



WHAT AMERICA EATS

“The consumer is getting smarter. You can’t just say you’re doing it, and not walk the walk.”
— Marley Hodgson, Mad Greens

lineup of lettuces and herbs Scarborough grows in Oxnard can be replicated using indoor and hydroponics anywhere in the world. We’re modeling that out now.”

BETTER QUALITY AT A PREMIUM PRICE

The challenge, of course, is that “it costs money to get the good stuff,” Oberholtzer said. “We like the good stuff and we demand the good stuff. But we’re also cheapskates. We’re chefs who know the cost of things and we don’t like prices that are insulting.”

Hodgson of Mad Greens said consumers are willing to pay a premium for better ingredients — but there is a cap on what they will accept. “There’s not a huge space to play in terms of the cost increase you can pass on to the consumer,” he said.

Smaller chains, like the 17-unit Mad Greens, don’t have the advantages of volume to negotiate pricing, as bigger chains might, he said.

Distribution is also a challenge.

To go through broadline distributors involves “headaches and jumping through hoops,” he said, all the while knowing that something could throw a wrench in the works, like a rainstorm putting too much sand in the spinach or some type of pest could wipe out an entire crop.

“Then, you have to do a 180 and go running to another source,” he said. “But to be able to shift quickly is not the forte of the big distributors.”

Smaller distributors are inserting themselves into the mix, which is good — but that forces chains to take more deliveries. “That used to be a huge no-no,” said Hodgson.

In Colorado, Mad Greens has been working with Agriburbia, a company that develops urban gardens on unused plots of land. But weather has been a hindrance over the past two years.

Still, fundamentally, for brands like Mad Greens, which are entirely built on the promise of better ingredients, the ability to manage the complexity of the supply chain is an increasingly valuable point of differentiation.

Some brands give lip service to offering better ingredients, Hodgson said.

In Denver, local growers snicker about how their farm’s name is on menus across the city, when only a handful actually buy from the farm, he said.

“But the consumer is getting smarter. You can’t just say you’re doing it, and not walk the walk, as some did a few years ago,” Hodgson said. “Things don’t pass the sniff test like they used to.”

FLEXIBILITY IS KEY

Anthony Pigliacampo, co-CEO of Denver-based Modmarket, said restaurant chains will also be forced to give up some of their traditional



Modmarket restaurants employ culinary skills to “add value” to simple, fresh ingredients purchased from grocery stores, a flexible system that doesn’t “paint us into a corner from a supply standpoint.”

ways of thinking about ingredients.

For big chains that have been around a while, a big part of the problem is the decades of dependence on overly processed foods designed to simplify processes — as well as the notion that restaurant menus should be exactly the same across multiple markets, according to Pigliacampo.

Modmarket’s menu is built around simple, whole ingredients — local and organic, when possible, but always fresh. What makes that work for the fast-casual Modmarket is being flexible in operations.

Rather than demanding that chicken breasts be a certain size, for

2014 Mediterranean cruising

Reflecting the growing popularity of the “Live Mediterranean” diets, Plano, Texas-based Zoe’s Kitchen Inc. successfully goes public with 114 restaurants, featuring dishes and ingredients from the region. Its chain Zoës Kitchen offers Greek fare such as hummus, pita and kabobs.



RON RUGLESS

2014 Gluten guidance

The Food and Drug Administration’s definition of “gluten free” goes into effect for packaged foods, setting a guideline for restaurant menus.

2014 Apps for that

Taco Bell is first national quick-service chain to announce plans to launch a mobile app that will allow guests to order and pay ahead, then skip the line to pick up their meal.

2015 Signs of cutting back

Researchers note data, including an ongoing National Health and Nutrition Examination Survey and Nielsen research, that indicate a recent decline in Americans’ calorie consumption.



2016 Gen Z will take the spotlight

Millennials are getting older and having children. Restaurant operators will devote more energy to the 14- to 18-year-olds stepping up as both customers and employees.

—Ron Ruggless and Lisa Jennings

This timeline uses information from NRN research, published reports and company websites.



WHAT AMERICA EATS

example, the company uses random sizes and deals with the differences in the kitchen.

Fundamentally, what Modmarket does is cook, said Pigliacampo.

The chain buys whole, raw ingredients — what Pigliacampo

calls shopping around the perimeter of a grocery store where produce, meat and seafood can be found. The restaurants “add value” with the application of culinary skill, using one ingredient in multiple ways.

A sweet potato, for example,

will appear across the menu in many forms: shoestringed and fried for the Thai coconut salad, roasted with olive oil or smashed.

“There’s nothing added in terms of preservatives or additives or colorants. We know

what goes in it. It’s a potato,” he said. “From the beginning, we’ve always felt it was important to have a menu that was not so exotic that it would paint us into a corner from a supply standpoint.”

Modmarket’s 14 restaurants — with another 10 on deck for next year — have menus that vary by region and season.

“We meet people from other concepts and they see what we’re doing and the common refrain is, ‘Oh my God, it’s so complicated!’ And we say, ‘Exactly!’” said Pigliacampo.

“When the market is there, these farmers will change to meet the demand.”

— Eric Oberholtzer,
Tender Greens

“As we’re scaling, we’re building systems to manage that complexity,” he continued. “I don’t see how you could roll some of these things out in a large, established company. But when you build a company from the ground up doing it, it’s all you know.”

VISION FOR THE FUTURE

Oberholtzer sees the food system changing, and he hopes consumers will remain at the forefront of that change.

He recently visited an Amish farm in Pennsylvania that for years had raised tobacco. Now the fields were filled with heirloom tomatoes, zucchini and eggplant and supplying restaurants in Manhattan and Philadelphia.

“When the market is there, these farmers will change to meet the demand,” he said. “Our views, our demands and our money will influence what people grow, how they farm and how they fish.

“More chefs are committed to this way of eating, and there are a lot of dollars being spent on organic and sustainable food now,” he continued. “We want, along with Chipotle and Whole Foods, to continue moving the growers to support our vision of the future, versus the overly processed commodity markets of the past.” ■

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Fast-casual chain Mad Greens found a tomato supplier in Arizona that allows the restaurant chain to pick up product fresh from the field every other day.

THINKSTOCK

5 WAYS to rethink the supply chain

As consumers demand higher quality and fresher ingredients, restaurants are being forced to look beyond traditional sourcing models. Here's how chains can adapt to changing consumer needs.

1 DECIDE PRIORITIES. Restaurant chains of all sizes need to decide what's important to their customers. Do they want lettuce grown locally, or is it more important that it be organic? Should genetically modified ingredients be avoided, or simply disclosed? Fundamentally, what customers are willing to pay for the ingredients they want is a primary factor — and often a difficult balance.

Los Angeles-based Tender Greens, a fast-casual concept built on the promise of better ingredients, includes customers in the thought process driving supply choices. When beef prices skyrocketed earlier this year, the chain struggled with the pricing of the natural, grass-fed, prairie-raised Black Angus beef that it served. Internally, company officials considered a move to conventionally raised beef, as well as a price increase. But, in the end, they decided to use a less expensive cut of the premium grass-fed product, which helped maintain menu prices and margins. Erik Oberholtzer, the chain's co-founder, blogged about the debate on the Tender Greens' website.

2 BE FLEXIBLE. Varying menus by region can allow for more local sourcing and fresher options driven by seasons, while reducing transportation costs.

For example, Denver-based Modmarket has regional menus. A salad in one restaurant may use strawberries, while another unit may use grapes, depending on what is available.

"We haven't seen any major revolt if customers find grapes instead of strawberries in their salad," said Anthony Pigliacampo, co-CEO of Modmarket.

"If they ask about it, restaurant officials simply explain why," he said. "The universal response is typically, 'Cool.' Then they go back and love their salad."

3 CULTIVATE SUPPLIERS. Smaller chains with progressive menus spend time getting to know their vendors. Broadline distributors don't always like dealing with local growers because of smaller volumes, said Marley Hodgson, co-founder of the Denver-based fast-casual chain Mad Greens. That means restaurant operators may be forced to do some of the work themselves.

For example, Mad Greens found a tomato supplier in Arizona that allows the restaurant chain to pick up product fresh from the field every other day. The farm can't supply the entire chain, but units in Arizona at least have tomatoes picked that morning or the day before.

The notion of going direct to a grower to pick up tomatoes, however,

would be seen as unfeasible for most restaurant operators, he added.

"It's so tempting for us and others in the industry to just say to one-stop shops, 'We'll use your whatever.' But that doesn't allow for what consumers are expecting today," Hodgson said.

4 PUSH FOR CHANGE. Menus across the country are changing because consumers are demanding higher quality products. That demand is translating to sales.

Chipotle Mexican Grill Inc. attributed its 2014 same-store sales growth in part to its commitment to ingredient quality. Smaller regional chains with menus built entirely around fresh, natural and sustainable ingredients are growing and stealing market share.

Suppliers will respond to growing demand for better products, but restaurant operators may have to be willing to tolerate certain inconsistencies in price and availability, said Stacie Sopinka, US Foods vice president of innovation and product development.

"It's really a paradigm shift," Sopinka said. "It's finding that sweet spot between what price premium they can afford and what attributes translate to sales."

Big chains that rely mostly on low prices and convenience to drive traffic will find it difficult to keep up with consumer demand in terms of ingredients, said Oberholtzer of Tender Greens.

"In the case of some of these bigger brands, if it translates to sales or market traction, they'll do it," Oberholtzer said. "And that's good for everybody."

5 USE TOOLS AVAILABLE. Supply logistics may be getting more complex, but the tech boom has resulted in a growing number of tools to help operators source, manage and track the types of ingredients their consumers are looking for, as well as measure results.

Chefs and various activist organizations are also creating a growing network of resources to help facilitate a shift to better ingredients.

FoodTank.com, for example, is an online community focused on sustainable agriculture and food issues. Chefs like Dan Barber of Blue Hill Restaurant in New York and Michael Cimarusti of Providence in Los Angeles have launched "Dock to Dish" programs in which participating restaurants receive weekly deliveries of freshly caught seafood, based on species available to local small-scale fisherman, an idea modeled after Community Supported Agriculture.

— Lisa Jennings

The great divide: Healthful vs. indulgent

EVEN HEALTH-MINDED CONSUMERS CAN'T ALWAYS RESIST THE TEMPTATION FOR 'OCCASIONAL INDULGENCES,' AND RESTAURANTS ARE HAPPY TO OBLIGE **BY RON RUGGLESS**

DRIVEN TO INDULGE

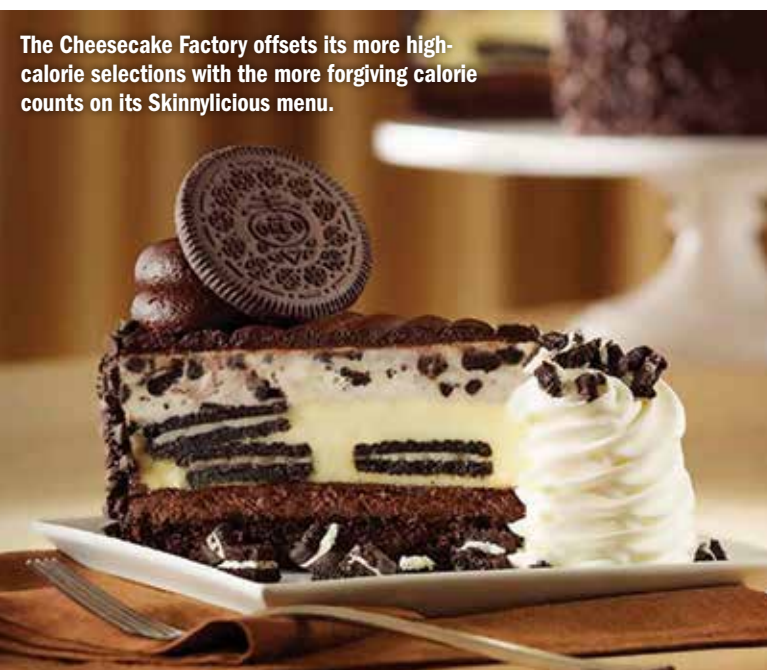
When consumers are looking to indulge, a bit of an indulgence can go a long way. "They really are in the mindset that moderation and occasional indulgences are a good thing as long as it fits their personal approach to health and wellness — so they're aspiring to an ideal lifestyle that involves them eating healthfully most of the time, indulging on occasion and being overall happy and healthy," said Kelly Weikel, director of consumer insights for Technomic Inc.

And restaurants are ready for the indulgent occasion. For breakfast, IHOP offers a 1,300-calorie Chorizo Fiesta Omelette with pancakes and syrup for an added 1,990 calories. For lunch, Red Lobster has a potential 2,710-calorie "Create Your Own Combination." And for dinner, The Cheesecake Factory has a 2,370-calorie Louisiana Chicken Pasta. And in the middle of the night, Steak 'n Shake has a 1,570-calorie 7x7 Steakburger 'n Fries from midnight to 6 a.m.

Restaurant menus reflect the two minds of the consumer. Cheesecake Factory's pasta dish for several years has been cited by the Center for Science in the Public Interest for its extreme qualities, but the chain also for several years has offered its Skinnylicious menu with more than 50 lower-calorie items.

"Eating away from home is always something where consumers

The Cheesecake Factory offsets its more high-calorie selections with the more forgiving calorie counts on its Skinnylicious menu.



THE CHEESECAKE FACTORY



CYF RESTAURANTS

want to treat themselves," said Weikel. "And on a special occasion, they are indulging, whether it's a weekend or a birthday or those type of things."

Bonnie Riggs, restaurant industry analyst with the NPD Group, said her research firm found the indulgent choices play a large role in restaurant limited-time offers.

"There's a lot of limited-time offers out there that are of an indulgent nature," Riggs said, citing recent NPD Checkout Tracking studies on the Carl's Jr./Hardee's Thickburger El Diablo, a 1,170-calorie beast that debuted in March as a limited-time offer.

"With these LTO items, operators want to increase buzz and awareness," Riggs said. "I don't know that operators expect to get a lot of repeat business on them." She said the NPD tracking found that 92 percent of the customers who ordered the El Diablo only did so once.

Combining multiple indulgent items is one way chains build over-the-top dishes that they hope customers will crave. Two recent examples are Carl's Jr.'s Most American Thickburger, topped with a hot dog and potato chips, and a Pizza Hut pizza with mini hot dogs in the crust.



"For a lot of these indulgent items, it's 'one and done.'" Riggs said. "It was essentially 8 percent repeat on the product."

Consumers wrestle with the diet demons daily, experts say.

Technomic's 2014 "Healthy Eating Consumer Trend Report" found a gap between consumers' desire to eat healthfully and their actual eating behavior. "More than two-fifths of consumers overall (44 percent) and 51 percent of women say that, in the past week, they always or mostly considered ordering healthy options at foodservice establishments," the report found, but only 35 percent of respondents and 42 percent of women indicated they actually had purchased a healthy option.

While consumers talk about an ideal healthy lifestyle when it comes to restaurants, Weikel said, a lot of people "end up being a lot closer to the unhealthy side due to a host of factors" such as convenience, cost and, of course, temptation.

CONTINUED ON PAGE 34

"Eating away from home is ... where consumers want to treat themselves. And on a special occasion, they are indulging, whether it's a weekend or a birthday or those type of things."

**— Kelly Weikel,
Technomic**

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WHAT AMERICA EATS

Technomic research suggests that “the bulk of consumers take a middle-of-the-road approach to healthy eating away from home.”

CONTINUED FROM PAGE 33

THE NEW HEALTHY

Customers today are driven by a need for convenience and a desire to consume food they feel good about.

“Consumers’ definition of what they are looking for in healthy eating is not about fewer calories, or lower fat or sodium. It really is about freshly prepared food with fresh ingredients with different flavor profiles,” said Riggs of the NPD Group.

“Take, for example, Chipotle and that burrito: It’s big. It’s got a lot of calories in it. It has high fat content in it. And it’s very popular.”

Riggs said recent NPD research has found that less indulgent items do seem to have more consumer loyalty than the showy high-calorie items.

NPD’s checkout tracking over two months on fast-casual main dish salads found 70 percent of customers tried them (as opposed to the 92 percent trial on the Carl’s Jr./Hardee’s Thickburger El Diablo). But then 30 percent of those customers ordered the main dish salads two times or more. And 10 percent order the salads three times or more.

Weikel of Technomic said her research has found that health vs. indulgent decisions are not black and white.

“It’s a spectrum,” Weikel said. “Consumers have a very balanced approach to health. When they think about that balance, part of it is indulging for what they would consider special or social occasions and then being a little bit more healthful at other ones. A lot of times, their interest in health gives way to temptations, but they try to get right back on track later.”



Only one in five consumers say their recent away-from-home foodservice purchase was “healthy” or “very healthy.”

Technomic data have also shown the Millennials and older consumers are more likely than other generational groups to say they always or most times consider ordering and actually purchased healthy options in the past week, Weikel said.

More consumers in 2014 (21 percent) than in 2012 (17 percent) said that their most recent away-from-home foodservice purchase was healthy or very healthy. In addition, slightly fewer consumers in 2014 (12 percent) than in 2012 (15 percent) indicate that their foodservice meal was unhealthy or very unhealthy overall. That left 67 percent of consumers in 2014 who ordered either a somewhat healthy or somewhat unhealthy meal, “suggesting that the bulk of consumers take a middle-of-the-road approach to healthy eating away from home,” Technomic concluded.

And some of the healthy eating depended on the day of the week. “On Monday, consumers say they tend to eat a little healthier,” said Weikel. ■

ronald.ruggless@penton.com

THINKSTOCK

ADVERTORIAL

Hot Head Burritos Heads West to Nevada, Arizona and Texas

Hot Head Franchising enters into an agreement with the Southwest Burrito Group as part of a 100 unit, 5 year build out commitment.

Hot Head Burritos, the West Chester, OH based Mexican Burrito fast casual restaurant chain of 63 units, has recently entered into new Area Developer agreements inclusive of Nevada, Arizona, and Texas. In addition to these 3 new area developer agreements, Hot Head Burritos has Area Development agreements in place and ongoing in Ohio, Michigan, Indiana, Kentucky, Florida Panhandle, and Western Pennsylvania.

Outside its 12 affiliate owned locations and since opening its first franchise in 2009, Hot Head Burritos supports 51 franchised restaurants today. In addition, Hot Head Burritos has another 9 restaurants scheduled for 2015 opening. In April of this year, Hot Head Franchising entered into an agreement with the Southwest Burrito Group as part of a 100 unit, 5 year build out commitment.

Three of a Kind in Las Vegas: Southwest Burrito Group is opening 3 new franchise restaurants in Las Vegas, Nevada beginning in late October, 2015. All 3 restaurants are currently under lease and are expected to all be opened by year end. Michiel Poelmans, managing partner of the group commented, “My partners and I look forward to bringing Hot Head Burritos brand to the Southwestern United States. The quality of food is exceptional and the fast casual Mexican segment is hot! The new Hot Head Burritos design compliments the interest and appeal of the Southwest, the customer experience is outstanding!”

↑11.5%
SAME STORE SALES
Based on first 6 months 2015 versus 2014

72 ↑22%
LOCATIONS
Based on the total number of locations opening in 2015 versus total number of locations in 2014

Since Hot Head Burritos opened its doors in 2007, it has focused on true differentials in the Mexican Burrito segment. Hot Head Burritos features a wide variety of fresh toppings, 10 sauce choices from Mild to Wild, Li’l Burritos and Bowls for smaller appetites, tacos, quesadillas, nachos and more.

For more information about available Area Developer and Franchise opportunities, please visit www.hothheadburritos.com or call 1-888-395-1655.



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Chipotle is known for the transparency of making burritos from fresh ingredients in front of customers. As the chain grew, founder Steve Eells used it to drive a larger conversation with consumers around food-sourcing practices.



Chipotle's mission and tactics revolutionize restaurant industry

THE FAST-CASUAL CHAIN WAS THE FIRST MAJOR BRAND TO MARKET ITSELF WITH A HUMANE, SUSTAINABILITY MESSAGE **BY JONATHAN MAZE**

Chipotle Mexican Grill had barely more than 100 locations, only a few of which were outside of Colorado, when it released its Food with Integrity mission statement back in 2001.

It would take the rest of the restaurant industry another 14 years to catch on. But by now, Chipotle has become a phenomenon, a chain able to demonstrate amazing annual sales and unit growth with a premise that its food would be raised sustainably and with a small list of real ingredients.

It's impossible to talk about the shift in consumer attitudes toward food served at restaurants without mentioning the Denver-based chain and its combination of freshly prepared ingredients and its insistence on sourcing food raised only through sustainable practices.

To be sure, the company's tactics have come under fire, particularly from farmers and agricultural groups, who say its efforts are misleading. Some of the company's alternate marketing efforts flopped, and in rare cases even prompted a backlash against the company.

Yet Chipotle has seen success year after year — sales grew 29 percent last year alone. It has also proven that some customers will spend more money to feel better about their fast food. The result is a radical shift driving the entire industry to think differently about food sourcing.

Take a look below at the ingredients Chipotle has used to drive its brand success, from food sourcing and menu experimentation to marketing and political statements:



INGREDIENTS FOR THE CHIPOTLE MARKETING MACHINE

Chipotle's strategic marketing and risk-taking has built an unstoppable success, even with hiccups along the way. Its a story that has put the industry on notice.

THOUGHTFUL STORYTELLING

NO MORE PORK

Early in 2015, Chipotle suspended the sale of pork at hundreds of restaurants, claiming a supplier didn't meet animal welfare standards, highlighting the struggles of its supply chain, but the move barely hurt the chain's sales.

CULTIVATE FESTIVAL

Chipotle sponsors its annual Cultivate Festival in multiple cities every summer, with music and food to shine a spotlight on sustainable ingredients, local food and sustainable practices. The festivals draw tens of thousands every year.

NEW INGREDIENTS

Chipotle rarely adds menu items, but when it does they burnish the chain's reputation, including more nutritious brown rice in 2011 and tofu or "sofritas" in 2013.

PURITY

FOOD WITH INTEGRITY

Chipotle developed its Food With Integrity mission statement, a cornerstone for the chain and its mar-

keting, vowing to "cultivate a better world" with every burrito or bowl.

NO MORE ANTIBIOTICS

Chipotle first started sourcing pork raised without the use of growth-promoting antibiotics in 2001, then antibiotic-free chicken in 2002 and beef in 2003 — long before most chains agreed to do the same thing.

NO MORE GMOS

Chipotle became the first major restaurant chain to ban genetically modified organisms, prompting a backlash against the company for bowing to "bad science" and helping to spread unfounded fear about the ingredients.

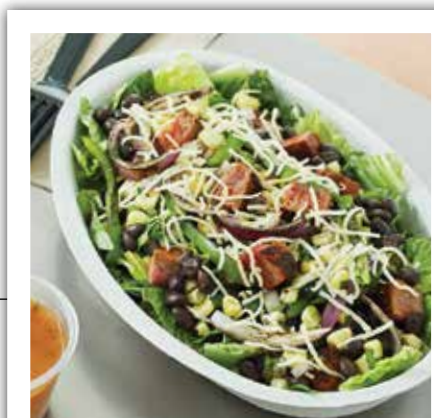
CULTIVATE FOUNDATION

Chipotle furthered its sustainability educational efforts by creating the Chipotle Cultivate Foundation in 2011. The foundation has since contributed more than \$2 million to help fund initiatives related to sustainable agriculture, family farming and education.

EXPERIMENTATION

NONTRADITIONAL ADS

Chipotle has long eschewed traditional advertising and spends only 1.75 percent of its revenue on ads, half as much as most restaurant chains.



CONTINUED ON PAGE 38

WHAT AMERICA EATS



Chipotle added more nutritious brown rice in 2011 and tofu or “sofritas” in 2013.

AMERICA'S NOT-SO-GREAT RESTAURANT

Chipotle sponsored a reality television program in 2011, America's Next Great Restaurant, featuring Steve Ells as one of four judges. Ratings flopped and so did the winning restaurant, Soul Daddy.

FRIEND OR FAUX

Chipotle this year started a website, complete with an online game, comparing the ingredients in its food items with those in the products of traditional fast-food chains, especially as other concepts have started developing products with natural ingredients.

FARM TEAM

In 2011, Chipotle started a “Farm Team,” a sort of loyalty program for exclusive customers picked by store managers. The chain's fans earned rewards by learning about the company and sustainability. The program was ended in 2014.

AD CONTENT INNOVATION

THE SCARECROW

Chipotle tried again with an animated film and a companion iPhone game, “The Scarecrow” to highlight the importance of sustainability. It was widely praised,

though it was also mocked for being sanctimonious.

BACK TO THE START

Chipotle's two-minute film in 2011, “Back to the Start,” ran online and during the Grammy awards, featured a family farmer growing into an industrial farmer and back again. It won an award at the Cannes Film Festival.

FARMED AND DANGEROUS

Chipotle in 2014 sponsored a comedy series on Hulu called “Farmed and Dangerous” meant as a satirical look at large-scale corporate farming. Farmers didn't like it all that much, however, calling it “twisted” and “disgraceful.”

FRESH FOCUS

SALADS AND BOWLS

Chipotle started as a burrito chain. But then in 2003 it added what it originally called a “Burrito Bol” and in 2005 it added salads. These additions greatly increased the flexibility of the chain's menu that allowed it to court more calorie-conscious consumers.

BEGINNINGS

Steve Ells, who had spent two years working with chef Jeremiah Tower in San Francisco, opened the first Chipotle in a former Dolly Madison Ice Cream shop, making burritos from fresh ingredients in front of customers.

BREAK FROM MCDONALD'S

McDonald's Corp. spun off Chipotle in a 2006 IPO, enabling the company to truly market itself as a better alternative to fast food. Chipotle hasn't been shy about taking shots at its former parent since.



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WHAT AMERICA EATS

The 'clean-eating' craze takes hold

AMERICANS' DEFINITIONS OF HEALTH AND WELLNESS have evolved. Consumers have shown an increasing interest in eating food with "clean" labels, and a number of large restaurant chains have responded with plans to remove artificial colors, flavors and other items.

Nation's Restaurant News asked two eminent nutritionists, Marion Nestle of New York University, Food Studies and Public Health, and Walter Willett of the Harvard School of Public Health, to weigh in on whether efforts to remove "unnatural" ingredients really matter.

MARION NESTLE: RESPOND TO CONSUMER DEMAND



BILL HAYES

Papa John's has now joined Panera and Chipotle in committing to purge its menu of ingredients deemed artificial by consumers. In doing so, it joins packaged food companies such as Nestlé USA (to which I am, alas, not related) and Kellogg in switching away from arti-

ficial flavors or colors such as Red #40 or Yellow #5.

More surveys are finding the public to be more worried about artificial flavors and colors — and GMOs — than sugars, and voting with their dollars against products containing them.

Where does science come into this decision? Consumer advocates have complained for decades about the potential health risks of these chemicals, especially the dyes. In studies using rats and mice, high doses of food dyes have been linked to such problems as birth defects, cancer, organ damage and allergic reactions. Some — but definitely not all — studies in humans show a linkage between food dyes and hyperactivity and other behavioral problems in young children. But the reliability of these studies and what they mean for human health remain matters of vigorous debate.

The makers and users of color and flavor additives insist that they are safe at current levels of usage. So does the Food and Drug Administration. But in the absence of convincing evidence of their safety, the Center for Science in the Public Interest continues to campaign for their removal from the food supply, as it has since the 1970s, and to petition the FDA to remove their GRAS [Generally Recognized as Safe] status.

I question why artificial additives have to be in foods at all. I understand that food manufacturers need them to disguise the lack of color and off flavors in processed foods, but their purpose is mainly cosmetic. Large segments of the American public want foods to be as natural and unprocessed as possible — and restaurants and food companies to be transparent about what they are selling. As for GMOs, just label them please. Doing so will solve a lot of problems.

None of this is about the science. It's very much about value systems related to food.

Restaurants have a choice: Appeal to customers who care about these issues, or risk losing them. ■

Marion Nestle is the Paulette Goddard Professor of Nutrition and Food Studies at the New York University Department of Nutrition, Food Studies and Public Health.

WALTER WILLETT: FOCUS ON MACRO TRENDS INSTEAD



Removing artificial ingredients from restaurant offerings is probably good in general, but at this time will probably have minimal effects on public health. In fact, some ingredients considered natural are far more problematic.

Most artificial ingredients have no health benefit, and possibly could do some harm, even if proof of that harm has not yet been documented. Furthermore, many of them, such as artificial colors, are used to lure people, especially kids, into eating junk food, so there might be some indirect benefits of removing them. One exception might be artificial sweeteners, which do not have the same adverse effects on health as sugar, so replacing them with natural sugar could be a change for the worse.

The removal of one artificial ingredient from our diet was very beneficial to public health — trans fats. Trans fats are directly related to higher risks of heart disease, diabetes, overweight and other adverse outcomes. Replacing them with healthy fats has been

a huge step forward. But this has already largely been accomplished.

Although removing many artificial ingredients might have some modest benefit for public health, the far larger issues are related to aspects of diets that are considered natural. Reducing consumption of products considered natural, including refined starch, salt and red meat — particularly processed meat — would have enormous health benefits. Increasing fruits, vegetables, whole grains and nuts would have major benefits, too. **Unless we also deal with these "macro" issues, focusing on artificial ingredients could be a distraction.**

The best actions restaurants could take to make their food more healthful would be to reduce red meat by decreasing their serving sizes and offering great alternatives, and decreasing consumption of sugar-sweetened beverages by promoting alternative beverages, especially water. Reducing sodium is another important step restaurants could take, since most consumers are unaware of the high levels of sodium in much of restaurant food. ■

Walter Willett is chair of the Harvard School of Public Health's Department of Nutrition.

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