

Is Sustainability the Future of the Restaurant Supply Chain?

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Recent bottlenecks and shortages have restaurants reevaluating their supply chains—and sustainability might just be part of the solution.



Farm Burger

A shorter supply chain at Farm Burger offers more control and dexterity for when the next disruption occurs.

In the early days of the pandemic, George Frangos wouldn't say that his fine casual Farm Burger was sitting pretty, per se, but it was definitely faring better than most. This good fortune was due in large part to the concept's core values. When Frangos and cofounder Jason Mann opened the first location in Decatur, Georgia, in 2010, collaboration with nearby farmers and ranchers was paramount. The brand's sourcing practice not only yielded a higher quality product, it also kept dollars in local agriculture.

A dozen years and about as many locations later, Farm Burger's direct-to-the-source approach shielded it from some of the early chaos of COVID-19.

“As you had disruptions to the meat industry and supplies with processors and big slaughterhouses being shut down and COVID outbreaks and everything, we didn't have those issues because we work directly with farmers and directly with small processors and really have a vertically integrated chain around our proteins,” says Frangos, who is also the brand's president. “Our prices held tight, and we didn't have any problem with supply. We were actually in a strong position, kind of unknowingly so.”

But the extent of these supply chain repercussions was not immediately visible. Instead, they unspooled gradually, casting ripples up the supply chain. As orders from restaurant clients ebbed, manufacturers and distributors curbed output and, in some cases, laid off employees. When orders started to ramp up again, there was a shortage of not only product, but workers, too.

Farm Burger felt the effects of the second phase of this reaction. It struggled to source sustainable paper and recyclable products; when it succeeded, the price could be double the usual amount. As of this spring, Frangos says the brand (like many restaurants) is still navigating a shaky landscape, with product availability changing on a near-weekly basis. Furthermore, it's experiencing delays on specialty products like goat cheese. When demand faltered, farms bred fewer goats; now they're having to grow the herds once again.

All too common quagmires like this have restaurants rethinking how they source ingredients and other products. Sustainability also comes into play, and not just for altruistic reasons. A shorter supply chain, as with Farm Burger, offers more control and dexterity for when the next disruption occurs. It also provides a baked-in narrative that curries favor with a growing number of consumers.

“For the operator, it's wise to centralize their purchasing and localize it because they feel like they control it better, with fewer inputs and maybe more knowledge about those places they're sourcing from,” says Laurie Demeritt, CEO of market research firm, the Hartman Group. “So I think there are good operational reasons for doing this ... but there's a lot of other rich narratives about that sense of place, about money circulating locally, about supporting humans that are local.”

Nevertheless, sustainability in the supply chain encompasses more than local sourcing. It's also about the path a product takes from its point of origin to the restaurant. The products themselves are another facet, whether they're ingredients or packaging, the latter of which has faced increased scrutiny amid the pandemic-era spike in single-use disposables.

“We don't have a universal definition as to what sustainable sourcing is. For some people, that might be local sourcing, buying in the communities in which we live. For some people, it's about reducing the carbon footprint. And still for other people, it might mean something else,” says Aaron LaMotte, vice president of supply chain

management for North America for foodservice and facilities management company Sodexo. “So, sustainable sourcing over the last 10 years has become more of a focus from a broad perspective. We've had a lot of key stakeholders in the industry share with us how important it is to them.”



Rubio's

Rubio's is working to incorporate GS1 global traceability standards and RFID (radio-frequency identification) technology.

A challenge on multiple fronts

Just as restaurants might become overwhelmed by the many faces of sustainability, their partnering companies must also juggle multiple initiatives. LaMotte says one of the trickiest tasks for distributors and management companies is the being-everything-to-everyone conundrum. One restaurant client might pursue sustainability by curbing their energy consumption, while another chases the same goal but by reducing their carbon footprint. All aspects of sustainability lead back to a central goal, but the entry points can be far apart. The broader Sodexo's customer base, the broader its approach to sustainability has to be, LaMotte says.

A number of restaurants also employ a holistic methodology in building greener supply chains. For nearly four decades, Southern California-based concept Rubio's Coastal Grill has sourced wild Alaskan pollock for its tacos. The whitefish, which has a mild, cod-like taste, is considered one of the more sustainable species, a reputation that has elevated its appeal in recent years. Accreditations from Alaska Responsible Fisheries

Management and Best Aquaculture Practices guide the brand in its vendor selection. It also collaborates with organizations like the Monterey Bay Aquarium and Marine Stewardship Council.

Seafood might be at the crux of Rubio's sustainability practices, but it's not alone.

“Our focus on sustainability ranges from our seafood to land proteins to packaging,” says Angela Scheufele, director of supply chain for Rubio's. Napkins, paper towels, and tissue are made of 100 percent compostable fiber. Last year, the chain used more than 122 metric tons of recycled fiber in these products.

But, the pandemic disrupted Rubio's otherwise stable supply chain. Shortages across the board—product, labor, transportation—plus commodity inflation and volatility have made for a challenging two years. The experience reinforced not just how important Rubio's vendor relationships are but also the value of having backups.

“We have always believed in the benefit of dual sourcing when it makes sense, but now it is more important than ever given current conditions. We are prepared to pivot quickly if needed,” Scheufele says. “For example, we approved wild ono [wahoo] as a temporary alternative to our wild mahi mahi as mahi has been in short supply this season.” Rubio's is also testing wild hake (a pollock substitute) at its Arizona restaurants as a precautionary step.

On the operational front, Rubio's is working to incorporate GS1 global traceability standards and RFID (radio-frequency identification) technology. While conversations around traceability often pertain to food safety, GS1 barcodes can help verify sustainability claims and cut down on so-called greenwashing.

Beyond tracking technology, restaurants are also taking other steps to shorten products' transit distances. During the pandemic, Rubio's worked with its distribution partner to optimize freight lines to the restaurants—with locations in California, Nevada, and Arizona—and temporarily trim the number of deliveries when business was slow.



US Foods

Hilltop Hearth Pub Grain Hamburger Bun.

Getting flexible

Even prior to 2020, New England–based Oath Pizza practiced the idea of doing more with less, something that has proved especially advantageous as of late.

“Oath has always been selective about the products and the menu we offer. Through some really thoughtful selection and cross-utilization, we've been able to put together a menu that caters to all tastes,” says Pam McMorrow, director of supply chain and product innovation. Indeed, the fast casual offers vegetarian, plant-based, gluten-free, and dairy-free options. “Another piece of it is we're really mindful about the impact on the planet when we're making our decisions on what we bring in,” she adds, offering Oath’s use of humanely raised Applegate proteins and recyclable packaging for non-pizza dishes as examples.

But even the versatility of Oath’s ingredients couldn’t shield it from gridlocks along the supply chain.

“The biggest things were product deliveries being delayed and complete product outages; if it wasn't coming in late, it wasn't coming in at all,” McMorrow says. “We had to find alternative methods for deliveries like direct shipments or drop shipments straight from the manufacturers.”

She adds that thanks to a nimble team, Oath has been able to take many of these disruptions in stride. Like Rubio's, it also sought alternatives to products that were tied up in transit or unavailable. In many cases, the substitutes were closer to home.

Before COVID, about 75–80 percent of its products were domestically produced since Oath would import some specialty items, like gourmet cheeses, from overseas. Now, McMorrow estimates the portion has grown to 95 percent. The switch also saved money by eliminating trade tariffs and shortening the shipping distance. Through it all, the brand was able to maintain its standards; as a bonus, the less time in transit also translated to a fresher product with a longer shelf life.

McMorrow says the final piece was turning to creative workarounds with ingredients that, while still fresh and high quality, might not be what was needed. For example, if crusts arrived that weren't the right size for a pizza, the restaurants would cut them into squares and use them as croutons on the caesar salad.

"We put laser focus on product inventory—or par levels—based on accurately forecasted sales, and we completely tightened up our purchasing practices to bring in only the amount of product needed," she says. "By doing that, we reduced the amount of stock in our restaurants and the amount of product in the supply chain. It also reduced the risk of having extra that could go to waste."

Broadline adjustments

Distributors are also adopting a repurpose mentality. In late March, US Foods became one of the first major broadband food distributors to join the Upcycled Food Association, an organization whose members salvage ingredients bound for landfills and incorporate them into food products.

US Foods' first foray into upcycling is the Hilltop Hearth Pub Grain Hamburger Bun, which uses spent grain flour. A byproduct of beer brewing, spent grains not only find new life as flour, they also infuse the buns with a mild, earthy, and sour flavor.

One area of sustainability that McMorrow says tends to be overlooked are the chemicals used along the supply chain and in the restaurants.

"I don't think people realize how damaging it can be if you're using the wrong products, how damaging it can be to just pour it down the drain. That drain goes directly to our water supplies in some cases or watersheds, and it's not often thought about," she says. "Restaurants have to do their homework on those choices; you have to know what's in these chemicals and how their contents affect the environment."

In addition to third-party accreditation groups, manufacturers and distributors are creating their own initiatives as a way of vetting products for their restaurant clients. At US Foods, this culminated in the Serve Good program, which launched in 2016. To be part of Serve Good, products must not only have claims of sustainable sourcing or waste reduction, they must also arrive in eco-friendly packaging.

Because so many factors are involved in meeting the criteria, US Foods divided them into five categories: agricultural practices, sustainable seafood, animal care, responsible disposables, and waste reduction.

“Almost all of the products under the Serve Good umbrella have the reassurance of some third-party certifier. So we’re working with Non-GMO Project Verified, USDA Organic, Marine Stewardship Council, Forest Stewardship Council,” says Hannah Koski, director of corporate social responsibility at US Foods. “Some of these third party certifications have a long history, but then others are new, and we’re excited to be able to incorporate those as well.”

In just six years, Serve Good has quadrupled the number of products (under US Foods Exclusive Brands) in its stable to 770.

The broadline distributor is also making strides in how these items are transported. In California, its distribution centers are moving to 100 percent renewable diesel. In Texas, it’s converting compressed natural gas trucks to use renewable natural gas fuel. US Foods is also bringing 15 electric trucks into the fold. All three agenda items are slated to be completed by year-end.

“How [a product] is delivered is also really important,” Koski says. “We flagged a lot of initiatives both in our buildings and in our routes to improve our efficiency and reduce our environmental impact overall.”



Oath Pizza

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The guest reaction

Steps like these aren't going unnoticed by consumers. While the average person might not be aware of initiatives at companies like US Foods and Sodexo, they do pay more attention to the efforts of consumer-facing businesses, like restaurants and retailers. Whether the restaurant is building sustainability practices in-house (as with Farm Burger) or collaborating with third-party partners, the messaging resonates—perhaps even more so now than pre-2020.

“I think one of the things the pandemic did was just shine more of a light on the food supply system, and that's everything from the growers to the producers and distributors to the folks who work in foodservice, who are making the food, who are delivering the food,” the Hartman Group's Demeritt says. “Knowing some of those stories and those narratives about not just what's in your product, but also where those ingredients are coming from is a good starting point.”

That's one step all restaurants can take in both better understanding their own supply chain and communicating those details to customers, she adds. In terms of sourcing, the terrain has yet to stabilize, making it hard for many operators to refocus on their

own sustainability practices. For this reason, Sodexo's LaMotte recommends that restaurants stay on their toes as conditions continue to evolve.

“I would say that we're not out of this yet. [With] things like the bird flu situation that's happening right now and the labor market that continues to have constraints and inflation being such a front-of-mind issue for all of our operations team, I don't think we're out of some of the more difficult parts of all of this yet and we may not be for the better part of the next year or so,” he says. “It behooves everybody to be patient and work to the best of their ability with their supply chain professionals.”

Building relationships has been the bedrock of the hospitality sector from the very beginning, and if anything, the adversity of the past two years reinforced how important the people side of the industry truly is. The restaurant-customer dynamic has been frequently spotlighted, but the ties between operator and farmer, rancher, distributor, manufacturer, etc. are just as vital to foodservice's longevity.

Over its 12-year history, Farm Burger has cultivated relationships with many small businesses as it expands into new markets. After a COVID-necessitated pause, the restaurant is continuing this practice. In January, it debuted a location in Athens, Georgia, that had been delayed since 2020.

Prior to opening, the Athens store had suppliers locked in for its proteins, like grass-fed beef, and other menu staples, but it's still searching for producers of ancillary items, with the goal of local, organic ingredients supplanting conventional ones.

Building these relationships takes time, but for brands like Farm Burger, it's worth the effort, whether from a business standpoint or a sustainability one.

“When we go into new markets, there's this learning curve. You don't always know all the proper smaller- medium-size providers or growers or farmers or cheesemakers. It always takes time, and sometimes they find you. Sometimes when you get into a market, 3–6 months later, you find new local connections,” Frangos says. “That's an exciting part of it, but it never happens the day we open.”