

**W**ill 2008 be your green year? If you are operating a restaurant chain, your answer is most likely, “um, well, maybe.”

To be sure, a handful of chains—notably Chipotle Mexican Grill, McDonald’s and Big Bowl—have taken significant steps to address environmental concerns. Big Bowl, for instance, will soon roll out new uniforms made from organic cotton, reducing its carbon footprint. New Chipotles use drywall made from 100 percent recycled material. And efforts to trim energy use by 4 percent at company stores earned Mickey D’s plaudits from the U.S. Environmental Protection Agency.

But so far such efforts appear to be exceptions. In calls to a number of large companies, *Chain Leader* discovered that managements remain largely on the eco-sidelines despite widespread publicity about the so-called green movement.

It’s the case even in bellwether California. “We just pulled together a small group of people that are digging into this part of our business,” offers Sarah Grover, vice president of marketing for Los Angeles-based California Pizza Kitchen. “Honestly, there’s not a lot to talk about yet.”

Concedes another vice president of marketing at a Golden State casual-dining chain, who requests anonymity: “[We’re] not on the forefront of the green movement. We have discussed it, but right now there are so many other pressing issues that it is just not near the top of the list.”

No surprise. Casual-dining chains are taking a hammering, especially at dinner, their most profitable daypart. According to Knapp-Track, a closely watched survey of casual-dining chains, comparable sales and guest counts remained mostly negative throughout 2007. “The reality is, dinner is weak everywhere, including fast food,” says UBS restaurant analyst David Palmer, who doesn’t expect to see improvement until the second half of the year.

There’s the issue: Can green initiatives be undertaken without sacrificing already threatened profits?



#### CONSUMERS WANT GREEN

What’s more, the retail sector only recently hopped on the eco-bandwagon, spurred by surveys showing consumers liked eco-friendly products and were willing to pay more for them. A report by the National Restaurant Association, for instance, claims 64 percent of adults 35 to 44 say they would pay more for food grown in an “environmentally friendly way.”

However, a poll of Canadian and American adults conducted last April by Canadian research firm Ipsos Reid showed 70 percent of Americans agree that marketing is the motive behind many green initiatives.

And why not, wonders Harry Day. “If you can take credit for making small steps such as using organic produce or sustainable seafood or LEED-certified buildings, let’s spread the word,” declares the former RARE Hospitality marketing executive who’s now a Denver-based franchisee of eco-friendly Pizza Fusion.

The typically cautious restaurant industry nonetheless has been slow to react to the popularity of the cause.

Big Bowl, a trendy Asian concept based in Chicago, is one of a handful of high-volume chains taking meaningful action to help save the planet including buying local produce and naturally raised meats.

Localvores, people who try to eat food grown nearby, can find several locally grown vegetables at Big Bowl.

Making the business case for a **GREEN STRATEGY** remains elusive for many restaurant companies.

# environmental DEFENSE



**Using naturally raised meats such as hormone-free salmon has raised food costs considerably at Big Bowl.**

**Big Bowl may soon switch to uniforms made of organic cotton, a fiber processed without chemicals or harsh dyes.**

"Relatively speaking, we are still in our infancy," acknowledges Senior Vice President of Business Development Todd Mann, the NRA official who's heading the association's efforts to bring operators up to speed on sustainability issues. Mann says the NRA's Web site will include a list of green-related resources by spring.

It's not that restaurant executives are ignorant of environmental stewardship. Nearly everyone we talked to expressed a willingness to save the planet. Some, like Darden Restaurants' Bob McAdam, drop eco-jargon when asked how a company might strategically implement green programs. "What

you do is look for opportunity to merge sustainability practices with solid business practices for a triple-net win," offers the senior vice president for government and community relations, who played a role in developing the sustainability strategy at Wal-Mart two years ago. Yet he, like several other executives interviewed for this story, remains mum on specifics.

That large restaurant companies lack well-defined sustainability strategies doesn't surprise

Day. "It's the right thing to do. No one in the industry questions that," he explains. "The question is: Can you be profitable and green at the same time?"

Well, can you? Payback remains uncertain given so few industry models. Even these models can't say for sure if there's a business case to be made.

Consider Big Bowl, an eight-unit division of Lettuce Entertain You Enterprises. It buys local produce whenever possible. It purchases more expensive naturally raised pork, salmon and chicken. It uses unbleached napkins and may soon switch to pricey paper straws and organic cotton uniforms. Its cleaning chemicals are all nontoxic.

The Chicago-based chain is also beginning to trade carbon emissions on the 4-year-old Chicago Climate Exchange, a commodities market for greenhouse gas allowances. Some scientists say that carbon emissions need to be cut by at least 50 percent by 2060 to avoid a dangerous climate change brought about by global warming.

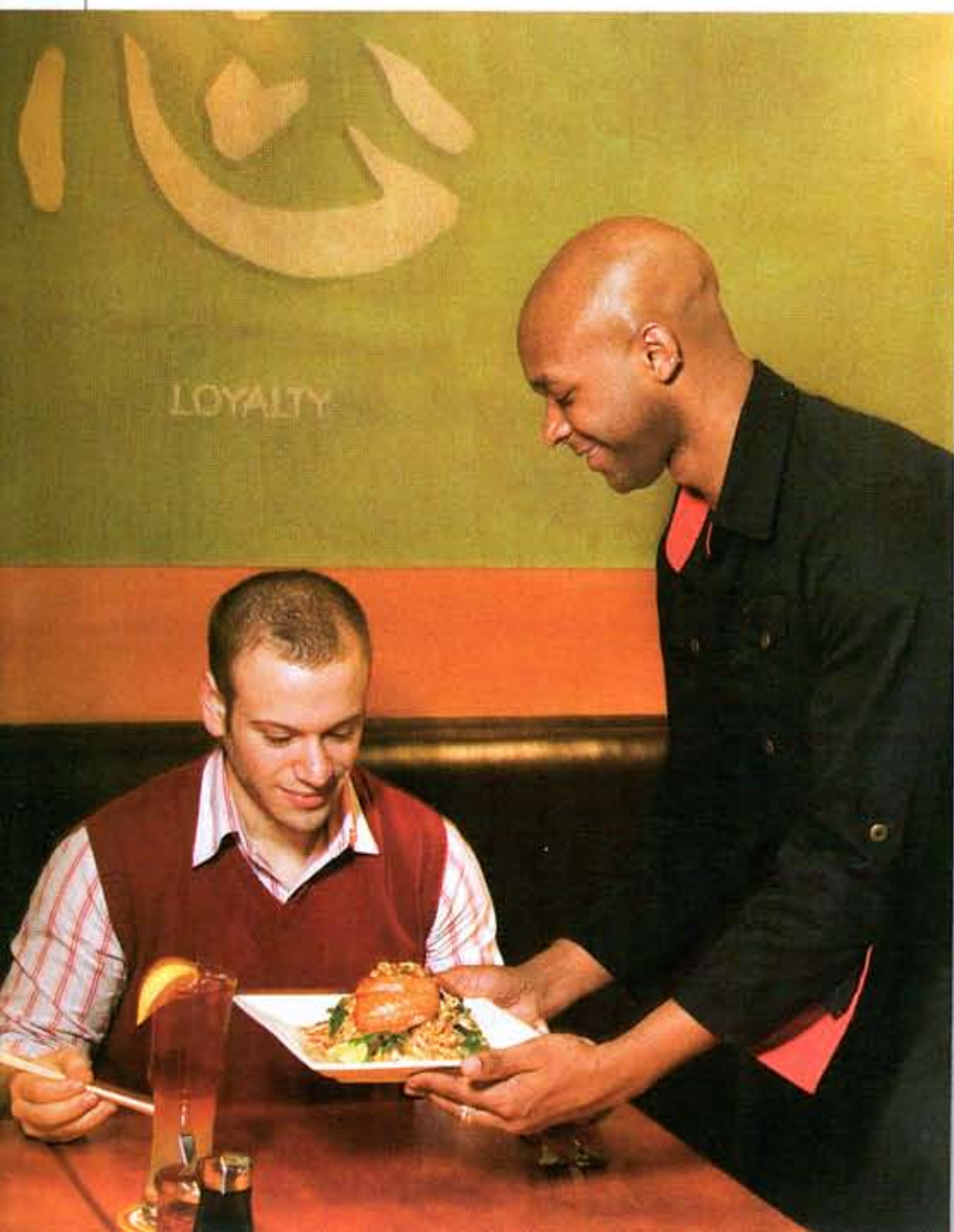
Last year, the full-service Asian chain hiked prices about 4 percent to cover rising costs. Still, President Dan McGowen admits, "I run no numbers that say in three years all this will pay for itself." He adds that sustainability endeavors "might not make you money, per se."

## SHOW ME THE ROI

"ROI is a tough thing to wrap your hands around," says Director of Design Bob Welty of WD Partners, Columbus, Ohio-based consultants, who recently confronted the issue during a green audit for a mostly franchised QSR he doesn't want to name.

He says the chain's officials, who were chiefly concerned with the concept's salability to franchisees, did not undertake his suggestions. "They wanted to know where they stood and how green they were without having to do anything," he adds.

For the record, Welty estimates that spending an additional 5 percent on energy-efficient equipment such as heat exchangers and tankless water heaters in a new build could take two to five years to pay for itself, certainly too long for most franchisees, he adds. Once installed, such equipment could trim operating costs by 10 percent.



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## COVER STORY

“Gas consumption with our new broiler has been reduced about 52 percent.”

— Keva Silversmith, Burger King spokesman



“We have really just begun the process,” allows Director of Franchise Services Joe Mammarella. “We haven’t done a cost analysis.”

California Pizza Kitchen is also at the starting line with its green initiatives. “Most of our [efforts] are at the very beginning stages,” says Grover. She also mentions replacing incandescent lamps with compact fluorescent bulbs, waste heat recovery from pizza ovens, and better temperature-control strategies.

### LET THERE BE LIGHT

“Changing lamps out is almost a no-brainer, because payback is fairly quick,” declares Tim Stein, a Denver-based green consultant and former food and beverage director for environmentally conscious Xanterra Parks & Resorts. “Maybe you also look at your menu and ask what equipment you can do without, though you don’t ever want equipment decisions to drive your menu.”

Stein argues a part of the business case for going green should be driven by what competitors are doing. “If you are not starting to look at sustainability, there’s always the potential that your competitors are,” he warns.

Consultant Tom Galvin, a former design manager at Darden and Hard Rock Cafe, thinks any argument for equipment

requiring additional capital could be doomed. “If you can’t document where you’ll be saving \$100,000, [management] doesn’t care,” he says. (Curiously, an official at Hard Rock Cafe, whose logo once included the slogan “save the planet,” declined to provide information about its green efforts, if any.)

Galvin suggests making the case by developing charts in conjunction with utility companies showing returns. “Yes, this piece of equipment will cost 10 percent more, but it pays for itself in five years,” he says. “If you can show that, [executives] will say, ‘This isn’t a bad thing. I can get a payoff on this.’ It’s not like they wouldn’t do this.”

It may just take time to get things done. “Every industry I’ve looked at for the last 15 years follows a similar cycle,” explains Scot Case, a vice president at TerraChoice, an environmental marketing consultancy in Reading, Pa., who says foodservice is at the beginning of the cycle. “A few small, innovative, almost irrelevant companies do something green and get noticed. That captures the attention of larger players, who first deny what the small players are doing is relevant and later that it’s important but too expensive. Then one of them does it for publicity reasons and figures out there’s money to be made. They have a competitive edge for three to five years. Then the rest catch up.”

In short, there’s still hope for Mother Earth. ■



**on the web:** Learn more about the green efforts some restaurant companies are taking to trim costs at [www.chainleader.com](http://www.chainleader.com).

## How Green Is Your Menu?

**S**ustainability consultant Tim Stein says authentically green menus should adhere to the following guidelines:

**No bottled water.** Bottled water is totally inefficient when you consider the sourcing, bottling and packaging, and shipping and handling required. Instead, filter tap water.

**Sustainable seafood.** Choose the recommended products from reputable seafood guides like Seafood Watch ([mbayaq.org](http://mbayaq.org)) or *Seafood Solutions* ([chefsollaborative.org](http://chefsollaborative.org)).

**Local, seasonal produce.** These products will have been picked closer to peak ripeness, will be fresher, retain more nutrients, and will not have traveled far.

**rBGH-free dairy.** Organic dairy products cannot be produced with recombinant bovine growth hormone or any other added hormones, according to the USDA standard.

**Cage-free eggs.** Although not necessarily cruelty free, they do come from hens with space for walking, spreading wings and laying eggs in nests.

**Organic, fair-trade coffee.** Coffee can be one of the easiest products to change on menus. Also use organic fair-trade chocolate in desserts and hot chocolate drinks.

**Heritage and grass-fed meats.** These proteins protect biodiversity and avoid the disposal of feedlot waste.

**Organic grains.** Grains grown without chemical pesticides, herbicides and petroleum fertilizers are better for the environment.

**Organic potatoes.** The big plus: Organic potato farms require high soil fertility and eliminate the use of chemical pesticides.

Energy-efficient equipment such as heat exchangers may cost an additional 5 percent, but they could trim operating costs by 10 percent.



Environmental advocates have long been making a business case for shrinking carbon footprints in commercial buildings, which are responsible for the bulk of greenhouse gases, by arguing for more energy-efficient equipment and building materials.

Burger King, for example, recently completed testing a more efficient broiler, which it's now rolling out in company and franchise stores. Spokesman Keva Silversmith claims the equipment cuts gas consumption by 52 percent and electricity (for cooling kitchens) by 90 percent—a whopping savings if accurate. The NRA's recent "Restaurant Industry Operations Report" shows company-owned limited-service restaurants budget about 3.4 percent of sales for "utilities services."

The Miami-based burger behemoth has also designed a smaller prototype that may roll out this

year, featuring tankless water heaters among other energy-saving devices, adds Silversmith, an outside communications executive who is leading Burger King's nascent green strategy. "We're hoping to come up with a strong sustainability platform," he says. "I would hope that we'll be putting things on our Web site and talking publicly by the summer of '08."

Saladworks, an all-franchised 18-unit chain based in Conshohocken, Pa., is hoping franchisees will consider adopting the sustainability efforts company officials are making at headquarters. So far, an environmental consultant has helped them ban bottled water, replace plastic pens with biodegradable pens made from cornstarch and switch to chlorine-free recycled copy paper. There are also plans to use energy-efficient lamps and install tankless water heaters.

**Like many large chains, California Pizza Kitchen has yet to implement a comprehensive sustainability strategy, although an official says the company recently evaluated HVAC, hot water and lighting.**



**BIG idea** Pizza Fusion franchisee Harry Day says marketers should boast about taking green steps such as using organic produce, LEED-certified buildings or hybrid cars.