FULL REPORT

CATERING FOR SUSTAINABILITY

MAKING THE CASE FOR SUSTAINABLE DIETS IN FOODSERVICE

FOREWORD

It's easy to make the moral case for eating more sustainably. Food lies at the intersection of some of the world's greatest environmental and societal challenges: from climate change and water depletion to malnutrition and land displacement. People's health and livelihoods and the health of the planet rely on a food system that respects planetary boundaries and prioritises people's quality of life.

But for many companies who need to balance short term profitability pressures with corporate values, the longer term business case for sustainable diets can be harder to make.

This report is one of the outcomes of a three-year partnership between Sodexo UK & Ireland and WWF-UK that aims to develop and promote more sustainable diets. In it, we demonstrate how it's possible to make a strong business case for sustainable meal choices based around revenue growth, profitability and supply chain resilience.

Sodexo itself has worked with WWF to develop Green & Lean meals which showcase plant-based proteins, are tasty, healthy, sourced to high standards and cost the customer no more than current meal options.

Feedback suggests a growing demand for meals that are nutritious but also less resource intensive to produce.

So, while there remains a degree of confusion about what sustainable diets looks like in practice – a point on which this report seeks to provide some clarity – there is clear consensus among foodservice businesses that the case for action is compelling.

As awareness of the environmental impacts of our diets grows, particularly among Generation Z/Millennials, this report suggests that it is businesses who are meeting demand for sustainable food options that will be best placed to reap the rewards.

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EXECUTIVE SUMMARY

INTRODUCTION

What we grow, eat and throw away has an impact on the environment, our health and well-being, and on animals' quality of life. Over recent years there has been growing interest in eating sustainable diets at home and in cafes, restaurants and workplace canteens.

As part of WWF's work on sustainable food, WWF-UK and Sodexo UK & Ireland commissioned the Food Ethics Council to undertake independent research to explore the business cases for adopting and promoting sustainable diets in the foodservice sector.

The work comprised a mix of desk-based research and semi-structured interviews with 16 senior foodservice sector personnel and other opinion leaders linked to the industry. The following report reflects the authors' findings from the research and draws extensively on the interviewees' insights and opinions.

Farming is a major contributor to climate change – it is responsible for 20-30% of the world's greenhouse gas emissions, 14.5% of which is related to livestock production.[1] It is also vulnerable to the effects of climate change.

Increased consumption of meat and foods high in sugar, salt and saturated fat is linked to associated rises in obesity and other non-communicable diseases such as type-2 diabetes, respiratory illnesses and some cancers.[2, 3]

In the UK, 43.6% of all expenditure on food and drink is spent on 'out of home' catering in some form or other, in 2015 equating to £87.6 billion.[4] As well as feeding between a fifth and a quarter of people in the UK at least once a week,[5] the foodservice industry employs over 1.6 million workers across almost 450,000 sites.[4]

Given its size and reach, it seems inevitable that foodservice will be affected by the challenges facing global food systems, and vulnerable to the negative effects of industrialised farming on human and planetary health.

How can foodservice ensure the long term sustainability of its industry in the face of these challenges, delivering healthy and sustainable food to its customers?

The work aims to understand whether, why and how sustainable diets are promoted by individual foodservice companies, and to assess the business cases for adopting and promoting sustainable diets across the sector. It seeks to understand the policy environment and other external drivers of change in the industry. The report focuses primarily on the UK, but within a global context. Quotes from participants are anonymous, but a list of people who contributed to the research is available in the acknowledgements section of this report.

WHAT ARE SUSTAINABLE DIETS?

The Food and Agriculture Organization of the United Nations summarises sustainable diets as:

"[Those] diets with low environmental impacts which contribute to food and nutrition security and to healthy life for present and future generations." [6]

Whereas 'healthy diets' only focus on health and nutrition, sustainable diets consider a number of issues related to food, from farm to plate, addressing multiple impacts at once, including – crucially – climate change. Sustainable diets must:

• **Protect biodiversity and ecosystems**

• **Be culturally acceptable**

• **Be easy to come by and affordable**

• **Deliver nutritious, heathy, safe and adequate food**

• **Optimise natural and human resources**

WWF's Livewell Principles for a sustainable and healthy diet have been adopted by a number of organisations working across food sectors in the UK.

The Livewell Principles[7] are:

1) **Eat more plants** – enjoy vegetables and whole grains!

2) **Eat a variety of foods** – have a colourful plate!

3) **Waste less food** – one third of food produced for human consumption is lost or wasted.

4) **Moderate your meat consumption, both red and white** – enjoy other sources of proteins such as peas, beans and nuts.

5) **Buy food that meets a credible certified standard** – consider MSC, free-range and fair trade.

6) **Eat fewer foods high in fat, salt and sugar** – keep foods such as cakes, sweets and chocolate as well as cured meat, fries and crisps to an occasional treat. Choose water, avoid sugary drinks and remember that juices only count as one of your 5-a-day however much you drink.

This report looks at the current conditions in which sustainable diets sit; projected trends in the market that may favour them; potential business cases for the adoption of sustainable diets; barriers to the business cases; what else is needed to move towards adopting sustainable diets; and practical recommendations for foodservice companies.

STATE OF PLAY

The report assesses the current level of offer of sustainable diets across the foodservice sector in the UK, and in individual companies. The majority of companies appear not to offer sustainable menus, and confusion seems to reign over what a 'sustainable diet' means.

Some foodservice companies offer 'healthy' menu choices, and may even be making some reductions in food waste, water and energy use. However, the majority are not making links between the two areas, and hardly any meet the six criteria set out by the Livewell Principles on the previous page.

Many foodservice companies are either unaware or only partially aware of the effects of climate change on food systems, and the likely knock-on pressures for their business. Instead, they are operating on a short-term agenda of offering value for money, cutting margins and driving prices down. This focus on price can encourage efficient operations, but it should not be a proxy for sustainability.

Two drivers that may be foundations on which to build a more sustainable menu offering are **health and wellbeing**, and **provenance**, both of which have gained popularity with customers in recent years.

A small minority of foodservice companies are already working to the principles of sustainable diets, making menu changes (e.g. shifting from meat- to plant-centred meals), educating staff, clients and customers on the benefits of sustainable diets, and integrating sustainability across their business.

TRENDS

The report identifies a number of trends in foodservice that will help to build solid foundations for adopting and promoting sustainable diets.

There is an increasing demand for healthy foods from customers and catering clients alike.

Meat consciousness is on the rise. There appears to be an increasing interest in eating less meat: interest in flexitarianism - eating a mostly vegetarian diet with the occasional addition of meat - is growing.

There is a growing interest in traceability. People want to know where their food comes from, what impact it has had on the environment, and whether it meets decent animal welfare standards. This is driving an internal trend within foodservice businesses to have more transparency in their own supply chains, which can drive up standards.

Customers are changing. Millennials are one of the largest generations in history, and the generation that follows them – 'Generation Z' – will represent 40% of the buying publics in the US, EU and BRIC countries.[8] Together these two generations will shape the future of foodservice, as they are at the forefront of social, environmental and technological change.

Investors and NGOs are increasingly holding foodservice companies to account for their sustainability and health credentials. Are they viable in the long term? Do they have the policies to prove it? Can their credentials be vetted by independent third parties? Only then can they unlock investment from large institutional investors.

THE BUSINESS CASES

No one business case fits all. Even within a business, decision makers have different motives for individual choices. This report sets out a wide suite of strong business cases for why foodservice businesses should embrace sustainable diets.

They can be grouped into three distinct areas (although in many cases they overlap and are interlinked):

- **Delivering turnover growth** by differentiating the product offer, enhancing brand reputation and building customer loyalty, stimulating customer demand, and securing investment.
- **Mitigating risks and increasing resilience** by ensuring quality and security of supply, increasing the integrity of supply chains, reducing regulatory risks, reducing the risks to reputation, and maintaining the licence to operate.
- **Maintaining and improving profit margins** by improving staff motivation and retention, making efficiency savings, using lower or same cost ingredients, and reframing costs.

BARRIERS

The senior foodservice sector personnel interviewed for this report identified a number of barriers to making a watertight business case for adopting sustainable diets, which are discussed in detail in this report. Among them is a widespread perception that sustainable diets cost more. Other interviewees dismissed this barrier: it may be more expensive to buy higher welfare meat (for instance), but buying less of it and refocussing menus on plant-based ingredients is usually cost neutral or cheaper.

Other barriers include: the myth that the customer is only interested in price, not sustainability (which may be true in the very short term, but as has been seen already, the trend is towards more sustainable meals); supply chain constraints ('there's not enough MSC fish'); and it is too complex to implement and monitor.

One really important barrier is the lack of understanding across the foodservice industry – let alone amongst its customers – of what a sustainable diet means. Another is the current lack of government incentives and regulation to enable sustainable diets and to discourage unsustainable diets.

INGREDIENTS FOR CHANGE

The report identifies a number of ways to overcome the barriers to adopting and promoting sustainable diets, and other ingredients that are needed to encourage them to be taken up more widely.

In your business

- **Integrate** sustainable sourcing and health & nutrition across departments to make more rapid progress on sustainable diets

- **Pilot** sustainable menus and, if successful, roll them out across all your outlets

- **'Bundle' costs:** calculate the overall costs and benefits of introducing a sustainable menu, not the cost of individual products

- **Develop staff** who are passionate about delivering sustainability: provide them with the space, tools and incentives to deliver sustainable diets

- **Tailor** business cases for sustainable diets to the specific circumstances of your company, clients and customers

- **Horizon scan:** assess the impacts of geo-political and societal shifts on the medium and long term health of your company

- **Remove worst offenders:** choice edit/rule out ingredients that are unsustainably sourced e.g. fish species from Marine Conservation Society's 'fish to avoid list'

Across your stakeholders

- **Educate and build demand:** tell customers, clients and suppliers why sustainable diets are important

- **Invest** in sustainable supply chains

- **Ask** "would customers eat your food if they knew where it came from, how it was made, and what its health and sustainability credentials were?"

- **Promote your values:** tell stakeholders why sustainable diets matter to you

Across your industry

- **Share best practice**, including non-commercially-competitive information about the business cases that have worked for you

- **Agree on a shared definition** (or common principles) for sustainable diets to create a level playing field when implementing them

- **Collaborate** for sustainable diets: go beyond zero-sum competitiveness to promote the benefits

- **Advocate** (to national governments) for a level playing field; a change to competition law; and agree an industry-wide definition of sustainable diets.

LAST WORD

Foodservice companies embracing sustainable diets want to survive and prosper in the long-term – and make positive contributions to the health of people and the planet. This report describes the drivers for change in more detail, gives businesses actions to take to prepare them for the future, and sets out compelling business cases for adopting sustainable diets.

By promoting sustainable diets, foodservice companies can get short-term reputational benefits. More fundamentally, they can future-proof their business: ensure their product offer is ready for the customers of tomorrow; make sure their supply chains are fit for the future; and ensure their staff are ready, fit and motivated for what lies ahead.

In the past, the market has been heavily stacked so that the short-term business case for promoting cheap, unhealthy, unsustainable diets felt strong, even if in reality the long-term case was weak. It is not surprising that until recently relatively few foodservice companies had begun to adopt genuinely sustainable diets. But change is coming – and fast.

With pressure from customers, clients and investors, it is inevitable that sustainable diets will become a much larger part of – and ultimately the only – offering on the menu of food providers big and small. Are you ready for that change?

CHAPTER 1: INTRODUCTION

1.1 Impacts of diets

What we grow, eat and throw away has an impact on the environment, our health and well-being, and animals' quality of life.

Farming is a major contributor to climate change – it is responsible for 20-30% of the world's greenhouse gas emissions,[9] 14.5% of which is related to livestock production.[1] Food production is the main driver of deforestation, land-use change and biodiversity loss, and it uses 69% of all fresh water extracted for human needs globally.[10] Almost 30% of fish stocks were overexploited or depleted by 2009.[11]

Industrialised farming can have negative impacts on animal welfare, ecosystems and on human health due to over-reliance on antibiotics, pesticides and other chemical inputs. Most obviously, diets also have direct impacts on human health.

Increased consumption of meat and foods high in sugar, salt and saturated fat around the world has been linked to associated rises in obesity and other non-communicable diseases such as type-2 diabetes, respiratory illnesses and some cancers.[2,3]

One way to tackle these pressing issues is the widespread adoption of sustainable diets.

1.2 Sustainable diets

The Food and Agriculture Organization of the United Nations summarises sustainable diets as:

"[Those] diets with low environmental impacts which contribute to food and nutrition security and to healthy life for present and future generations. Sustainable diets are protective and respectful of biodiversity and ecosystems, culturally acceptable, accessible, economically fair and affordable; nutritionally adequate, safe and healthy; while optimising natural and human resources." [6]
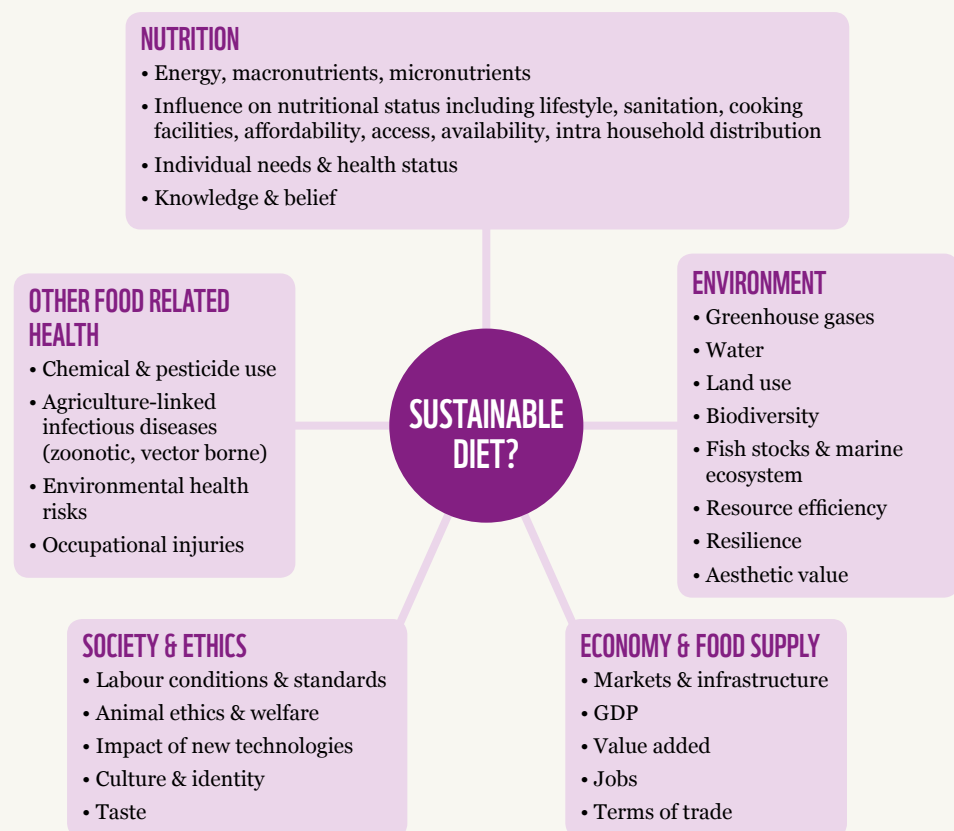
Whereas 'healthy diets' only focus on health and nutrition, sustainable diets consider a number of issues related to food, from farm to plate, addressing multiple impacts at once. Research from Oxford University and the British Heart Foundation found that *"public health and climate change dietary goals are in broad alignment with the largest results in both domains occurring when consumption of all meat and dairy products are reduced."* [9]

WWF's Livewell Principles for a sustainable and healthy diet have been adopted by a number of organisations working across food sectors in the UK.

The Livewell Principles[7] are:

1) **Eat more plants –** enjoy vegetables and whole grains.

2) **Eat a variety of foods** – have a colourful plate.

3) **Waste less food** – one third of food produced for human consumption is lost or wasted.

4) **Moderate your meat consumption, both red and white** – enjoy other sources of proteins such as peas, beans and nuts.

5) **Buy food that meets a credible certified standard** – consider MSC, free-range and fair trade.

6) **Eat fewer foods high in fat, salt and sugar** – keep foods such as cakes, sweets and chocolate as well as cured meat, fries and crisps to an occasional treat. Choose water, avoid sugary drinks and remember that juices only count as one of your 5-a-day however much you drink.

The Food Climate Research Network (FCRN) has developed a checklist of issues to consider when defining a sustainable diet (see Figure 1).

NUTRITION
- Energy, macronutrients, micronutrients
- Influence on nutritional status including lifestyle, sanitation, cooking facilities, affordability, access, availability, intra household distribution
- Individual needs & health status
- Knowledge & belief

OTHER FOOD RELATED HEALTH
- Chemical & pesticide use
- Agriculture-linked infectious diseases (zoonotic, vector borne)
- Environmental health risks
- Occupational injuries

SUSTAINABLE DIET?

ENVIRONMENT
- Greenhouse gases
- Water
- Land use
- Biodiversity
- Fish stocks & marine ecosystem
- Resource efficiency
- Resilience
- Aesthetic value

SOCIETY & ETHICS
- Labour conditions & standards
- Animal ethics & welfare
- Impact of new technologies
- Culture & identity
- Taste

ECONOMY & FOOD SUPPLY
- Markets & infrastructure
- GDP
- Value added
- Jobs
- Terms of trade

Figure 1: Issues to consider when referring to sustainable diets (Source: 'What is a sustainable healthy diet' report, FCRN)[12]

1.3 Context

In this report, sustainable diets are considered in a foodservice context, so food *consumption* is the main focus: smaller portion sizes, reduced meat content and increased consumption of plant-based foods.

1.31 Foodservice

The UK foodservice sector is highly diverse. In 2014 it was valued at £46.6 billion and is expected to grow by 2.2% between 2014 and 2019 to reach a value of £56.3 billion.[13] The sector can be broadly split into contract caterers such as staff catering and education; restaurants; quick service; hotels; and travel. Within these broad categories there is a huge range of size from multinational corporations to small businesses employing a handful of staff.

From high street chicken shops to Michelin starred restaurants, from hospital food to workplace canteens, its reach into people's everyday lives is immense.

THE UK FOODSERVICE MARKET - FOOD PURCHASES
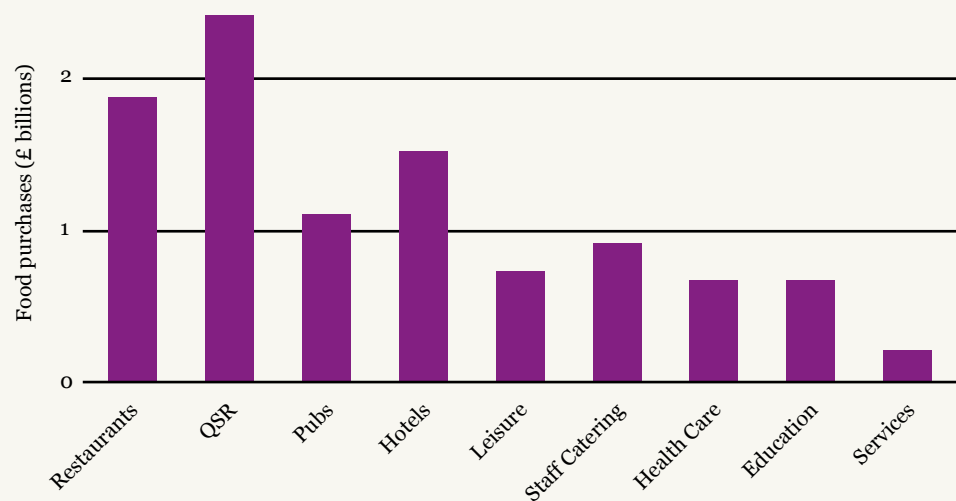
Figure 2: *The value of food purchases split by different sectors of the UK foodservice market for 2013/2014 (Source: Horizons, www.hrzns.com)*

Key: QSR = Quick Service Restaurants

THE UK FOODSERVICE MARKET - MEALS
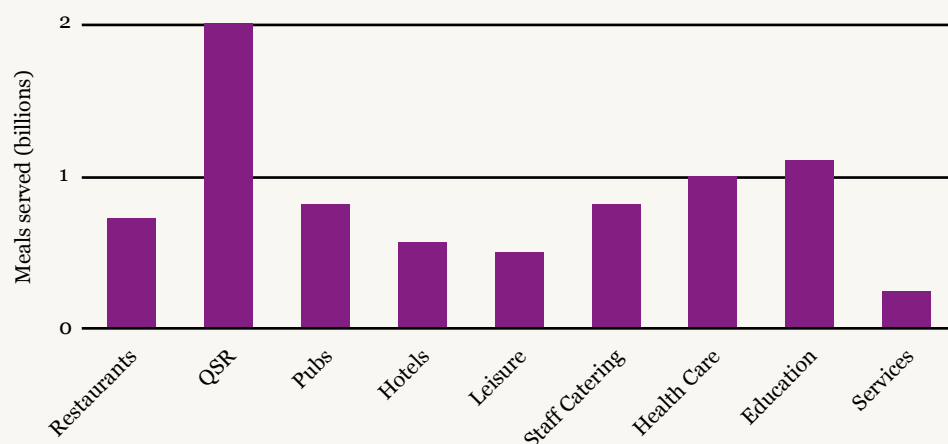
Figure 3: *The number of meals per year split by different sectors of the UK foodservice market for 2013/2014 (Source: Horizons, www.hrzns.com)*

Key: QSR = Quick Service Restaurants

According to Defra's food pocketbook, the UK buying public spent £87.6 billion on catering services in 2015, out of a total food expenditure of £201.0 billion[4] (43.6% of total consumer expenditure on food, drink and catering). It is estimated that between a fifth and a quarter of people in the UK dine out or eat takeaway meals at least once a week.[5]

The foodservice sector is a very large employer. In 2015, caterers (cafes, restaurants and canteens) employed over 1.6 million workers across almost 450,000 sites in the UK.[4]

1.3.2 Building a business case for sustainable diets

Sustainable diets contribute to food security, human health, animal welfare and a resilient environment. In what ways can businesses also benefit from adopting healthy, sustainable meals and how can they help create the external conditions needed for sustainable diets to flourish?

A business case refers to the rationale of a business to engage with a certain activity, *'on the basis of its expected commercial benefit'*.[14] Traditionally, this commercial benefit has uncompromisingly been profit, or the shareholder value to which most businesses are legally bound. However, there is a growing recognition of the risks of socially and environmentally irresponsible behaviours and the opportunities for sustainable businesses.

What are the business cases for adopting the provision of sustainable diets across the sector? What are the barriers, and how can companies address those barriers to offer food that sustains the business, and ultimately life itself? This report sets out to answer those questions.

1.3.3 Method

WWF is committed to tackling the effects of climate change on the environment, including the effects of food production and consumption. Its Livewell for LIFE project is a cross-sector initiative that engages in the sustainable diets debate across Europe, looking at health, nutrition, carbon and affordability.[15] The project demonstrates that low-carbon, healthy diets can help achieve a reduction of at least 25% in greenhouse gas emissions from the EU food supply chain in line with EU targets.

As part of WWF's work on sustainable food, WWF-UK and Sodexo UK & Ireland commissioned the Food Ethics Council to undertake independent research to explore the business cases for the adoption and promotion of sustainable diets in the foodservice sector.

The aim of the work is to understand whether, why and how sustainable diets are promoted by foodservice, and to assess the business cases for adopting and promoting sustainable diets across the sector. It seeks to understand the policy environment and other external drivers of change in the industry.

The work comprised a mix of desk-based research and semi-structured interviews (a standard set of questions with scope to interrogate responses further) with senior foodservice representatives from large foodservice businesses with major operations (and often headquartered) in the UK and other opinion leaders linked to the industry.

Desk research consisted of a targeted web search for relevant literature (predominantly 'grey', or non-academic literature). Names are given to the actions or views of specific companies only where that information is publicly available. Sixteen experts were interviewed, primarily those with responsibility for sustainability and/or nutrition issues (and in some cases strategy), including contract caterers, catering suppliers, restaurants, and external consultants.

A list of people who contributed to this research is available in the acknowledgements section. In order to allow people to express themselves freely, quotes from participants have not been attributed. Information and views from the interviews and desk research were analysed and incorporated into the report.

In terms of geographical scope, the research explores issues relating to sustainable diets from a UK perspective, but within a global context.

1.3.4 Report structure

The report consists of seven chapters:

1 INTRODUCTION

2 STATE OF PLAY
State of play in the foodservice sector in relation to promoting sustainable diets

3 TRENDS
Trends in the market that are likely to affect foodservice sector businesses

4 SETTING OUT THE BUSINESS CASES
The arguments for promoting sustainable diets, according to senior foodservice executives

5 BARRIERS TO ADOPTION OF SUSTAINABLE DIETS

6 WHAT ELSE IS NEEDED TO PROMOTE SUSTAINABLE DIETS?

7 CONCLUSIONS & RECOMMENDATIONS
Ingredients for change

CHAPTER 2: STATE OF PLAY

2.1 Current interpretation of sustainable diets in foodservice

The Food Ethics Council looked at the current level of offer of sustainable diets across the foodservice sector as a whole, and with individual companies. The majority do not see themselves as offering sustainable diets, and some interviewees for this work were hard pressed to define a sustainable diet. Even those who do understand what a sustainable diet means believe that clients and customers may not.

2.1.1 Efficient operations as a proxy for sustainability

In many foodservice companies, the concept of 'sustainability' is limited to making reductions in energy, water and waste, and is firmly rooted in the CSR agenda. Health and nutrition is usually dealt with by separate teams. It is very rare to come across a foodservice company that puts the two together.

For example, Pizza Express equates being "greener" with energy efficiency appliances and recycling initiatives.[16] Making such reductions can save a company money, but on their own they do not offer a credible alternative to today's 'business as usual' approach to food production and consumption, and fall far short of even the FAO's more basic definition of a sustainable diet.

2.1.2 Provenance

Foodservice clients and customers are increasingly interested in the provenance of products, a trend that began in the niche food retail sector and has grown over the past decade, partly driven by celebrity chef endorsements, and partly in support of 'local' businesses.

A YouGov report published in 2012 showed that – even whilst deep in recession – UK shoppers were keen to support their local and national economies by buying 'local' (usually seen as within 30 to 50 miles of the respondent's home town). The second most important reason for 'buying local' was the perceived quality of the product (the first being to support the local economy). The products that shoppers were most likely to want to source locally were poultry, red meat and eggs.[17]

These findings are borne out in a survey for AHDB Pork, which indicates that as many as 65% of people are interested in where their meat comes from, partly driven by quality and traceability, and partly by animal welfare concerns.[18]

However, it should be made clear that local sourcing is not a proxy for sustainable sourcing – the two are very different, although one *may* go hand in hand with the other.

2.1.3 Value for money

Most small and medium sized 'middle market' foodservice companies appear to focus purely on price and value for money.

This 'middle market' is under-regulated, partly due to financial cuts to local councils (responsible for environmental health) and the Food Standards

Agency.[i] Many of its core customers seem less interested in where their food comes from or how healthy it is than in how much it costs and whether it represents value for money. This often translates into a customer expectation of large portions of food, with the main ingredient being animal protein.

2.2 Health and wellbeing

Health and wellbeing were identified by all interviewees as highly important to customers and clients, and therefore to foodservice companies. The foodservice agenda around health and wellbeing is also influenced by government regulation on allergens, voluntary agreements on calorific values (e.g. displaying calorific, salt, fat and sugar values), and environmental health and food safety schemes like the Food Hygiene Rating Scheme (Scores on the Doors).

Foodservice companies are developing offers based on health and nutrition. To cite one example, in 2013 Elior (a contract caterer operating in 13 countries) launched its 'You & Life' campaign to inform staff, customers, and clients of its policy to deliver 'healthy, safe and tasty food in a responsible and sustainable way'.[19] However, the majority of companies do not link health with sustainability, and neither do their customers.

2.3 What progressive foodservice companies are doing

In contrast to the mass middle market, a minority of more progressive foodservice companies have developed strategies for delivering sustainable diets.

These companies are making menu changes; educating staff, clients and customers on the benefits of sustainable diets; and integrating sustainability across the business.

Initiatives include developing vegetarian alternatives to signature dishes, offering training to chefs on sustainability and supply chain traceability, meat free Mondays, signing up to third party certification schemes such as MSC fish, Food for Life Catering Mark and Fairtrade, and promoting sustainable diets to customers and clients.

For instance, Lussmanns restaurant (winner of the Sustainable Restaurant Association's award for Sustainable Small Restaurant Group of the Year two years in a row[20]) has made sustainable dining accessible and affordable. It claims to be the first restaurant group outside London to offer MSC certified fish and shellfish.[21] IKEA Food offers a vegetarian alternative to its iconic meatballs.[22] [See separate case study].

Companies such as Mara Seaweeds[23] and Quorn[24] have capitalised on providing alternative, sustainable produce and are gaining in popularity. Quorn increased its production capacity by 50% in 2015 to meet surging demand in the USA

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[i] The November 2015 spending review confirmed the FSA budget would be frozen at £85.4M a year until 2020. This equates to a cut in real terms of £6M or 7% to its budget during that period. Its funding fell by £22M from 2013 to the end of 2015/16.
http://www.foodmanufacture.co.uk/Food-Safety/Food-safety-implications-of-FSA-budget-cuts

and Europe.[25] Some restaurants offer unusual ingredients, such as El Patron (London), which served insects for a month to promote Mexican gastronomy and highlight the need to think differently about protein consumption.[26]

2.4 Summary of current state of play

Whilst the majority of foodservice companies are not yet offering sustainable meals, a growing minority are. Of these, some appear to be moving gradually towards the WWF-UK definition of sustainable diets through their pursuit of quality assurance, customer and client demands for healthy food, and their focus on reducing input costs such as energy and water usage and food waste. They may just not be marketing the changes as 'sustainable diets'.

Businesses with the most progressive take on sustainable diets are making overt links between human health and the environment, specifically in giving one senior manager responsibility for both areas, rather than seeing them as separate issues.

CHAPTER 3: TRENDS

What major trends are emerging in foodservice, how might they affect current and future business models, and is an interest in sustainable diets (or aspects of them) beginning to emerge amongst customers, clients, employees and society at large? These are some of the questions this report is trying to answer.

Desk research and interviews identified a number of key trends likely to impact on foodservice, in terms of customer offerings, future demand, supply chains, shifts in investment patterns and the changing policy environment.

According to a survey led by the National Restaurant Association, nearly all the Top 20 Food Trends in 2015 related to sustainability and health. These ranged from sustainable sourcing and transparency of supply chain, to healthy and minimally processed food, locally sourced, whole grains, and greater variety of cuts of meats and fish species.[27]

3.1 Increasing demand for healthy foods

Over recent years, the trend towards health and wellbeing has continued apace, with no sign of interest tailing off. Interviewees reported that more customers are asking for healthier options, and their clients want to provide healthier food to their workforces. In many cases, clients are taking their lead from the US, where it was suggested the connection between offering healthy meals and lower company costs (e.g. around health insurance, absenteeism and health and safety) is already well established.

Many (but not all) customers want to know the nutritional value of their food, and demand healthier options. However, it appears that customers want to be in control of choosing whether to eat healthily or not; and want indulgent food to stay on the menu so they can treat themselves. Clients want their food providers to develop healthy options, and display information such as nutritional and GDA values.

Despite an increase in the number of people wanting healthy options, they may not always be able to choose them. Research for Menus of Change (a sustainable food conference for professional chefs and foodservice operators)[28] found a great disparity between what customers look for and what is on offer. The strongest disparities were in whole grains (47% availability versus 83% demand), nuts (44% versus 82%) and legumes (53% versus 80%).

3.2 Meat-consciousness on the rise

There is an increasing interest in eating less meat. 'Flexitarianism' - eating a mostly vegetarian diet with the occasional addition of meat - is gaining ground, partly because of news stories about the health impacts of eating high levels of red and/or processed meat. Some interviewees for this research successfully introduced menu changes like red-meat free Mondays in the UK (and wholly meat free in other countries) and reformulated dishes to reduce the meat content. This keeps contract costs down, enables people to eat more healthily, and contributes to reduced greenhouse gas emissions.

Pret A Manger is one company responding to customer demand by offering a wider choice of vegetarian options.[29] A poll carried out for the company in 2015 revealed that 44% of its customers would like to see a vegetarian branch; 52% were keen on a veggie fridge in every shop; and only 4% said Pret was fine as it was. As a result, the company plans to trial a vegetarian fridge in one of its UK shops, and convert an existing shop into a vegetarian Pret for a few weeks in summer 2016.[30]

3.3 Growing interest in traceability

The interest in provenance is a trend that most interviewees predicted as only growing stronger. Driven partly by celebrity chefs on TV, and partly by concerns over animal welfare and paying producers a fair price, more people are asking questions about where their food comes from.

And, powered by technology, people are increasingly able to find out. *"Use of technology will increase … customers in the States are already using it … they can swipe product labels and menu cards with their smart phones and be shown the farm or the animal that food came from … What we're seeing from consumers… (and it cuts across many other parts of their lives), is this requirement for personalisation. Technology helps us to deliver that"*, predicted one expert we interviewed.

The 'Eco-Eating Culinary Trend Mapping Report' identifies a long-term increase in 'environmentally conscious eaters'.[31] This trend leads naturally on from provenance. Having become engaged with stories about individual producers or local products, customers then look more deeply into how their food got from field to fork. As one interviewee explained: *"Businesses tend to shine the spotlight on good/positive projects, and customers respond to these positively. However, people are seeing the negative impacts (e.g. climate change) higher and higher on their agenda. The same goes for health issues (obesity, sugar, etc.) … There has been an evolution of society and how we've been farming, and customers are now asking how this has happened."*

Customer interest in traceability reflects a growing concern among foodservice companies about the security and transparency of their supply chains. Scandals like 'Horsegate' revealed a shocking lack of traceability in food supply chains that affected retailers and restaurants alike.

Research for this report identified a definite move within foodservice towards consolidating, understanding and nurturing supply chains. One interviewee reported a *"trend of improving the visibility of our own supply chain, a continued focus on consolidating supply chains. In the UK post-horsemeat … [there has been a reduction in] … the number of suppliers, and we've worked with the remaining ones at a more granular level – … [but that does mean] … some suppliers will lose out."* Working more closely with suppliers means that companies can more easily secure quality and quantity of supply. And they can tell customers about the provenance of the product as well.

3.4 Increasing importance of millennials

Many interviewees referred to the significance of 'Millennials' and Generation Z, and their relevance to the foodservice sector. Millennials are one of the

largest generations in history. Born between 1980 and 2000 they have grown up in a time of unprecedented social, environmental and technological changes. According to Goldman Sachs they are "poised to reshape the economy; their unique experiences will change the ways we buy and sell, forcing companies to examine how they do business for decades to come."[32]

'Generation Z' (young people born after 1995) will represent 40% of the buying publics in the US, EU and BRIC countries. Together these two generations, with their expectations that food providers should make sustainable and healthy choices for them, will change the industry. It's already happening in catering in the university and high tech sectors.

Having grown up learning about climate change, animal welfare and social justice issues, they expect the food they eat to reflect their own interests. Increasingly, they expect companies to 'shape up' or face social media exposure. *"[Younger generations] are very engaged and almost quite militant if they think they are not getting the right information. They want to know what they are eating, where it comes from, what they can do to help the restaurant act in a more responsible way. That might be around recycling, packaging, or knowing more about the fish they are going to eat. The level of engagement is much higher in younger people, and in general it's getting much higher."*

3.5 Investors

Investor pressure may soon mean that larger foodservice companies will need to offer sustainable diets as the norm. A recent report from the University of Oxford and Arabesque partners found that "financial analysts and professional investors increasingly consider a company's sustainability performance, factoring in environmental, social, and governance (ESG) elements into company valuations."[33]

The report went on to say: "...the University of Oxford found that almost 90% of research reports on publicly traded companies now find that strong ESG performance is linked to better business performance, and that sustainability practices positively influence stock performance." Although investor focus is currently on food production, as the impacts of food consumption on human health and the environment become even more explicit, this is likely to change.

Oxfam's Behind the Brands company scorecard[34] assesses how social and environmental issues are addressed by companies in the food supply chain. The Access to Nutrition Index[35] assesses and ranks food and drink manufacturers on their commitments, practices and performances around nutrition. The index has gained recognition worldwide as an independent benchmark for stakeholders, including investors, who recognise health and nutrition as significant drivers for future growth in the food and beverage sector.

It is not inconceivable that similar indices for foodservice companies could be developed in the future, putting them under much greater public scrutiny than most receive at present. For example, the Farm Animal Investment Risk and Return (FAIRR) initiative was recently established to ensure investors understand the opportunities and risks associated with poor animal welfare standards and intensive livestock farming, and support them through their investment processes.[36]

3.6 Conclusion to trends

It is inevitable that different sectors within foodservice will move at different paces, driven by customer demand. *"What we're seeing and what we predict for foodservice in the coming years is that each of those individual sectors will move differently – and ultimately will all end up moving towards quality. But they're all on different parts of the cycle"* said an industry expert. The school and hospital food environments, he explained, are already focused on health and (to a lesser extent) sustainability, but the care sector, which is seen as lower profile, is still lagging behind. They *"seem to have taken very heavily the introduction of the national living wage, so are still very much on the cost angle. I would predict that … [eventually] … they'll move towards quality."*

CASE STUDY: LEON

Background

The restaurant chain Leon was founded in July 2004 by Henry Dimbleby, John Vincent and Allegra McEvedy, with the first restaurant opening in Carnaby Street, London. The aim was to change the face of fast food by bringing fresh, wholesome cooking to the high street. The brand includes cookbooks and collectables, the Leon Foundation, Leon TV, and Cook5.

Key initiatives introduced that support sustainable diets

Leon believes in a balanced diet, the power of plants, good fats, natural ingredients and giving your body what it needs. Menus are developed by a multi-disciplinary team and reviewed four times a year (once per season). Menu items are designed around what Leon believes will most inspire people, starting with grains or plants as a base. Animal protein is sometimes added to compliment the recipe, with a preference for chicken over red meat, due to the resource intensive nature of beef and pork farming. This also allows for wider margins and investment into better produce. Whenever possible, ingredients are certified organic.

Leon doesn't disclose calories for its meals: it believes the focus should be on the balance and variety of the diet. In 2015/16, the brand has introduced superfood salads, leafy salads and protein pots, to provide more flexible meal options to its customers.

CEO John Vincent works at the Victoria (London) branch about once a week. This has led to a buddy-up scheme, where members of staff from head office spend five days a year working in a restaurant's kitchen or front of house. This means head office staff stay close to the fundamentals of the business, understand the demands of the job and the customer, and develop a working relationship with the restaurant's general manager. In turn, kitchen staff can feel more connected to head office, the brand and its culture, plus they understand the management challenges.

Why? The business rationale

Back in 2004, Leon's vision was to make natural fast food that was convenient, quick to serve, and fitted with customers' busy lives, all at a reasonable price. The business model was very much driven by the founders and their belief that sustainable and healthy food could also be convenient and affordable.

Staying focused on sustainable diets has been integral to delivering Leon's vision. This was first done by promoting a Mediterranean diet. More recently, Leon has listened to customer demand for more gluten and dairy free options, and monitors emerging food preferences. Menus are regularly updated to incorporate innovative products, sustain customer interest, and reflect seasonality. The brand is responding to customer demand for healthier, more sustainable and affordable meals, while also engaging with future customers and millennials with their Cook5 initiative, a cooking competition for under-16s.

As the brand expands beyond London, there will be opportunities to see how demand for its menu varies geographically.

How successful has it been?

Six months after launching in 2004, Leon was named the Best New Restaurant in Great Britain at the Observer Food Monthly Awards. Since then, the brand has expanded from one to 36 restaurants. Leon believes that faster growth would have compromised its values. It chose to grow sustainably, rather than simply prioritise financial returns.

Leon sees itself as a brand, as opposed to just a food operator. The company was founded on a strong set of beliefs that are central to the business operations and which it believes are behind its success.

Other reasons for its success have been its business model (such as restricting chiller cabinets and getting customers to order food at the counter); its menu development, and its passionate founders who lead the organisation.

What are the challenges?

Leon competes with other fast food chains, so affordability, portability and convenience are key. Consistently pursuing its founding principles, while developing menus that deliver on price is challenging, but with perseverance, it is possible to do. According to Leon; purpose-driven leadership will always find a way to make things work.

Another challenge is being a small to medium sized business. This makes it harder to negotiate price on smaller volumes with suppliers. In the future, Leon wants to grow and help more people follow a sustainable diet.

Future developments

It wants to find better ingredients for its menus, more interesting ways to engage with people and to help them eat well. Its principle is to make it easier for more people to eat and live well: eat well by making healthy and sustainable choices more convenient and less challenging to choose; and live well by promoting and engaging customers and staff more.

CHAPTER 4: SETTING OUT THE BUSINESS CASES

The previous two chapters helped to build up a picture of the landscape in which the industry operates. This is vitally important when considering the business rationale for promoting sustainable diets in the foodservice industry, as no business case operates in a vacuum.

No one business case fits all. Even within a business, decision makers have different motives for individual choices. This report sets out a wide suite of strong business cases for why foodservice businesses should embrace sustainable diets.

They can be grouped into three distinct areas (although in many cases they overlap and are interlinked):

• Delivering turnover growth

• Mitigating risks and increasing resilience

• Maintaining and improving profit margins

4.1 Turnover growth

Nurturing opportunities and increasing sales is a vital element of any business. The business case arguments in this section focus on points of differentiation from competitors, retaining current customers and gaining new ones.

4.1.1 Differentiating the product offer

Differentiation can take on a number of forms, from offering a different menu from that of competitors to building a brand reputation that helps a business stand out from the crowd. Differentiating on the basis of health and wellbeing can be particularly important in some sectors, especially the high-tech and youth-oriented sectors.

One large international foodservice company has introduced sustainable menus so that it can offer high quality food to its public and private sector clients and differentiate it from the competition. An interviewee explains: *"As with all caterers, there's an element of potential financial return for them. They believe it's a way to differentiate their food offering – there will be benefits in terms of meal uptake, revenue and profits ultimately for their business"*

The interviewee was at pains to point out that offering sustainable diets was not just about financial return. It is also led by *"individual champions who truly believe that sustainable diets are hugely positive and are the thing that everybody should know about and should be engaging with"*.

A number of people interviewed for this research highlighted the competitive advantage of working with smaller suppliers and producers, which can unlock new and unusual products.

As one interviewee explained: *"[We] work with new suppliers and start-ups, [often] very small suppliers that are looking to enter the foodservice market. I ran a supply chain inclusion programme to see how to get more diversity*

in the supply chain. Our clients are very excited about us working with small suppliers who are very entrepreneurial. We hold the hands of the suppliers to even things out. [The clients] like the quirky different side of life."

Working closely with suppliers to develop products that help a foodservice company deliver a sustainable menu can have a beneficial effect on its bottom line. One interviewee explained how their company worked with a supplier to use the outer leaves of spinach plants that had not previously "made the grade" on cosmetic grounds. Taking advantage of a good relationship with the foodservice company, the farmer co-invested in technology so he could sell a part of his product that he would normally have to throw away. This increased the farmer's and the foodservice company's profits, and secured a continuing supply of spinach from a valued producer.

4.1.2 Enhancing brand reputation and building customer loyalty

Adopting sustainable diets can enhance a foodservice company's brand, and future proof it against shocks and shifts in social attitudes. As all businesses know, developing a strong and trustworthy brand reputation can protect market share, attract new customers and may have the additional bonus of creating a price premium. As one interviewee highlighted: *"Trust, brand identity, business resilience, potential future legislation – they are what we would say to others about making the sustainable business case."*

As people become more aware of some of the social issues linked with food production, including animal welfare, environmental degradation, fair prices for producers and human health and wellbeing, they are demanding more information about the food they buy.

Increasingly, if a company is unable to tell a customer where its meat comes from, or – worse – it is linked to cruel or damaging practices, there is a reputational risk, and an associated risk to the company in loss of customers. In extreme cases, lack of transparency in supply chains can deal to a major blow to a company, as a number of food businesses (predominantly retailers, but also those operating in the foodservice sector) found out in 2013 when the horsemeat scandal hit European food chains.

Some interviewees stressed the importance of ethical considerations in certain sectors (e.g. the university sector). Technological advances mean that customers can ask a question about the animal welfare standards in their burger, and expect to get an answer within minutes (especially if they ask it on Twitter). And if the answer is not satisfactory, the customer can singlehandedly inflict damage on the company's reputation, which takes a lot of staff time and money to rectify.

In early 2016, Gourmet Burger Kitchen came under fire when its advertising campaign – which included slogans such as "You'll always remember when you gave up being a vegetarian" - was badly received via twitter.[37] It had to be swiftly withdrawn as a result.

4.1.3 Stimulating customer demand

Although there is customer demand for sustainable meals, the majority of

foodservice companies are only seeing patchy understanding of and demand for sustainable menus. Most of the demand is around healthy, rather than sustainable, diets.

Defining a sustainable diet and making links between healthy food and a healthy environment will stimulate greater customer demand. WRAP's 'Food Futures' report concurred: *"Businesses and government will need to take a greater role in helping people eat more healthily – including reformulating products and changing public procurement standards. With an increasing proportion of eating occasions taking place out of home, it will be important that healthy, sustainable choices are available and affordable in all channels, from restaurants to workplace catering."*[38]

Admittedly still a 'patchy' picture, some markets are already demanding sustainable diets (to a certain extent). The Government's Plan for Public Procurement and its buying standards have created a large market for (at least some elements of) sustainable diets across the public sector, including schools, hospitals, central and local government staff canteens.

Although the government's standards do not meet all the requirements of the FAO's definition of a sustainable diet, it is a foundation on which foodservice businesses can build their sustainable menu offerings, and some are also working to these standards across their private sector contracts.

The foodservice industry is also seeing more private sector tenders with sustainability and health and wellbeing criteria (a trend that is more advanced in the US). This will only increase as customers and clients become more knowledgeable about the impacts of food on health and the environment. Within the very near future, if a company fails to deliver sustainability as standard, it is likely to lose out on contracts, and its reputation will begin to suffer.

In the private sector, younger customers are driving the sustainability agenda. Interviewees reported that company canteens in the high-tech and innovation sectors, and universities expect sustainable diets as standard.

With this in mind, some more enlightened foodservice companies are pushing back when clients say their customers are not interested. And even when there genuinely is a lack of interest, these companies see it as their role to engage and educate clients and consumers, and build demand.

Many businesses believe they should give customers 'what they want', even if it means unhealthy and unsustainable diets. But some companies give customers what they don't yet *know* they want (e.g. Marks & Spencer's Plan A).

Accordingly, a small minority of foodservice companies have successfully worked to promote sustainable diets to their customers. They are using apps to tell customers more about the food on their plates, holding 'meet the producer' events in canteens and rolling out healthy eating roadshows. In essence, these businesses take responsibility for educating the public, and stimulating greater customer understanding of and demand for sustainable diets. *"There is a need to re-educate everyone about the issues",* said one interviewee. *"We can't give*

you a chocolate bar for just two dollars because of all the issues related to cheap chocolate production. But unless the customer is aware of this, it is difficult to create a shift in the market."

In a nutshell, stimulating demand for, and offering, sustainable diets can differentiate a company's product offer, and attract and retain new customers, increasing turnover.

4.1.4 Securing investment

Increasingly, trends show that companies with strong sustainability performances secure higher levels of investment. This is as true of the foodservice sector as it is of any other, and of particular relevance to medium and large companies looking to grow.

One US study reported: "Foodservice companies and food and beverage manufacturers that put sustainability at the center of their businesses are increasingly attracting private investment and being rewarded by public markets. They should expect even greater scrutiny over the years to come on environmental practices, particularly relating to water use and stress, as well as supply chain labor."[39]

The report also noted an increased appetite amongst investors for putting their money into foodservice companies that "feature plant-forward concepts and focus on sustainable supply chains. Investors in publicly traded companies also now clearly link stock performance with sustainability performance."[39]

4.2 Mitigate risks and increase resilience

Managing short term risks and increasing medium to long term resilience to external shocks is critical to business sustainability.

A foodservice company that wants to have a medium to long term future needs to factor in these geo-political risks, and build resilience into its operations. Developing a sustainable menu offering can help to mitigate risks and increase resilience. Here we look in more detail at how that can be done.

4.2.1 Greater security and quality of supply

Food prices are likely to see increased volatility as climate change exacerbates water shortages and temperatures fluctuations, as chemical inputs become more expensive and a growing population puts excessive demands on the food system. Many products are vulnerable to these shocks, and may suffer shortages or price increases, resulting in reactive menu changes. Meat is most likely to be affected by climate, high input costs and increasing global demand. It therefore makes sense to reformulate menus so they rely less on meat, and to do it before costs become prohibitive.

Reducing the amount of meat (and increasing the plant based content) does not just mitigate the risk to the business of price hikes. It is also a means of meeting a company's environmental and health goals. According to the most recent National Diet and Nutrition Survey, the UK's population is eating far too much red meat and far too little fruit and vegetables. The cost to the public purse of treating non communicable, diet related diseases is enormous, and, as

has already been seen in this research, it is also costly for a company if its staff is eating unhealthily, and can cause reputational damage if it serves unhealthy food to customers.[40, 41]

When asked where they see their greatest supply chain vulnerabilities, interviewees flagged up climate change. One noted that *"When and where climate change will hit our supply chains is unpredictable. Everyone knows it's coming, and it will have an impact."* Extreme weather events such as floods and droughts, and changing climates that force a shift in cropping patterns and land use will inevitably mean that diets will have to change. Better to make those changes now – before the pressures really hit – than to risk the business's sustainability by having to react to a crisis.

Another interviewee predicted that *"climate change is the clear vulnerability that creates all sorts of problems that might impact on stopping us from sourcing affordable food."*

Alongside reformulating menus to reduce reliance on meat, encouraging more sustainable food production – particularly meat – is another way to secure supply. Asking suppliers for meat or fish that is produced sustainably (e.g. Soil Association or MSC certified) will help to increase sustainable supply of these products and bring down costs.

As one interviewee explained: *"We have to think about what is the most effective thing for us to do to secure sustainable supply chains, and how we can help change the industry. For us it's all about working in partnership with our suppliers to help change the industry."*

Take the example of MSC certified fish. At first, it was much more expensive than its 'business as usual' counterpart. But as more foodservice and retail outlets demanded it, the pressing constraint became the lack of MSC certified fish available. As it became clear that demand was growing, more fisheries became certified to service the need, and prices began to stabilise.

If it can be done with fish, it should be doable across all key product lines. It just takes demand – from customers and the foodservice industry alike. Businesses need to embrace sustainable diets, make the case for them, educate their customers and drive change along the supply chain.

4.2.2 Integrity of supply chains

An associated supply risk is traceability within, and integrity of, supply chains. A complex web makes it harder to trace ingredients from field to fork, which can lead to all sorts of risks around health and safety and reputation. In the horsemeat scandal, a number of food retailers and food manufacturers were found to be selling products containing horsemeat labelled as beef. Tesco was one of those affected, and the scandal contributed to a noticeable drop in sales (1% in 13 weeks) and shares of the company (5% in three months).[42] Foodservice companies were also affected by horsemeat, including Burger King.[43]

Even quick service restaurants not directly affected by 'Horsegate' changed their marketing strategies, focusing on provenance and traceability. McDonald's (which was not implicated in the scandal) launched a nationwide 'provenance

push'[44] in the months following 'Horsegate', whilst a number of food companies reassessed their supply chains as a result.

As well as security of supply, knowing your supply chain can help guarantee *quality* of supply. Knowing that your beef producers all work to your standards on antibiotics, feed, and animal welfare gives your company a competitive advantage on consistency of quality.

4.2.3 Reduced regulatory risk

It's impossible to predict where future regulatory risks might lie. It is possible, however, to reduce current regulatory risks, and perhaps get ahead of forthcoming regulation, e.g. a tax on sugary drinks – or possible future regulation, e.g. a tax on meat.

There is an increased drive for more data, and more reporting on indices set by government, investors and NGOs all wanting to hold the industry to account. Keeping on top of these can be onerous for a company, but equally can be detrimental (financially and to a company's reputation) if not heeded.

In discussions about the increasing burden of collecting data, interviewees were asked who is driving this need for more and more datasets. One reply was *"NGOs, clients and large [foodservice] organisations, investor type indices that we participate in to help us demonstrate to investors that we are acting in a responsible way as a responsible business in many different facets. Climate change and sustainability is an increasingly large element of that. Years ago when I first started it was fine just to say 'I've got a policy'. Now it's 'yes we've got the policy, here's how we implement it, and here's how the companies [supplying us] comply and here's a great example of how that impacts on sustainability".*

Whatever the UK Government's current position on regulation, legislation *will* impact on food businesses in the medium term. Prior to the Government's announcement in March 2016 about introducing a levy on sugary drinks,[45] some restaurants had already started voluntarily imposing their own (Jamie Oliver, Leon and Abokado to name a few) and the NHS Chief Executive had announced that he would be imposing a 20% levy on sugary food and drinks across the NHS.[46]

Those that are already working to – or going beyond – the highest standards in terms of health and sustainability are less likely to have to make expensive changes to their business models, or face financial penalties (fines or taxes). They are also more likely to be in a good position to attract investment, clients and customers.

4.2.4 Reduced risk to reputation

Adopting sustainable diets across a foodservice business can have additional benefits pertaining to reducing risks to reputation. Negative publicity around poor quality food, animal welfare, human rights or environmental issues can be hugely damaging, leading to negative publicity in the mainstream press and on social media, consumer boycotts and potentially investor pressure.

One example of how a company can reduce the risks to its reputation is the alliance between Greenpeace and McDonald's to help change the food industry's attitude towards soya from the Brazilian Amazon.[47] The partnership originally started as anything but – with Greenpeace 'invading' McDonald's restaurants in London with giant chickens to highlight the links between the production of chicken and the use of soya feed grown in the Brazilian Amazon. Within hours the company was talking to Greenpeace, and an alliance between the two (and other food retailers) was forged, which successfully pressured multinational commodities' brokers into signing a two-year moratorium on buying soya from newly deforested land in the Brazilian Amazon. This has been extended year on year.

NGOs play a key role in holding businesses to account. The Soil Association's *Out to Lunch* campaign highlighted the quality standards of children's food in restaurant chains. Garnering media interest, *Out to Lunch* has prompted a not insignificant number of high street chains to reprise their children's menus. As one interviewee reported: *"A couple of years ago we took part in the Soil Association's [Out to Lunch] menu survey. They looked at our menu and looked at a number of different criteria, sustainable diet etc. There were a number of areas we were meeting on their criteria, e.g. meat etc but we weren't shouting about it".*

Companies appearing at the bottom of these rankings are likely to be lambasted publicly, but there is a reputational benefit in moving up the rankings and in coming top. So working towards a standard (such as Food for Life) may enhance a company's reputation, act as a point of differentiation, perhaps reduce costs, and help a business think through current and future risks.

Social media plays a huge role in making or breaking a company's reputation. One interviewee explained that *"Transparency is growing exponentially because it's easier to ask questions on social media. You expect an answer straight away on an email or Twitter."* However, it is crucial that the company does not over promise – being honest about what it is trying to do can help to bring its customers along for the ride, increasing their loyalty and hopefully bringing more customers on board.

4.2.5 Maintained licence to operate

A social licence to operate is (essentially) the measure of confidence and trust society has in the business to behave in a legitimate, transparent accountable and socially acceptable way. It is often seen as a way for a business to "enhance legitimacy and acquire future operational certainty, realising opportunities and lowering risk for the business."[48]

Some foodservice companies take their social licence to operate very seriously; others not so much. However, it is a critical consideration in looking at the short, medium and long-term sustainability of any business – particularly as scrutiny from would-be investors and civil society intensifies. Key questions should routinely be asked internally about whether the company's activities to maintain profits are legally acceptable; whether it is complying with rules and regulations; and whether it maintains informal acceptance.

Maintaining the *social* licence to operate can be just as important as maintaining the *legal* licence to operate (such as large companies paying minimal tax in countries where they operate). If clients or customers are unhappy with the route the company takes to profit making, then ultimately they will take their business elsewhere.

'Doing the right thing' and being vocal about it can positively affect a company's bottom line, but it may be intangible (at least at first). Over time, as has been demonstrated in this report, the company's social values may serve to secure customer loyalty and even increase market share. It could attract new investment and secure product lines. But it also gives the company a 'social licence to operate'.

Maintaining a licence to operate is inextricably linked with reputational and regulatory risks. If a company is reducing those two risks, it is likely that it can secure its licence to operate in the short to medium term. All foodservice businesses should conduct horizon scanning – ensuring they are aware of new threats to their licence to operate.

4.3 Maintaining and improving profit margins

A key focus for most foodservice businesses is how to manage cost pressures, of which there are many in an industry that relies on often volatile commodity prices, large wage bills and changing customer demands. Offering sustainable diets can help to stabilise – and in some cases improve – profit margins relative to competitors. Here are some reasons why:

4.3.1 Improved staff motivation and retention

In an industry that employs over a million people in the UK, recruitment and retention has a big impact on company profits – not just in headline recruitment costs, but also in management time, productivity and agency staff costs. A study by the Center of American Progress found that it costs about one-fifth of an employee's salary to replace them.[49]

A commitment to sustainable diets can improve staff motivation and retention. One interviewee reported that, in terms of promoting sustainable diets, he sees *"a lot of cooks and chefs retaining skills and learning new skills, which has social and economic benefits - employability and motivation."*

Several interviewees noted staff responses when they introduced aspects of sustainable diets. Staff reported being happier and more motivated at work, and pride and trust in the brand increased. Better staff retention results in lower staff turnover, lower recruitment costs and ultimately increased profits.

Offering healthier food can improve the health of the workforce, given that the majority of foodservice companies provide free or subsidised meals to their staff. Research suggests that employees who eat healthy meals and exercise on a regular basis have lower absenteeism and better job performance.[50] In 2015, a NICE study estimated that obese employees take an average four extra days' sick leave per year.[51] For a company employing 1,000 people, this could result in over £126,000 a year in lost productivity. In the UK in 2013, the total cost of absences to businesses was £31.3 billion.[52]

An interviewee reported that *"[a healthy menu] is seen as a helpful way to help reduce absenteeism through illness …. In general, responsible employers are looking to improve their catering service and the perception of it by their workforce"*.

Almost half the UK's workforce (42%) wants to work for an organisation that has a positive impact on the world,[53] reaching 62% for millennials. Research found a 52% gap in operating income between companies with highly engaged employees compared to those whose employees scored low on engagement.[50] Engaged employees are 87% less likely to leave than their disengaged co-workers.

Another report suggests that UK businesses adopting key management principles (including sustainable practices, strong and inspiring leaders, a strong set of values, recognising and rewarding performance) can gain 108% efficiency, with a potential addition of £84 million in the UK (across businesses from a small to large scale).[54]

One interviewee explained that *"responsible employers look after their staff – service charges, living wage etc. They're all inextricably linked. If they want to offer the right kind of diet and the right kind of food, in the right way, they need the right kind of staff."*

4.3.2 Efficiency savings

Many foodservice companies are making efficiency savings via reduced food waste and water and energy use. Responsibility for efficiency savings usually falls under Corporate Responsibility.

According to WWF-UK's Livewell principles, tackling food waste is one key part of sustainable diets, but not enough on its own. Some organisations interviewed for this project knew about (and some were working with) the Livewell principles, but the majority still saw efficiency savings as the 'sustainability' piece, and a totally separate issue from what goes into the food on the plate.

WRAP research estimated that more than 1.3 billion meals are wasted annually in the UK's foodservice and hospitality sector, costing £2.5 billion per year in 2011, rising to £3.0 billion per year by 2016.[55] WRAP has been working with around 230 hospitality and foodservice companies to help them reduce food waste and recycle more.

The Hospitality and Foodservice Agreement (now incorporated into Courtauld 2025) was a voluntary agreement that supported the sector in reducing waste and increasing recycling. Any size of company could join, as well as trade bodies and distributors. Between 2012 and 2014, project participants reported a reduction in food and packaging waste of 3.6%, while 57% of food and packaging waste was recycled or composted (a 12% increase from 2012 baseline).[56] This represented savings of £3.6 million.

An interviewee explained that *"… resource efficiency, our carbon footprint, our use of fossil fuels, our use of water; anything where we can be more sustainable drives benefit – both in terms of cost and waste – to everybody … [and] reduces the price we pay for things; it drives massive benefit on an economic level."*

4.3.3 Lower cost or same cost ingredients

Although some individual elements of sustainable diets (like higher welfare meat) are indisputably more expensive than the status quo, looked at in the round, sustainable menus can be cheaper or the same cost.

Looking at overall cost benefits of sustainable diets can help make a persuasive business case. Reducing food waste, cutting energy bills and offering more plant-based foods may offset the higher costs of buying sustainably reared meat. Selling higher volumes of a product at a smaller profit margin may increase the company's overall turnover.

For example, at the end of 2015, Sodexo piloted 10 new recipes in eight independent schools with almost 20,000 meals served over a six-week trial period as part of its new 'Green & Lean'[57] meals. Following 10 simple principles around nutrition and environment, they cost no more than the original recipes.[58] During the trial period more than one tonne of fruits, vegetables and pulses were added to the meals, replacing around three quarters of a tonne of meat. The amount of wholegrains used in the meals also increased.

Research carried out in the US compared two seven-day meal plans, one based on the USDA My Plate meal, and the other being a plant-based olive oil meal. The latter turned out to be 27% cheaper than the former.[59]

Innovative thinking can help to lower costs *and* reduce the environmental implications of food waste. One example is sourcing imperfect ('ugly') fruit and vegetables which would otherwise be unused as a means to reduce the company's food waste – and ingredients – bill.

While this idea of using cosmetically less pleasing produce is not new, as shown by action by supermarkets including Intermarché, Asda, Tesco and Waitrose, it would be very welcome to see it spread across the whole foodservice sector.

In 2014 in the US, Bon Appétit launched its Imperfectly Delicious Produce initiative to identify opportunities to rescue produce that would otherwise go to waste, and develop menus to incorporate them.[60]

The example of the foodservice company that innovated to use the outer leaves of spinach shows how innovation benefits the company and helps it be more sustainable. *"[We made a] joint investment with the suppliers to change the process of how [the leaves] were going to be collected, washed and bagged more quickly, and now we use that for when we are going to shred it for salads and sandwiches because the cosmetic bit doesn't matter."*

In the UK, Nottingham City Hospital has its own kitchen. Its chefs prepare 28,000 meals per week,[61] and 77% of its raw ingredients are locally sourced. The cost increase of using organic milk was offset by reduced food waste. The overall switch was cost neutral and unlocked £2 million per year to be reinvested in local sustainable businesses.[62]

As demand for sustainable diets increases, and more sustainable meals are offered, they will become cheaper. The economies of scale dictate that as input volumes increase, the average costs of production decrease. Current cost

barriers will be overcome by sheer volumes of sustainably produced foodstuffs. As one interviewee explained: *"There is a tipping point as with any trend."*

The interviewee described how this can work: *"...certain [cleaning] products that were perceived to be greener ... were at a premium. Then the demand and supply model kicked in ... the suppliers lost the ability to premium charge, because it became business as usual, so the cost model went back to normal and it became the standard product. [With] products that promote a sustainable diet we are seeing something similar ... some premium price products are settling down quite a bit now."*

4.3.4 Reframing costs

When the true cost of food is reflected, healthy and sustainable products are relatively cheaper to buy than unhealthy and unsustainable ones. Research has found that the true cost of food (i.e. taking into account costs associated with public health, wellbeing, social justice and the environment) is about 30% more than what customers pay at the till.[63] The annual cost to the environment of the UK's food system has been estimated at £7.2 billion.

Some progressive foodservice companies are reframing the 'cost' of food, and beginning to consider its true cost. As one interviewee said: *"Non-sustainable food may cost less, but only from a financial point of view. We also need to take into account nutritional impacts, environmental costs, etc. People only talk about financial costs today but for our business, we take all costs into account."*

They went on to explain how their company is reinventing the idea of financial return: *"Sustainability and financial viability are not mutually exclusive. In fact, they are usually very good together. There is a need to understand this new mind set, to be comfortable with organic growth, and how long it takes until you see financial return."*

CASE STUDY: IKEA FOOD

Background

IKEA is a global retailer founded in Sweden, with 375 stores in 47 countries. The IKEA restaurants, IKEA Bistros, Swedish Food Markets and co-worker restaurants are part of the IKEA Food business. 16,500 co-workers work for IKEA Food and in the last fiscal year IKEA Food Services AB had a turnover of €1.78 billion.

Key initiatives introduced that support sustainable diets

For the first time, IKEA Food has linked health and sustainability in a three to five year framework that recognises the synergies between planetary and personal health.

IKEA Food's approach to sustainable diets partly focuses on inspiring customers to eat alternatives to meat, and in so doing, to reduce its impacts on environmental and human health. The company revealed this new direction in April 2015, with the launch of veggie balls and chicken meatballs.

The company also focuses on food safety, food quality, animal welfare and environmental standards. Currently, about 50% of its pork comes from outdoor bred pigs. IKEA Food is actively looking to influence its supply chain to ensure it can source ethical food long term. The company is taking one step at a time, and plans to look into beef next.

A series of new projects around sustainable meals will follow, including:

• A balanced meal tool to ensure that IKEA Food products and dishes are developed with nutritional values in mind.

• Nutritional and sustainability information menu boards in all restaurants (calories, allergens and certification logos – ASC and MSC for all 23 varieties of fish it serves[64] and UTZ for coffee and tea). Nordic Fruit Water with half the sugar of traditional soft drinks has replaced full sugar sodas in self-serve drink stations in IKEA restaurants and IKEA Bistros.

Why? The business rationale

The main pull is customer demand and the IKEA vision of creating a better everyday life for everyone. IKEA Food believes that customers increasingly want sustainable diets, and is responding to that trend. IKEA Food is a key part of IKEA and has great potential to contribute to customers' perception of the company. Anything that IKEA Food does that resonates with its customers is likely to positively impact the IKEA brand. IKEA Food has a high conversion rate of people shopping and eating at IKEA stores. IKEA Food believes that, by embracing sustainable menus, it attracts more customers and generates more sales because customers realise they can buy healthy food.

Secondly, global food demands are increasing, and will not be met by increasing production alone. By diversifying its food sources, IKEA Food wants to increase resilience against an uncertain future, either from impacts of climate change on food production or economic shifts in the market. Accordingly, it has set sustainability targets.

And finally, IKEA Food believes that there is simply a moral case to offer sustainable menus to its customers.

How successful has it been?

According to IKEA Food, its veggie balls have been very successful. In the first half of 2015, IKEA Food sales rose 11% in the UK alone, partially due to the introduction of veggie balls and increasing demand for its popular meatballs.[65] Media coverage of the veggie ball launch reached 277 million people globally. From a sustainability standpoint, the carbon footprint of veggie balls has been calculated to be 30 times less than its meat equivalent.

IKEA Food's step-by-step strategy for promoting sustainable diets has three strands: focus on what's most impactful; work out how to achieve the best results; and change the industry along the way. IKEA Food doesn't merely divert supply to a new farm or get certified by 3rd party auditors, it works in partnership with suppliers to create changes.

What are the challenges?

Challenges lie within product development: all new IKEA products have to follow the company's democratic design with its five cornerstones of quality, function, form, affordability and sustainability. A new IKEA Food product (e.g. the veggie ball) must score equally on all five points – a high quality product, with great taste, taking health and sustainability (form and function) into account and being affordable. IKEA Food hopes that all five aspects together inspire customers to choose healthy options.

Whilst it has made a number of positive strides, it is important to note that its menus are not yet 100% consistent with sustainable diet principles.

CHAPTER 5: BARRIERS TO ADOPTION OF SUSTAINABLE DIETS

5.1 Cost barriers

Despite increasing demand from customers and investors for sustainable diets, the senior foodservice sector personnel interviewed for this report identified a number of barriers to making a watertight business case for adopting them.

It is well known that the foodservice industry is very cost conscious, and many businesses believe that offering sustainable diets will be more expensive and might adversely affect their margins. As foodservice executives told us: *"Cost can be a barrier. There are parts of our business that are more cost conscious, but as a company we are trying to break that down...."* And *"If you're working in a cost sector... where there are increasing cost pressures, there is always an element of trade off against price. Everybody wants it, the question is, is everybody always prepared to pay for it? That's not to say that ethical and sustainable always costs more, it most certainly doesn't, but there are occasions when it most certainly does."*

Linked to that is the perception that clients and customers won't want to pay a premium for sustainable meals. One interviewee explained: *"It's the price point for us – you put 50p on a chicken breast and you have to add profit to that, so it adds up to £2 on a chicken dinner. People wouldn't pay more for organic chicken, we tried two years ago."*

Costs are closely linked to 'value for money'. One interviewee said: *"At the moment there is a significant middle market sector which is interested in everything being big portions. That's value for money for a lot of people and that trend isn't changing."* The interviewee went on to explain: *"Meat is the value for money part of a meal out. When meat became very expensive two years ago we suggested people might shift to a smaller weight in steaks but nobody wanted that. They think that if meat isn't a big part of the meal, they're not getting value for money."*

Clients (particularly in workplace canteens) are driven by a similar desire to offer 'value for money' to their customers so they are being seen to offer a good service. Because the foodservice market is so competitive, clients can drive the price down. An interviewee explains: *"It's a very contested market; we're all fighting for the same contracts [...] we're starting to kill our industry because we're pushing down prices and fees. Together we should stand firm and say we want to be more valued."*

5.2 Supply chain constraints

One argument against sustainable diets is that if the entire foodservice industry switched to sustainably sourced products (e.g. fish or meat), there would not be enough to go round. Some interviewees pointed to a lack of certain categories of MSC certified fish (e.g. sea bass). Another respondent believed there would not be enough sustainably produced meat if all caterers wanted to switch.

Other supply constraints raised by interviewees included the fact that many smaller suppliers were unable to comply with increased levels of reporting, or to meet other standards that government, the industry, or watchdogs expect. *"It's a huge challenge"* reported one interviewee, *"because suppliers are not set up in the main, even quite large ones, to provide the level of data that clients are asking contractors for and therefore contractors are asking suppliers for."*

5.3 Adds to organisational complexity

Another barrier to offering sustainable diets is the belief that they add complexity to the organisation, particularly in terms of keeping track of supply chains. Because different products require different strategies (increasing the complexity of action) it may become even more challenging to make the business case for sustainable diets.

"When you talk about some of the major foodservice suppliers," pointed out an interviewee, *"you've got pretty lengthy global supply chains in certain areas … The reality is as we're becoming more aware of where the risks are, certainly the work we've done with ETI [Ethical Trading Initiative] … adds more complexity – another factor to build into supply chain decisions. When you look at all those tiers of things you've got to tick off in terms of price, quality, ability to make the specification, reliable supplier, food safety, environmental standards – what we're doing now is overlaying another set of almost restrictions or tests for people to get through – I think that becomes a challenge."*

5.4 Lack of awareness and misunderstanding of the term 'sustainable diets'

Although the FAO and others have defined 'sustainable diets', the concept is not widely known. Some of the foodservice executives interviewed for this research had a good understanding of the term. Others commented that although they had a fairly good *personal* understanding, their company's definition was narrow or confused.

It can be difficult to make a compelling business case for sustainable diets without a clear – and arguably shared – definition of sustainable diets within a business and across the foodservice sector.

Sometimes, a finance director or buying director of a company might not see the point of offering sustainable diets if the issue is not understood as impacting all areas of the business.

Related to this issue is the plethora of standards and certification schemes that different businesses use. From MSC certified seafood to the MCS Red List, from Red Tractor to 'RSPCA Assured' (formerly 'Freedom Food'), confusion abounds. How can individuals within businesses make a business case without a level playing field across the sector? As one interviewee put it: *"… we need to be careful that we don't have [too many] badges and accreditations and people trying to set themselves up to be something more. It can become confusing to clients and consumers."*

5.5 Competition law

Many companies believe that if they collaborate they may fall foul of competition law. There appears to be a nervousness even about exploring whether collaborations for sustainability would be legally difficult. This can be detrimental to encouraging change within the sector. An interviewee explained what has to happen even before collaboration can begin: *"The first thing we will have to do when we get together is to agree a statement that says we are not colluding to fix prices."*

This raises several questions. Firstly, what role should larger businesses have in sharing their experience with the "mass middle market"? And secondly, how can it be made easier to collaborate? These questions touch on the next section, because they are – to a greater or lesser extent – within the gift of the government.

5.6 Customer demand

Some foodservice companies report that they are not being pushed by their customers to provide sustainable menus. There is a belief in some areas of the industry that customers only want food that is cheap and fairly healthy (and sometimes just cheap). Other businesses worry that customers might see sustainable diets as a cynical excuse to make money by cutting portion sizes or bulking meat dishes out with extra vegetables. Hence it is sometimes claimed there is not a strong enough 'customer pull'.

Finally, some businesses report that – notably in restaurants – customers want to 'treat themselves' when they go out to eat, and not feel guilty about choosing the unhealthier options. It should be noted that contract caterers do not have this issue – rather, they report that customers want them to offer healthier alternatives.

These examples of perceived lack of customer demand can make it hard for individuals within an organisation to get other senior department heads on board, particularly if the evidence to the contrary is anecdotal.

5.7 Lack of government incentives and regulation

Large-scale foodservice companies interviewed for this research spoke repeatedly of the mass middle market (pubs, cafes, quick service restaurants and very small-scale caterers), all operating in an extremely competitive environment. Despite a few outliers, the majority are competing on price alone. Due to a lack of national government incentives on health and sustainability, and funding cuts to local authority health and safety and environmental safety units, this market is largely under-regulated.

Under these external conditions, why should operators in this cut-throat market make changes and adopt sustainable diets? Can it ever make sense for them to do so?

Some larger foodservice companies sign up to voluntary agreements and believe they do not need to go further. But interviewees for this report repeatedly said that voluntary agreements, whilst useful, do not go far enough. They say that in some areas (particularly around resource efficiency and public health),

only regulation can create a level playing field. What is the point of only a few companies going the extra mile if the rest of the industry does not bother?

It could be argued that public sector government standards are too narrowly focused on the more 'visible' sectors like schools and hospitals – and only where there is a massive push from civil society (and the media) to clean up its act. Other foodservice sectors like care homes fly under the radar. Without an increase in government standards, where is the incentive to change?

5.8 Limitations to the business case

Sometimes it can be hard to make a direct financial case for adopting sustainable diets or indeed adopting any sustainable practice. Finance directors want to see a direct link between an activity and increased revenue or cost savings. Because sustainability requires innovation and new ways of thinking, it can be hard to prove the financial case before trialling the activity. It can be a leap of faith too far for some senior executives. Others, however, recognise the limitations to the business case and take the bold step of making changes because *"it's just the right thing to do"*.

CASE STUDY: BON APPÉTIT MANAGEMENT COMPANY

Background

Bon Appétit Management Company is an on-site restaurant company offering foodservice management to corporations, universities, museums, and specialty venues. Headquartered in California, USA, it operates more than 650 cafes in 31 states. The company was established in 1987, and acquired by Compass Group in 2002.

Its definition of sustainable diets, or as the company calls it, "food service for a sustainable future", is "flavorful food that's healthy and economically viable for all, produced through practices that respect farmers, workers, and animals; nourish the community; and replenish our shared natural resources for future generations." [66]

Key initiatives introduced that support sustainable diets

In 1999 the company launched 'Farm to Fork' throughout the company, requiring chefs to buy at least 20% of their ingredients from small-scale producers within 150 miles of their kitchens. The company now spends tens of millions of dollars annually on its network of more than 1,400 suppliers. In 2007 it launched the **Low Carbon Diet program** to reduce greenhouse gas emissions in partnership with NGOs and scientists, acknowledging the significant impact of food on climate change.

In 2015, the initiative was re-launched as the **Low Carbon Lifestyle**, building on lessons learned. The Low Carbon Lifestyle has allowed the company to refine and extend its commitment while focusing on four key focus areas relevant to the company and longer term goals. Firstly, to tackle impacts from beef and cheese, it prioritises plant-based protein. Secondly, it focuses on reducing food waste, in kitchens and at source, aided by the company's Imperfectly Delicious Program.[60] Deforestation and transportation are the other two focus areas.

These initiatives dictate the principles and sourcing standards used by all chefs, which include:

• Menus based on seasonal and regional fresh products, that (whenever possible) are produced locally using sustainable and organic practices

• Healthy menu items as a mainstream offering

• Plentiful vegetarian options at every meal

Staff have regular training on the initiatives and the importance of environmental and human health issues. Menus across Bon Appétit's kitchens change daily, with no standard corporate recipes, giving freedom to chefs to create their own menus following the training and the company-wide "kitchen principles."

Why? The business rationale...

Bon Appétit stresses the importance of taste to its business. In the late '90s the search for tasty, high quality ingredients led the company to revisit its food sourcing, which shed light on the complexities of the food supply chain, most of which could be linked to sustainability. The company began to investigate those

issues, starting with local purchasing, talking to NGOs and adding more topics to the company's radar.

Bon Appétit released its first public statement on sustainability in 2004, and since then US customer demand for sustainable and healthy food has increased exponentially. Now, the majority of contract proposals received by the company include sustainability criteria. Customers (and clients) whose values mirror Bon Appétit's (community, health, sustainability) come back more often, thus **protecting the company's market share**, and even **attracting new customers**. Focusing on sourcing and other sustainability issues in the early 2000s gave Bon Appétit **a point of differentiation** against competitors, attracting clients and employees with similar values.

How successful has it been?

Bon Appétit reports three key benefits. Firstly, a general 'esprit de corps' among employees. Giving chefs the freedom to develop their own menus nurtures and develops their skills and makes them feel part of a larger mission. This has resulted in greater retention of happy employees and makes recruitment easier.

Secondly, differentiation in the marketplace. Clients are apparently drawn to the company because of its attention to quality and its clearly articulated values, especially its sustainable criteria.

Thirdly, the company has profited financially, doubling its clients and revenues since the early 2000s.[67] Although some initiatives have cost more than the 'business as usual' equivalent (gestation-crate-free pork, Fair Trade tea, wild salmon), others have been cheaper (Imperfectly Delicious Produce, replacing cod with pollock, plant-centric meals), with the final balance being close to financially neutral.

Bon Appétit's Low Carbon Diet initiative resulted in a 33% drop in beef purchases over five years, a positive result for sustainability and the financial health of the company.

What are the challenges?

The biggest challenge was the sheer complexity of the supply chain: the company has almost a thousand chefs making different menus every day, with 100,000 products at any given time. The scale of operations makes having information on all products impossible, forcing the company to prioritise and focus its attention on key focus areas. At the end of 2015, the company launched the Food Standards Dashboard, a company-wide tracking and reporting tool to bring together sustainability, culinary, and wellness commitments together, for chefs and managers to use.

CHAPTER 6: WHAT ELSE IS NEEDED TO PROMOTE SUSTAINABLE DIETS?

This chapter looks at what else is needed for sustainable diets to be widely taken up.

WITHIN YOUR ORGANISATION

6.1 A supportive business culture

Anecdotally (looking at the breadth of interviewees and the desk research for this report) one can say that businesses that separate out their responsibilities for health and nutrition, supply chain integrity, buying standards and CSR are less advanced along the road to sustainable diets than those who give one senior member of staff an overview of all these.

Silos create complexity. Joined up thinking dismantles it. One interviewee said: *"We talk about sustainability and about health and wellbeing but rarely in the same sentence. They do feature, but in two separate agenda points. Can you [deliver] both, health and green – in one thing? At the moment we are on separate agenda points. I need to bring them together more."*

A supportive business culture can catalyse culture change at all levels within the business. This should include appropriate performance measures for sustainable diet outcomes.

It can be easy to dismiss sustainable diets as being too 'difficult' to offer, especially when a caterer has thousands of products, all of which will need to meet certain sustainability criteria. Some foodservice executives argue that offering sustainable diets means having to work with more (and smaller) suppliers, with all the associated complexities.

The foodservice companies that are offering sustainable menus have nurtured an internal environment that works through these complexities rather than labelling them as 'too difficult'.

They might, for instance, work with regional hub partners who take on the burden of compliance. *"[We're seeing] consolidation of supply chains"* reported one foodservice interviewee. *"You have to make sure the due diligence trail is right. ... the hub suppliers make sure everything is up to speed but we can still source from local suppliers."* This allows the company to offer more product innovation and differentiation without the added administrative burden.

Or they might opt to work more closely with small suppliers to take them through the complexities of working with larger contractors and to help them get to grips with monitoring and reporting requirements. One respondent talked about how their company monitors labour practices across the supply chain: *"[it] is a huge area. We go into it very extensively [in] our code of conduct ... we don't have third party auditors, we have entire teams to spend with people as a partnership to help them to meet our requirements, and a whole different team*

does the audit. So it's a real team thing, we work with them." The company's next step is to use this model to monitor and improve animal welfare standards.

Evidence suggests that the more foodservice companies demand, educate and work alongside their suppliers, the bigger the mutual benefit. In addition, the company begins to develop transparent supply chains and associated increased levels of customer trust in the brand.

6.2 Values-driven organisation

As we have seen, there is still a long way to go in integrating sustainability and nutrition within foodservice companies. Although some companies have identified the links between the two issues and started to create joined up policies and initiatives, the majority of companies still tend to silo them.

To break out of this mentality, companies need to nurture passionate people whose values can help change the business culture, and whose visions go beyond the 'business as usual' case. *"In order to be successful and make true change, you have to be value driven. You have to involve your head and your heart,"* said one interviewee. In an interview with the Guardian, Paul Polman, CEO of Unilever, said he believes "a return to core values is essential in order to address key sustainability challenges such as climate change and food security."[68]

Inspirational and passionate leadership is as important in the public sector as it is in the private sector. Given the brief of developing a local and organic food offering for Nottingham County Council's catering service, Donna Baines revamped the menus and supply chains, found small, local and organic suppliers, engaged with them and helped them through the steps needed to become suppliers. The service now supplies ingredients for 65,000 meals a day.[69]

What drives individuals and companies to search for new business cases for sustainable diets? One interviewee puts it well: *"it's just the right thing to do. We are a very conscientious company wanting to do the right thing by all our stakeholders. We need to make a profit, but our whole ethos is around quality of life for the people that we touch."*

6.3 Bold leadership

It takes a bold leader to make decisions that go beyond 'business as usual'. However, taking those risks can sometimes lead to big rewards. Foodservice leaders brave enough to put sustainable food on the menu are likely to find that there is a latent demand amongst their customer base.

Many companies – foodservice included – are often nervous about being the first to adopt a new business practice, but there are 'first mover' advantages. Taking prompt action on an emerging issue can put a business ahead of the competition (and regulation), potentially strengthening its reputation, securing customer loyalty and gaining new sales.

There is an enduring myth that *"you've got to be 10% ahead of your customer. Any further than that you're likely to lose them"* as one interviewee described it. But identifying the 10% is an imprecise science, and sometimes customers do

not know they want something until they have tried it. As more young people flex their spending muscles, it is likely that businesses will find bolder and more innovative actions are expected of them.

EXTERNALLY

Some issues that are unlikely to be resolved by a single business acting alone, can be more successfully tackled as part of a group of likeminded companies. Other issues require policy or societal shifts. Below are some of the 'external' actions that are required to deliver sustainable diets across the foodservice sector.

6.4 Industry collaboration

Can the foodservice industry collaborate effectively? On the one hand the sector is competing in a highly developed and cost conscious market. On the other, larger foodservice companies are sitting down with their counterparts (and across other food industries such as retail) to discuss best practice and sometimes even to collaborate on projects.

Two large-scale collaborations

- **Plate2Planet**,[70] a new alliance between foodservice businesses in the UK that was set up to share best practice among the sector, and includes recommendations on how to design healthier menus.[71] It currently includes Bidvest Foodservice, Unilever, Premier Foods, Delifrance UK, Vegware, Planet First, and Jacobs Douwe Egberts.

- **Menus of Change**[72] in the USA was launched by the Culinary Institute of America and Harvard School of Public Health in 2012, to bring together people working in foodservice from chefs to nutritionists to executives, with other stakeholders including environmental scientists, fisheries experts and policy makers. Its menu concept covers similar ground to what might constitute 'sustainable diets'.

Senior managers in the larger foodservice companies take part in voluntary initiatives such as the Roundtable on Sustainable Palm Oil (and previously initiatives including the Public Health Responsibility Deal), which many interviewees report as being very useful. An interviewee fed back about the parameters of their regular collaboration with competitors. *"As long as it isn't connected to a specific client activity or contract, that's where it clearly gets difficult. But if it is a general industry approach, then yes it is a collaborative industry and we collaborate fairly well. Maybe not so much in this area [sustainability] right now, but in general we do very well, health and wellbeing being one of them."*

For others, practical collaboration might be contentious, but sharing best practice is invaluable: *"Any research people have that demonstrates successful practice and sharing it [is helpful]; bringing together leaders who are doing interesting things, seeing how that dialogue plays out. We maybe couldn't collaborate, but demonstrating the business case is really important."*

Interviewees suggested that collaboration and sharing experiences are easier for larger companies. This, one interviewee explained, is because the middle market is so contested: *"we're all fighting for the same contracts, and as much as we'd like to think we're there for the greater good … at the end of the day we're competitors".*

A 'standard of standards' could be a helpful development for the sector, which in effect is what the Soil Association's Food for Life partnership is working towards. Uniquely, it operates across many different sectors within the industry, from the highly visible public sector schools and hospitals' contracts, to the much less high profile care home and nursery sectors.

NGOs, investors and the public are demanding more information from companies relating to their social and environmental performances. Therefore, it makes sense to collaborate – both across the industry and with organisations that are holding the sector to account.

6.5 Consistent metrics, reporting and definition of sustainable diets

As investors demand more information from companies relating to their social and environmental performances, it will force them to have a better understanding of the impacts of their supply chains. This can only be a good thing. When Bon Appétit began to work with external consultants and NGOs to look at the impacts of its company on one area of sustainability, it quickly discovered that there were many more that also needed to be investigated. Today Bon Appétit is amongst the leaders in the US on its actions around sustainable diets.

Other initiatives are developing. The Sustainable Restaurant Association provides "knowledge, advice, best practice, case studies and a way of measuring sustainability – all of which helps restaurants and foodservice companies to improve." It already campaigns on issues, but plans to go further, bringing customers into the debate and conversation, highlighting the problems and the best practice, and putting pressure on operators to get better.

Some companies have taken advantage of this new trend to develop toolkits for the industry. The Eaternity app[73] is a management tool for the supply chain designed for the restaurant industry. It is currently working with 74 restaurants (to date) in Switzerland. Another company, Nutritionix, has launched a series of tools for restaurants to organise and publish nutritional data.

A note of caution here – clearly metrics and reporting can help to create transparency within foodservice businesses, and help create a level playing field across the industry. If, for instance, everyone can see each other's levels of food waste it can motivate them to do better. But it could be argued that there are too many metrics, some competing for the same territory and the same business. As one interviewee pointed out, a whole industry has sprung up around supply chain reporting, which can make it very expensive for the companies and very confusing for customers. As such, it is important not to run the risk of 'accreditation fatigue'.

Reporting is increasingly becoming an integral part of every foodservice company's business, but making sure that customers, clients and suppliers understand why it is important, and encouraging more within the foodservice industry to sign up to indices, can really help to raise standards across the industry.

One piece of collaborative work that would be beneficial for the foodservice industry as a whole, and the promotion of sustainable diets in particular, is to agree a shared definition of sustainable diets. A common understanding of the term does not seem to exist in the sector, or indeed amongst suppliers, clients and customers.

An accepted definition across the industry would make it easier for organisations to understand how the issue relates to their own business models, and also easier for companies to benchmark against each other across the industry. Clarity of definition aids the education piece as well – it is easier to talk about a widely accepted concept (think Fairtrade) than to make the case for a nebulous set of ideas that are different for each eating establishment.

Here is what one senior foodservice executive had to say on the matter: *"I'm not sure there is a great understanding specifically about sustainable diets, [a definition that is] consistent everywhere in our industry. Perhaps that would be a good output of your report – it takes time to embed a concise albeit generic definition, and would not be unhelpful to the industry, because everyone thinks it is something different."*

A common reference or a framework to talk about sustainable diets can work very well. It could be developed through industry collaboration, or by an NGO. One example of such a framework is the School Food Plan and associated school food standards. An interviewee explained how it worked: *"[It] set out a plan and set standards for the sector. That worked really well. It was accessible, really easy to engage with. It wasn't unrealistic. And it gave everybody a framework and terms of reference to talk about sustainability."*

6.6 Government action: a supportive policy and regulatory environment

Could government go further in encouraging sustainable diets in foodservice, or does it go far enough already?

Government buying standards could be strengthened, and could be applied to private as well as the public sector caterers.

Some interviewees felt that government buying standards and public procurement guidelines are already effective in driving up public sector standards, and would like to see this replicated across the private sector, including in 'hidden' areas like care homes. Others argue that the standards need to include sustainability standards more explicitly, as in Sweden and Brazil.

In 2015, the Swedish Food Agency launched its new dietary guidelines, which can be summarised as "Eat greener, not too much and be active."[74] The most significant change since its 2005 predecessor has been the inclusion of

environmental factors. The guidelines now include nine recommendations around fruits and vegetables, fish and shellfish, whole grain, meat, fats, dairy, salt and sugar, exercise, and intake/expenditure balance. This comes after almost 10 years of debate on issues around sustainable food in Sweden, which involved trade associations and industry from the beginning.[75] This not only shows that a government initiative can work, but that industry awareness and backing is key.

Public Health England says that whilst its advice on diets supports and encourages healthier eating, it is equally compatible with achieving sustainability benefits, as highlighted in the Eatwell Guide published in March 2016.[76] In a recent blog, it highlights its advice for caterers on delivering healthier and more sustainable food. It writes: "Our advice takes this major opportunity to simultaneously improve public health and the environment, which is so crucial to climate change."[77]

The majority of foodservice insiders interviewed for this report agreed that the UK government needs to create a level playing field across the sector. Regulating for sustainable diets would be better than voluntary guidelines, which most interviewees agree are not strong enough to be effective. Nutritional standards and voluntary agreements *"need to be made mandatory: not enough companies sign up to them, there's not enough commitment. It's not challenging enough if it is voluntary. You need a level playing field where all restaurants are working towards the same targets."*

The government needs to provide a clear, coherent and joined up message on sustainable diets so that large foodservice companies can confidently deliver those messages to their smaller counterparts (and across their supply chains). There appears to be a high level of frustration with government over what the industry perceives as 'mixed messages'. One interviewee said: *"Government doesn't know how to tackle these issues [of health and environment] in foodservice and sees us as a conduit to some of the harder to reach areas of foodservice. But quite what they want us to do I don't know".*

Another said: *"My problem with public policies is that there are so many of them, and some work against each other. They're so not joined up and it drives me mad! We need more sound and consistent advice."*

And echoing their concerns, a third lamented: *"When it comes to government, there are lots of different departments trying to achieve different things, for example the FSA [Food Standards Agency], Defra, Public Health England, [the Department of Health]; all trying to get messages across to foodservice operators. It isn't very joined up and sometimes they work against each other."*

Central government cuts to local authorities and executive agencies are affecting food safety regimes. Several interviewees expressed concern about an increasing lack of inspection and enforcement of smaller foodservice operations. This can cause real problems in terms of food safety and environmental standards, as an interviewee explained: *"For this middle ground, the supply base or the outlets themselves, without increased enforcement … [standards are] getting worse. The Food Standards Agency has got fewer people and more cuts, and*

the local authorities [too], which is where a lot of the work would have been done historically … If there was more practical stuff about healthy eating programmes, and rating restaurants around healthy eating and sustainable diets … there aren't people who can do that now, these programmes are being dropped off and withdrawn. A lot of these smaller places get no visits and very little enforcement."

Finally, if just sitting around a table talking about a collaborative project has to trigger a visit to the lawyers, something is very wrong with competition law. Many interviewees expressed their extreme nervousness about falling foul of this complex area of legislation, and their wish that the government would allow them to collaborate for health and sustainability. *"Government should look at [competition law] legislation to develop a framework to enable businesses to work together to find solutions to the problem"* explained an interviewee, echoing the sentiment of many others interviewed for this report.

CHAPTER 7: CONCLUSIONS AND RECOMMENDATIONS

7.1 Key conclusions

Whilst most of the foodservice sector is yet to adopt sustainable diets, a growing number of restaurants and contract caterers are taking positive steps, including the introduction of measures to reduce food waste, sustainable certification schemes and interventions such as 'red-meat free day' campaigns.

More progressive foodservice companies are developing comprehensive strategies for delivering sustainable diets and tangibly changing menus so that they are better for human health and the environment (as well as animal welfare and the treatment of people involved in producing the food). Their reasons for doing so are varied, from seeing it as something that customers will increasingly demand, to ensuring that their business is insulated from future shocks (for example extreme events linked to climate change), including supply chain integrity and reputation management.

There are three main groups of business cases for implementing and promoting sustainable diets. When 'done well', sustainable diets can:

(i) Deliver turnover growth

• Differentiate the product offer

• Enhance brand reputation and build customer loyalty

• Secure investment

(ii) Mitigate risks and increase resilience

Key short and long-term risks that sustainable diets can help mitigate include:

• Ensure security – and quality – of supply chains

• Reduce regulatory risk by staying ahead of regulation

• Reduce (negative) risk to reputation

• Maintain (legal and social) licence to operate, and long-term viability

(iii) Maintain and improve profit margins

• Improve staff motivation and retention, and reduce recruitment costs

• Deliver efficiency savings, particularly from reducing food waste

• Lower cost or same cost ingredients

Alongside financial benefits for individual foodservice companies, sustainable diets can bring the co-benefit of adding societal value, supporting greater public policy engagement and dialogue. This makes the conditions more conducive for others to adopt sustainable diets in the future.

There are clear business cases, but there are also some strong barriers to overcome. The strongest barrier is perhaps the perception that sustainable diets might be more expensive (a particular issue because of the cost focus of certain foodservice sectors). Another argument put forward is that there is not yet a strong enough customer pull for sustainable diets – albeit, as we have already

seen, this may not be the case, and will certainly change as younger generations exert their buying power.

But the question remains, should all the different elements of a sustainable diet be overtly explained to the customer? There can be a danger in that, as one interviewee told us: *"It's a tricky balance to get right. I would love to be more active about what we do, why, what we're trying to do, talk about climate change and how we ought to eat far less meat. We do plan to be more active in the future. However, you've got to be careful not to sound preachy and switch people off. You can set yourself up for a fall too – there is a sweet spot that is hard to get right."*

There are however good opportunities for forward-looking foodservice companies to positively shape the market in future. Below are a series of practical actions that foodservice company executives can take to help make sustainable diets the new norm, and show leadership in this growing area of business.

7.2 Ingredients for change

IN YOUR BUSINESS

- **Integrate** sustainable sourcing and health & nutrition across departments, freeing them from the silos of Corporate Responsibility, buying and nutrition. Unifying these functions will enable more rapid progress to be made on sustainable diets

- **Pilot** – conduct sustainable menu pilots to test out the feasibility of, and demand for, healthy, sustainable food – and, if successful, roll them out across all your outlets

- **'Bundle' costs** – look at the overall costs and benefits of introducing a sustainable menu, not the cost of individual products. If you buy free range meat but use less, the overall change might be cost neutral or even cost less than the original menu

- **Develop staff** that are passionate about sustainable diets. Nurture staff by providing them with the space, tools and incentives to deliver them. This might include adopting sustainable diet *principles* and allowing chefs the flexibility to develop their own menus that adhere to those principles (rather than necessarily dictating fixed menus from head office)

- **Tailor business cases** for sustainable diets to the specific circumstances of your company (and/ or the interests of your key directors). Identify which pillar of a sustainable diet (health, environment, cost) is most relevant to your customer base and communicate around that, rather than potentially confusing people with messages they may not understand

- **Horizon scan** – assess the impacts of geopolitical and societal shifts on the medium and long term health of your company

- **Remove worst offenders** – Choice edit/rule out ingredients that are

unsustainably sourced e.g. fish species from Marine Conservation Society's 'fish to avoid list'

ACROSS YOUR STAKEHOLDERS

- **Educate and build demand** – tell customers, clients and suppliers why sustainable diets are important

- **Invest in your sustainable supply chains** – risk assess key ingredients, commit to sourcing 100% of key ingredients from sustainable sources (using credible certification schemes that are independently recognised as being of a high standard)

- **Open up your supply chains to scrutiny** – be transparent. Ask 'would your customers still eat your food if they knew where it came from, how it was made, and what its health and sustainability credentials were?'

- **Promote your values** – tell stakeholders why sustainable diets matter to you

ACROSS YOUR INDUSTRY

- **Share best practice**, including non-commercially-competitive information about the business cases that have worked for you

- **Agree on a shared definition** (or common principles) for sustainable diets, so that everyone in the sector understands them, which will help create a level playing field when implementing them

- **Collaborate** for sustainable diets – go beyond zero-sum competitiveness and join forces with others in your supply chain and with peers to promote the benefits of sustainable diets

- **Advocate** to national government for a level playing field (including the development of Hospital Food Plans and Care Home Food Plans along the lines of the School Food Plan); a change to competition law; incentives for sustainable diets through regulation; and agree an industry-wide definition of sustainable diets

7.3 Final word

Foodservice businesses that are only interested in the next meal, the next week or even the next quarter – look away now. Foodservice companies embracing sustainable diets are those that want to survive and prosper in the long-term – and in doing so, make positive contributions to the health of people and the planet. By promoting sustainable diets, foodservice companies can get short-term reputational benefits, but more fundamentally can future-proof their business: ensure their product offer is ready for the customers of tomorrow; make sure their supply chains are fit for the future; and ensure their staff are ready, fit and motivated for what lies ahead.

In the past, the market has been heavily stacked so that the short-term business case for promoting cheap, unhealthy, unsustainable diets felt strong, even if

in reality the long-term case was weak. It is not surprising therefore that until recently relatively few foodservice companies had begun to adopt genuinely sustainable diets. But change is coming – and fast.

Civil society organisations are increasingly holding businesses to account, both in terms of industry-wide actions, and individual companies. The Soil Association's *Out to Lunch* campaign highlights the power of these high profile initiatives and their ability to attract media attention. It is not far-fetched to imagine an initiative similar to Oxfam's widely recognised 'Behind the Brands' scorecard for the foodservice industry (or at least some sectors within it), ranking the contribution that companies make to sustainable diets.

Levels of transparency and customer scrutiny will only increase and the short-sighted 'business case' for promoting unhealthy, unsustainable diets is becoming ever weaker. As an interviewee pointed out: *"I leverage transparency a lot to develop my agenda. They can say it doesn't matter to my customer base, and there may be some customers who don't care, but the question is, how much longer will that continue?"* The business cases for promoting sustainable diets are growing stronger every day, as more and more companies are demonstrating the short and long-term benefits – to the company and society – of doing so.

With pressure from customers, clients and investors, it is inevitable that sustainable diets will become a much larger part of – and ultimately the only – offering on the menu of food providers big and small.

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