

Forecasting the fast food of tomorrow:
Health. Convenience. The Environment.
And a side of fries. By Sarah Rose

A Fast Organic Nation?



Chipotle

PLENTY

IT'S EASY BEING GREEN

WE DROP MORE THAN \$100 BILLION ANNUALLY ON FAST FOOD, but we are increasingly shopping organic when we do eat at home. The market for organic foods has grown faster than that of all other food segments, an average of 20 percent per year against 2 to 4 percent per year for total food sales.

Is it possible we are on our way to bimodal eating—healthy at home and hopeless at restaurants? Why hasn't our desire to eat healthier and live longer found its way into the behemoth fast-food industry?

It's starting to. Two contenders stand to change the face of American fast food: Chipotle Mexican Grill and O'Naturals, both chains that serve natural and organic meals. While there are a mere 450 Chipotles and only 4 O'Naturals—with 200 perspective franchisees—against about 30,000 McDonald's worldwide, it's possible that the harried consumer who wants to make healthier, better choices is tired of the lack of options in a crowded category and will seek out these newcomers.

If there is a niche in the market for sustainable fast food, Chipotle and O'Naturals are the likeliest candidates to fill it—largely on the strength of their CEOs, both of whom have both built companies from the ground up and have experience raising money from large corporate backers. But even on some utopian highway, where there are organic and natural choices next to every McDonald's, will Chipotle and O'Naturals make any inroads to solve the problems of the fast-food industry? Can these noble chains really make a difference to our waistlines, our economy, or to the moral and ethical consequences of our dining choices?

FRIES, FRIES EVERYWHERE

Driving with his family, held hostage to the limited dining options along interstate exits, Gary Hirshberg got angry that there was no fast food restaurant that spoke to his personal eating preferences, that there were no healthy or organic options for travelers. Shortly thereafter, he started O'Naturals, a fast-food chain in the Northeast that uses sustainability as its foundation.

Hirshberg is the charismatic leader of Stonyfield Farm yogurt—the employees call him their CE-YO—the third-best-selling yogurt brand in America. That the third-best-selling anything in this country is an organic and all-natural brand shows how far the sustainability movement has come.

At O'Naturals, everything from the building materials on up emits a low-emissions vibe. There are compact fluorescent lightbulbs and info disks on the wall advertising the use of low-V.O.C. (volatile organic compound) paints, as well as posters educating you about the farms where your meal was grown. The food is homey, with a selection of sandwiches on addictive low-gluten bread, sustainably raised meats, a wide array of organic salads, and Asian noodles. There are markers indicating the vegan and vegetarian options, and no soft drinks.

Hirshberg is a leader in the field of socially responsible business practices in America. In addition to starting Stonyfield Farm, he serves on the boards of other organic titans such as Honest Tea and is a former cochair of the Social Venture Network, a networking organization for sustainability entrepreneurs seeking to raise cash. Stonyfield even tithes—10 percent of corporate profits go to good causes.

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“When we started Stonyfield, it was a hypothesis too: could you green a business, stay loyal to your [ecological] principles, and still make money?” Given that Hirshberg made a reported \$35 million from the 2001 sale of Stonyfield to Groupe Danone, the French food giant, the answer would seem to be yes.

Now Hirshberg has taken his hypothesis to one of the last redoubts of the American food story: he is trying to prove that fast food need not equal junk food.

If Hirshberg can grow O'Naturals the way he grew Stonyfield, it will have a positive effect on the supply chain, more farms will give up conventional farming practices, and prices on organics will decrease across the board. “The biggest impact we have is as purchasers—that's the bulk of our dollars,” Hirshberg says. Buying organic, he suggests, means nothing less than saving the family farm.

FLAVORFUL INTEGRITY

Where O'Naturals made moves toward sustainability from day one,



SIMILAR, BUT DIFFERENT: The new face of fast food, with Chipotle (opposite page) and O'Naturals (above) taking the lead in what could be a profitable new field.

Chipotle Mexican Grill, a fast, casual burrito brand now owned by McDonald's, came to the idea of “food with integrity” after the company was already serving up thousands of burritos a day.

Chipotle CEO Steve Ells is a classically trained chef who studied at the prestigious Culinary Institute of America and apprenticed to a world-renowned leader of California cuisine, Jeremiah Tower.

Ells left the rarefied world of fine dining to start a burrito joint, Chipotle, in 1993. With fancy spice blends and marinades, he sexed up the usual fare of rice, beans, guacamole, and meat. Suddenly, burritos were quite haute.

As Ells tells his story, long after he sold a majority stake to McDonald's in 1999, he still had not gotten the carnitas, the pork option, quite right. The carnitas were dry, lacking in flavor, dispirited. He went home, dipped into his culinary toolbox, and tinkered with the recipe. But most important, he tried a different kind of pork—naturally raised, hormone-free pork from Niman Ranch.



"We now buy more naturally raised meat than any other restaurant in the country," Ells boasts.

Niman Ranch (see page 65) is the country's leading purveyor of naturally raised meat. Every time Chipotle adds a new restaurant—and it's growing at a pace of 100 new restaurants a year—Niman Ranch can invite another family farm into the fold.

The scales fell from his eyes, and Ells began to rethink the direction of his restaurant. If he could sell pork with integrity, why not make everything else with integrity? He has introduced humanely raised beef and chicken in select markets, as well as organically raised beans, and is constantly looking for new avenues for his conscientiousness, such as designing new stores under the low-impact rubric of "buildings with integrity."

But the supply chain has yet to catch up, organic ingredients are still pricey, and supply is limited. Chipotle calls it an "incremental revolution."

"If we went all-organic and natural now, a burrito would be like \$17 or \$18," Ells says.

DOING GOOD BY DOING (LUNCH) WELL

The new takes on fast food by these companies are in many ways improvements over the more traditional methods of their competitors—in sustainability, nutrition, ethics, and employment opportunities. But just how different are these new restaurants? And how much do they resemble their less self-conscious kin? A look at some of these issues shows the positives but also where there is room to do better—if the restaurants can continue to find a market for doing better.

Organic and naturally raised foods are healthier for us in myriad ways. The supply chain is transparent: from point of growth to point of sale, every move an item makes is documented. Marketers know whether chemicals or hormones are used and how their food is raised, harvested, and slaughtered. Lacking chemical pesticides, hormones, and antibiotics, sus-



tainably raised food is less harmful to the environment, because it won't leach poisons into the soil or groundwater. (And that makes it even more appealing for the farmers.) Allowed to grow naturally, rather than with chemical growth agents or ripeners, organic and naturally raised food typically tastes better, too.

But are organic foods actually healthier for you? "Keep the issues straight," warns Marion Nestle, professor of nutrition, food studies, and public health at New York University and the James Beard award-winning author of *Food Politics* (University of California Press, 2003). "Organic is about environmental issues, how it's grown. And to some extent that's very important. But it's a separate argu-



BURRITO ME: Steve Ells, CEO and classically trained culinary chef steers Chipotle in a new direction—one that includes naturally raised meats and organic beans.

ment from whether it's good for you."

The nutritional arguments for organics over conventionally grown foods are notoriously hard to make. "If they are better nutritionally, they are so marginally better that it's not going to make any difference," Nestle says.

Nonetheless, organic and naturally raised foods have come to symbolize a whole basket of benefits. It would seem as if choosing organic ipso facto makes you healthier and helps improve the world.

Both Chipotle and O'Naturals have aligned their marketing to capitalize on this notion: the slogan of O'Naturals is "Fast food, naturally"; Chipotle wears its "food with integrity" campaign on its T-shirt sleeves.

KIDS IN QUESTION

Among the greater crimes of the fast-food industry is its history of systematic and reckless marketing to children, a captive and susceptible audience. Brand loyalty is decided young, very young. Parents' dining choices respond strongly to the "nag factor"—that is, when kids whine for a preferred burger, it has the ability to impact the entire family's dining decisions.

Given the competitive realities, it's tempting for these new chains to try to win over the youth market. But a decision by Chipotle or O'Naturals to market to kids would cause some consumers to question their various moral claims.

"If you try to keep up with the Joneses, you become one of the Joneses," warns Morgan Spurlock, director and subject of the fast-food documentary *Super Size Me*. "An all-natural food chain that mass markets their products to kids, shoving it down a kid's throat, risks falling into line with everyone else."

Hirshberg, through Stonyfield Farm, markets to children in the space critics find most objectionable: the sacrosanct school cafeteria. Yet the alternative—not marketing healthy products to kids—might be worse. Hirshberg's son came home from school one day reporting a lunch of pizza, chocolate milk, and Skittles candies.

"I had no idea that Skittles were a food group," Hirshberg says. "He said if it was healthy, the kids just wouldn't eat it," Hirshberg recalls. So he came up with the idea of healthy vending machines.

Now, in school lunchrooms across the country, right next to the Coke and candy machines, a kid can buy Organic Valley milk and string cheese and Newman's Own pretzels, as well as Stonyfield Farm Smoothies.

"I am a little uncomfortable with [marketing to children]," Hirshberg admits. "But basically I'm marketing to adults. I did it just to prove them wrong."

O'Naturals has a play area, but it is utterly unlike the one with the clown and the golden arches. There are, for instance, books to read to the kids while they eat. None of the toys are plastic; there is, instead, an all-wood Duplo-esque train set.

Restaurant play areas have been criticized for bringing children into a market situation, one that could influence preferences in their young, susceptible minds. But it is an unavoidable fact that children also dine out. The O'Naturals offerings for kids humanize the experience of dining; it is also just plain nice to interact with happy kids while you eat.

Chipotle, on the other hand, stays entirely outside the fray, making no overtures to children whatsoever. Chris Arnold, director of Hoopla, Hype, and Ballyhoo at Chipotle, (organic fast food loves cutesy job titles) says, "Our policy on marketing to kids is to ignore them."

CALORIES, CHEAP AND FAST

By serving up a balance of the essential (fast) food groups—grease, salt, sugar, and meat—the Goliaths of the restaurant industry know how to make our mouths water. But fast food has also found its way into the hearts and stomachs of America because it is cheap food, in every sense. Often, it is more affordable than buying food from other restaurants or preparing it at home. What's more, as we work more hours and as our time has become more valuable, the opportunity



ASSEMBLY LINE TO DINING FINE: There's a method to the madness in the efficient serving line at Chipotle (above left) that allows good food to be served fast and easy.

costs of cooking a full meal—or even sitting down to one—have skyrocketed.

There are more calories available to us now, for less money and in less time, than there have ever been in human history. Fast food became popular when America saw an overall fall in food prices. Deflation in the cost of food has come from a combination of factors, including government subsidies to food producers and a decline in real wages, particularly the minimum wage, against inflation. Subsidies to producers have led to inexpensive additives—such as corn sweeteners (in colas) and partially hydrogenated vegetable oil, a vegetable lard (and the leading source of heart disease-causing trans fats)—beloved by fast-food companies. With ever-cheaper materials, fast-food companies were able to sell more for less, "supersizing" portions. As their bottom lines grew, so too did our own bottoms.

Opting to dine at a natural fast-food joint means choosing to pay more for food—at the very minimum, the ingredients are more expensive. But companies aren't stinting on portion size to compensate. Indeed, the burritos at Chipotle are gigantic. An average chicken burrito at the restaurant weighs in at a hefty 1,000 calories, based on lab analysis, according to the Center for Science in the Public Interest, a Washington, D.C.-based food-advocacy foundation. A slogan on the Chipotle Web site shows a burrito with the caption "beeps when it backs up."

The customer has a great deal of control over portion size at Chipotle, Ells counters. "We provide quality, wholesome ingredients, and the customer must put it together in a way that is right for their own diet."

Ells points out that there are slimmer options on the menu; for example, a customer can choose to order only one taco. But there is no price on any of the menu boards for that single, small-portion



SERVICE WITH A SMILE: Portions are reasonably sized at O'Naturals, but served up with a personal touch that can make the dining experience better.

taco. Prices are listed for three or four tacos, as if a single taco weren't even an option.

Studies repeatedly show that portion size helps determine how much we eat. If we're offered more, we eat more. Researchers at Pennsylvania State University fed subjects different-size portions of mac and cheese. In each session the size of the entrée was increased. With the increase in entrée size, the subjects ate more, though their reported hunger levels never changed. Those offered the biggest portions ate an average of 27 percent more. A researcher at the University of Illinois found that moviegoers ordering the extra-large bucket of popcorn ate nearly twice as much as those who ordered the next size down—even when the popcorn was stale.

Though it goes without saying, we'll say it again: the more we eat, the fatter we get. The social consequences of weight gain are tremendous. Obesity increases health care costs by 36 percent, and the cost of medicine by 77 percent, according to estimates by the Center for Disease Control.

Nutritionists are quick to rebut Ells's "personal responsibility" argument about portion control. "Even if you're not hungry, even if you don't like food much, even if you've eaten an hour ago—if you're human, you'll eat more if more is put in front of you," Nestle

says. "To ask someone to exercise self-control and restraint in that situation requires an educated consumer, great strength of character, and probably someone more compulsive than you'd want to have dinner with."

Natural fast food, for all its good intentions, is unlikely to stave off the obesity epidemic unless the companies make a decision to slim down portions.

WANT FRIES WITH THAT?

"Do you want fries with that?" is a punch line, a forbidding symbol of the dead-end, low-skilled reality of a teenage fast-food employee. It hints at a subject both Chipotle and O'Naturals shy away from speaking about on the record: wages and benefits. Will these sustainable fast-food brands also perpetuate the kind of deathly, mindless job that cycles through teenagers and high school dropouts?

Chipotle does not franchise, which means the company owns and operates all 450 stores itself and manages its own employees. Ells can say, with certainty, "no one in this company earns minimum wage." With corporate ownership of stores, Chipotle has retained a great deal of control over employee life, and in that vein has started a program of foreign-language education for employees, in both Spanish and English.

O'Naturals, on the other hand, is franchising, seeking private operators for quick growth around the country. Hirshberg realizes that he will not necessarily be able to keep tabs on how the franchisees treat and pay staff, but he remains realistic. "Of 200 quality franchisees, there are at least a dozen who will want to do the right thing. They're good people, too."

Labor is a worryingly easy margin in which a struggling company could find efficiencies. "It's true there is a magic threshold [below which] food and labor costs must go, or it's not going to be a profitable business," says Hirshberg.

"There's so much that a company can do right," says Spurlock. Using organic food is only the beginning of the sustainability story, he adds; companies have to privilege their human capital, not only the quality of their materials. "If they pay well from the beginning, if they treat employees well—give them a chance to own part of the company, a chance to grow, retirement benefits—they may not be a billion-dollar company, but they can build a couple-hundred-million-dollar company packed with employees so loyal it doesn't make a difference."

AN ORGANIC FUTURE

So what chance, really, will the do-gooders have of giving the big guys a run for their money?

"That's a big elephant you have to move," warns Steven Hoffman, president of Compass Natural Marketing, a Colorado-based consulting firm for the natural-products industry, and a cofounder of *LOHAS Journal*, a magazine targeting the "health and sustainability" consumer. "But these guys are pioneers. They will definitely be an influence."

"It's never going to be more than 3 to 5 percent of the overall fast-food market," says Dennis Lombardi, executive vice president of WD

Partners, an Illinois-based food service consultancy.

Unless something awful happens, that is. It is entirely possible that a catastrophic news story could drive consumers to organics. More than 700 people were sickened by a 1993 E. coli outbreak at Jack in the Box, which threw into sharp relief the dangers of the massive-scale sourcing and processing inherent in the fast-food industry. Mad cow disease (bovine spongiform encephalopathy, or B.S.E.) detected in U.S. cattle could cause Americans to run for the security of naturally raised animals.

"A concern about safety in the food channel would drive people to single-source beef, where the animal stayed under the control of one location," rather than passing through the hands of several different farms, slaughter houses, and processing systems, says Lombardi. "There would be no question [that organic fast food would gain market share] if it came from a B.S.E. issue."

Barring disastrous events forcing a run on organic fast food, the very thing that makes O'Naturals and Chipotle different could be what hurts their growth

the most: fast food is cheap, and sustainability is expensive.

"It's a chicken-and-egg issue," Lombardi says. "Demand isn't that high, so the product stays higher in cost, and that thwarts consumer demand. It's a vicious circle. But if [the sector] continues to grow, and grows faster than food service in general, supply will increase, and the cost difference will change."

This is entirely the direction in which Chipotle and O'Naturals hope to see things go. A real market for organic fast food would drive down the prices on organics overall and raise awareness of sustainabil-

ity's benefits. Profitability and double-digit growth might make the most forgetful elephant of them all, the one with the golden ears; remember that a green and socially responsible business can also be a hugely successful one.

"I know that this is the future," Hirshberg says. "I know there will be some bumps and bruises along the way. But if it does take off and McDonald's goes this way, if they do follow in our footsteps, if my gravestone read, 'I helped them be more ecological,' that wouldn't be so bad." ■

A green and socially responsible business can also be a **hugely successful** one.



GIVE ME SOME AMBIENCE: While the restaurants are still geared to take-out, the actual dining experience at the table has been enhanced by the thinking behind the design.