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April 8, 2022

From Conception to First Bite: The Intersection of Food and Technology When Launching a  
Fast-Casual Restaurant

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## Abstract

From Conception to First Bite: The Intersection of Food and Technology When Launching a Fast-Casual Restaurant  
By Maya Schirn

Building on research surrounding fast-casual restaurants, this work explores how a fast-casual restaurant can survive in a post-pandemic world. This study investigates the Atlanta's fast-casual restaurant scene, examining practices and developments through recent innovations such as ghost kitchens, apps, automation, and understanding where the opportunity zone is located. This study closely follows a developing Atlanta based emerging fast-casual chain, Recess Concepts, LLC.



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This thesis truly serves as a “full-circle” moment for me; combining my passions, studies, and personal interests. I am thankful for the opportunities and support provided to me so I could pursue this project. I want to dedicate my senior research thesis to this topic in order to help people find suitable options that address dietary, ethical, and financial restrictions when dining out. I hope that reading this thesis drives others to share my enthusiasm for the food industry and consider the fast casual segment with a fresh and more insightful perspective. I want to thank my advisors Dr. Peter Wakefield, Dr. Jonathan Crane, and Professor Marina Cooley for all of their assistance and willingness to help me over the course of this year. I would like to thank my parents and sisters for their constant unwavering support throughout this process and my life.

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## **Introduction:**

My thesis analyzes the current state of the fast-casual sector of the restaurant industry and the impact that the sustainability movement and COVID-19 have made on it. The movement towards “slow food” has revolutionized nutritional habits in the Western world, advancing the health based fast-casual restaurant concept and moving away from the Americanized fast-food culture. I interpret the current and future impact that technology makes on the fast-casual industry. In the past three years, there has been a noticeable shift, especially in the emerging post COVID-19 pandemic environment, in the intersection of technology and fast-casual dining. As a part of my research, I follow the evolution of a fast casual start-up called Recess in my adopted hometown of metro Atlanta. By analyzing the business model and performance of Recess, I hope to illuminate new trends and innovations in the fast casual segment of the restaurant industry and provide insights about its future.

After spending a summer in 2018 interning at Sweetgreen, a publicly traded fast-casual restaurant, I became interested in the process of curating a restaurant that includes sustainability and the procurement of fresh food through local vendors as part of its value proposition. Sweetgreen’s focus expands beyond its supply chain. As a Generation Z brand, a brand that appeals to people born between 1996 though 2010 and are technologically literate, Sweetgreen understands that it must innovate in order to maintain its relevance and competitive advantage. The company made a significant investment in technology and emerged as an industry leader instituting best practices that other fast casual enterprises routinely attempt to replicate.

Ever since my internship with Sweetgreen, I actively search for fast-casual segment entrants and other health-centric restaurant concepts. Since January of 2021, I have interned at one such company, Recess Concepts LLC, the fast-casual adaptation of the Castellucci

Hospitality Group's food stall in Krog Street Market. The first time that I tried Recess, I became convinced that the high quality of the restaurant's food would earn it a large and loyal following. I became interested in how the company would attempt to convert delicious food into a cost efficient and scalable 21<sup>st</sup> century business.

The rationale for this study is to find out more information on the evolving post-COVID pandemic model of fast-casual dining segment by following the relationship between evolving human culture and how that plays out in changing food habits. By monitoring the development of a new fast-casual restaurant launch in a post-pandemic world, this research seeks to understand the tension between holding a standard of local, healthy, and vegetable-centric ingredients while maintaining a viable cost structure. By following a local, fast-casual restaurant venture, I am curious to understand the intersectionality of food and technology. To answer my research questions: 1) What is necessary to make a restaurant flourish in a fast-paced world when consumers expect nutritious, local food but seek affordability and convenience? 2) How will the introduction of technology, such as customized apps, into the restaurant model increase sales and behaviors? 3) What is the tension between quality and price? 4) What durable changes has COVID-19 made to the industry?

## Chapter I: Literature Review & The History of U.S. Food Regulation

### I. American Meat Consumption and Regulations

Danny Meyer, notable restaurateur and creator of Shake Shack, notably writes in his memoir, “I’ve learned more of what I know about life from people than from books, and I’ve learned much of what I know about people from the food they eat.”<sup>1</sup> The way humans have evolved coincides greatly with the diet they consume. Following eating habits and trends, humans have gone through countless diets that conform to their environment. Dating back to the nineteenth century, Americans have shifted their eating patterns to favor food trends that prioritize cost over quality and convenience over long-term health benefits.

In the 19<sup>th</sup> century, when a person’s life expectancy was in the 40s and heart disease was not an issue, Americans devoured red meat. The average person ate 150–200 pounds of meat per year.<sup>2</sup> One reason for this massive consumption may be meat’s appeal to American immigrants. Meat was widely perceived to be a food for the aristocracy in Europe. Poor Italians, for example, had meat as infrequently as one time per year.<sup>3</sup> In the United States, the livestock industry benefited from an abundance of agricultural land and could produce meat at a low cost. Historian Roger Horowitz says: “When the Irish come in the 1840s, they write letters back saying ‘I eat meat every day. And they get letters back saying, ‘You must be kidding. It can’t be true.’”<sup>4</sup> When author Charles Dickens visited America in the mid 19<sup>th</sup> century, he wrote that “no

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<sup>1</sup> Meyer, Danny, “The First Course,” in *Setting The Table: The Transforming Power of Hospitality in Business*, 2008.

<sup>2</sup> Teicholz Nina, “How Americans Got Red Meat Wrong - The Atlantic,” accessed December 5, 2021, <https://www.theatlantic.com/health/archive/2014/06/how-americans-used-to-eat/371895/>.

<sup>3</sup> Cassandra Gill, “The Transformation of Food in America in the 19th Century,” in *OUPblog*, October 7, 2016, <https://blog.oup.com/2016/10/immigrants-food-america/>.

<sup>4</sup> Dan Charles, “The Making Of Meat-Eating America,” *NPR*, June 26, 2012, sec. Meat Week, <https://www.npr.org/sections/thesalt/2012/06/26/155720538/the-making-of-meat-eating-america>.

breakfast was breakfast” without a T-bone steak. In the late 19<sup>th</sup> century, technological innovations such as the railroad and refrigeration enabled the beef industry to grow and flourish.<sup>5</sup> By the end of the 19<sup>th</sup> century, meatpacking played a huge role in the American economy. With over \$1 billion in annual sales, the industry emerged as the leading industry in the United States. Large meatpacking plants were built in midwestern cities. Meat became engrained as a dietary staple in 19<sup>th</sup> century America.

In 1906, Upton Sinclair’s shocking fictionalized exposé of the meat processing industry, titled *The Jungle*, prompted necessary and overdue federal food quality and employee safety laws. Sinclair was one of the first people to expose the public health danger resulting from the poor practices of the meatpacking industry. He writes about the conditions at a Chicago meat processing plant, "It is an elemental odor, raw and crude; it is rich, almost rancid, sensual and strong." <sup>6</sup> *The Jungle* caused meat sales in the United States to fall by half in 1906, and they did not revive for another 20 years.<sup>7</sup>

Following the release of Sinclair’s book, the Neill-Reynolds Report was released in response from President Theodore Roosevelt to calm the nation from the outlandish claims. A passage from the report reads, “In a word, we saw meat shoveled from filthy wooden floors, piled on tables rarely washed, pushed from room to room in rotten box carts, in all of which processes it was in the way of gathering dirt, splinters, floor filth, and the expectoration of tuberculosis, and other diseased workers.” <sup>8</sup> This report served as an additional cry to Americans to regulate the horrifying conditions where their food was being produced. The investigation

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<sup>5</sup> Charles.

<sup>6</sup> Upton Sinclair, in *The Jungle*, 1906, 21.

<sup>7</sup> Teicholz Nina, “How Americans Got Red Meat Wrong - *The Atlantic*,” accessed December 5, 2021, <https://www.theatlantic.com/health/archive/2014/06/how-americans-used-to-eat/371895/>.

<sup>8</sup> Roosevelt, Theodore, “Neill-Reynolds Report Confirmed,” *The Walsenburg World*, June 15, 1906, [https://chroniclingamerica.loc.gov/data/batches/cohi\\_jasper\\_ver01/data/sn90051300/00340586128/1906061401/0707.pdf](https://chroniclingamerica.loc.gov/data/batches/cohi_jasper_ver01/data/sn90051300/00340586128/1906061401/0707.pdf).

only enhanced the nation's eagerness to regulate the trustworthiness of beef consumption between consumers and federal food laws and regulations.

Throughout the 20<sup>th</sup> century, the United States government enacted many laws to regulate the industry with varying degrees of success. The practice of purchasing from local butchers or butchering livestock had officially transitioned to big corporate control. The industry evolved to have a few dominant players who were typically more concerned with profitability than food quality. By the 1970s, factory farming became the industry convention for meat production. This controversial method is defined by Webster's Dictionary as "a farm on which large numbers of livestock are raised indoors in conditions intended to maximize production at minimal cost."<sup>9</sup> Issues of animal cruelty and adverse environmental impacts are associated with factory farming.<sup>9</sup>

Today, as political activists increase their efforts to regulate the industry, the big four meat distributors in America—Cargill, Tyson Foods Inc, JBS, and National Beef— control the regulatory process, funding political campaigns in exchange for favorable regulations. Americans are now awake to the madness of the lack of oversight; the necessity for the restructuring of food supply chains received added attention during the Obama administration when FDA food safety laws and regulations were updated for the first time in seventy years in an attempt to prevent foodborne pathogens. Former U.S. Food and Drug Administration official Erik D. Olson shares, "Sections 103 and 104 of the new structure require food-processing companies to identify where during food production contamination might occur, to take steps to prevent it, and to monitor the effectiveness of those steps."<sup>10</sup>

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<sup>9</sup>Kutzer Kayla, "A Brief History of Modern Agriculture: The Origin of Factory Farming" (Pace University School of Law, 2017), <https://libraryguides.law.pace.edu/c.php?g=452979&p=3094147>.

<sup>10</sup> Erik D. Olson, "Protecting Food Safety: More Needs to Be Done to Keep Pace with Scientific Advances and the Changing Food Supply," *Health Affairs (Project Hope)* 30, no. 5 (May 2011): 915–23, <https://doi.org/10.1377/hlthaff.2010.1265>.



While these regulations have been a step in the right direction, Americans are currently in the midst of a health epidemic. According to the CDC, the U.S. obesity prevalence in 2018 reached 42.3% which increased from 30.5% in 2000. In 2019, according to the Rockefeller Foundation, the total present and future costs of the U.S. food system, including factors such as pollution, biodiversity loss, and rising health care costs associated with diet-related disease amounted to \$3.2 trillion.<sup>11</sup>

## II. **Emerging Fast-Food Culture**

These staggering statistics partially result from America's fast-food culture that started in 1921 with the opening of the first fast food restaurant, White Castle. With this launch, an industry in which restaurants rapidly prepare and serve food at a low cost quickly emerged. Ultimately, one company, McDonald's, became the dominant player in the second half of the 20<sup>th</sup> century. Seeking convenience and value, suburban Americans found themselves frequently dining at their neighborhood McDonald's which became a staple in their lives.

McDonald's was the first enterprise to emphasize simplicity while dining.<sup>12</sup> With a limited menu, few food safety laws, and simple food preparation techniques, McDonald's was able to efficiently produce a substantial amount of food within minutes. Serving hamburgers, fries, and milk shakes, McDonald's had little restrictions in serving substandard quality meats and produce. The idea of uniformity and giving the customer the comfort that they will receive the exact same product each time created the necessity for the "Speedee" line system, which also was the name of the company's original mascot pre-Ronald McDonald.<sup>13</sup> The line system enabled one person

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<sup>11</sup>

CDC, "Obesity Is a Common, Serious, and Costly Disease," Centers for Disease Control and Prevention, November 12, 2021, <https://www.cdc.gov/obesity/data/adult.html>.

<sup>12</sup>Eric Schlosser, in *Fast Food Nation: The Dark Side of the All-American Meal*, 2001, 3.

<sup>13</sup>Schlosser.

to do one role, over and over again, ensuring the product possessed a consistent appearance and taste. In McDonalds' case, the secret to success was in the sourcing; having direct relationships with potato farms in Idaho and a major meat packing plant in West Chicago allowed McDonald's to have a closed system that was cheap and efficient across its thousands of franchises. Because of its scale, McDonald's enjoyed a huge cost advantage over its competitors and dominated the industry for decades.

The success of McDonald's opened the marketplace for hundreds of other fast food restaurant chains such as Kentucky Fried Chicken, Burger King, and Carl's Jr. to name a few. Americans' seemingly insatiable desire for fast food revolutionized the entire food industry. By the turn of the century, in 2000, Americans spent over \$110 billion annually on fast-food.<sup>14</sup>

The United States government turned a blind eye on the quality of the fast food. There were several controversies- Jack in the Box, Wendy's and Chipotle and several others experienced crises around unsafe food- but the industry remained relatively unscathed from significant government regulation.<sup>15</sup> Following the Chipotle Agreement to pay the US government a \$25 million fine to resolve foodborne illness outbreaks, Food and Drug Administration Commissioner Stephen M. Hahn, M.D stated, "The FDA will hold food companies accountable when they endanger the public's health by purveying adulterated food that causes outbreaks of illness."<sup>16</sup>

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<sup>14</sup>Schlosser.

<sup>15</sup>

"Chipotle Mexican Grill Agrees to Pay \$25 Million Fine and Enter a Deferred Prosecution Agreement to Resolve Charges Related to Foodborne Illness Outbreaks," April 21, 2020, <https://www.justice.gov/opa/pr/chipotle-mexican-grill-agrees-pay-25-million-fine-and-enter-deferred-prosecution-agreement>.

<sup>16</sup>

"Chipotle Mexican Grill Agrees to Pay \$25 Million Fine and Enter a Deferred Prosecution Agreement to Resolve Charges Related to Foodborne Illness Outbreaks."

Companies would suffer consequences immediately after the poor publicity but most ultimately rebounded with customers having short memories. Eric Schlosser states, “Today, the U.S. government can demand the nation-wide recall of defective softball bats, sneakers, stuffed animals, and foam-rubber toy cows. But it cannot order a meatpacking company to remove contaminated, potentially lethal ground beef from fast food kitchens and supermarket shelves.”<sup>17</sup> The mass production of processed foods generates profits for shareholders but sacrifices quality and health for consumers.

### **III. Nutrition and Diet**

Since the end of the 20<sup>th</sup> century, informed consumers have learned that diet serves as a key tool to counter heart disease and cancer, the two ailments that kill the most people. Nutrition has emerged as a real way to prolong life by reducing risk factors resulting from these illnesses. “When sufficient groups of scientists and government agencies...develop a consensus as to the health benefit of a specific nutrient and its role in the prevention of a disease, the food industry will most likely develop new relevant products.”<sup>18</sup> This new understanding scared humans and refocused the human understanding around the effects of diet and nutrition.

The portion of the American population concerned with using preventative measures to prolong life span intensified their demand for higher quality and healthier food. According to the Organic Trade Association, between 2010 and 2019, organic food revenue grew at an average of 9% annually, more than three times faster than overall food revenue, and in 2020, organic food

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<sup>17</sup>

Eric Schlosser, in *Fast Food Nation: The Dark Side of the All-American Meal*, 2001, 196.

<sup>18</sup>

Allen S. Levine and Theodore P. Labuza, “Food Systems: The Relationship between Health and Food Science/Technology,” *Environmental Health Perspectives* 86 (1990): 233–38, <https://doi.org/10.2307/3430958>.

sales grew by a record 13%.<sup>19</sup> Chipotle, which emerged in the early 21<sup>st</sup> century as a leading fast-food company, does not use processed foods, microwaves and freezers in any of its operations.<sup>20</sup> Many Americans understand the importance of making healthier food choices and want nutritious options when dining away from home.

#### **IV. Food Sourcing and Supply Chains**

Industry change can be observed through product sourcing transitioning to locally and ethically sourced product rather than using mainstream distributors. Author Michael Pollan is a leader in studying the function of food. In *The Omnivore's Dilemma*, Pollan describes the modern industrial food chain and the role that agribusiness plays in the environment and the human diet. He describes the history of food sourcing, breaking into a timeline of 'Four Meals': our current industrial system, the big industrial organic operation, the local and sustainable self-sufficient farm, and the hunter-gatherer.<sup>21</sup> His book breaks down the new age of industrial organic, the production of certified foods using methods of industrial agriculture, to show how in modern day the nature of 'organic' is skewed by a misconception. The majority of food we purchase at the grocery store travels thousands of miles to reach our plates. Pollan notes, "...what you ate was inseparable from how it was grown and how it reached your table."<sup>22</sup>

Chef and food scholar Dan Barber notes in his research that the origin of farm-to-table farming and eating is not new, but the US is in dire need of shifting back to paleolithic eating styles of hunting, gathering, and growing.<sup>23</sup> In 2022, the slow food movement demonstrates that

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<sup>19</sup>

Sweetgreen, Inc., "Sweetgreen, Inc. S-1," UNITED STATES SECURITIES AND EXCHANGE COMMISSION, October 25, 2021, <https://www.sec.gov/Archives/edgar/data/1477815/000119312521306603/d104360ds1.htm>.

<sup>20</sup>

Chipotle Mexican Grill, INC, "Chipotle Annual Report and Proxy Statement," Annual (Delaware, 2019), [file:///Users/mayaschirn/Downloads/2019%20Annual%20Report%20and%20Proxy%20Statement%20\(1\).pdf](file:///Users/mayaschirn/Downloads/2019%20Annual%20Report%20and%20Proxy%20Statement%20(1).pdf).

<sup>21</sup>Michael Pollan, *The Omnivore's Dilemma* (Bloomsbury, UK: The Penguin Press, 2006).

<sup>22</sup> Michael Pollan, in *The Omnivores Dilemma*, 2006, 143.

<sup>23</sup> Dan Barber, "Field Notes on The Future of Food," *Log*, no. 34 (2015): 59–68.

people want to return to past practices in the pursuit of sustainability in food sourcing and distribution. Barber insists going back to our past ways “helps us recognize that what we eat is part of an integrated whole, a web of relationships, that cannot be reduced to single ingredients.”<sup>24</sup> The past practices Barber relays seem easier said than done. The world is heavily reliant on having out of season produce and products year-round, dismantling the seasonal supply chain that would otherwise promote only eating and observing meals from that season’s harvest.

Though technology has advanced, the practice of going back to slow food and prioritizing ethical and sustainable practices connects modern day principles to past practices. Technology has advanced to a level where plant-based cuisine will eventually replace a large part of the meat industry enforcing the necessity of lowering our carbon footprint. In 2022, American consumers appear to desire food that not only is nutritious and high quality but symbiotic with the environment.

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<sup>24</sup>Barber,64.

## Chapter II: Industry Analysis

### I. Consumer Culture

The shift in consumer behavior to prioritize healthier eating elevated consumer demand for nutritious yet affordable meals and presented a compelling business opportunity. Millennials and Gen Z, in particular, seek short wait times and almost instantaneous fresh meals at the touch of a button through digital ordering technology. Technological advancements have shifted the way that people consume, order, and contextualize food, opening a market and platform for ‘food porn’, a glamorized visual presentation of food with instantaneous sharing on Instagram, Twitter, Facebook, Snapchat, and TikTok. With the increased prevalence of social media platforms and digital payment methods, food and technology are intertwined.

In *The Chipotle Effect*, author and food industry insider Paul Barron discusses the emergence of fast casual dining as a “food renaissance”.<sup>25</sup> He asserts that people currently seek food with a story that makes them feel good about themselves. Barron identifies an underserved market looking for better quality food which became validated by its rapid growth: “Fast-casual dining is more expensive than fast-food dining, so the only answer to the double-digit growth of the segment is that fast-casual is providing something else, something beyond low cost, that consumers demand.”<sup>26</sup> Barron believes that successful companies will have, “a clear vision of product and purpose to match the amazing demand and growth of the social consumer. Most businesses can't — they are just too slow.”<sup>27</sup> Barron’s industry analysis of the emerging fast

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<sup>25</sup> Paul Barron, *The Chipotle Effect: The Changing Landscape of the American Food Consumer Is Shifting Rapidly* (Transmedia Press, 2012).

<sup>26</sup> Paul Barron, in *The Chipotle Effect: The Changing Landscape of the American Food Consumer Is Shifting Rapidly* (Transmedia Press, 2012), 96.

<sup>27</sup> Barron, *The Chipotle Effect: The Changing Landscape of the American Food Consumer Is Shifting Rapidly*.

casual segment highlights the critical importance of quickly understanding technology and consumer behavior in order to identify and seize opportunities.

**II. COVID-19**

COVID-19 accelerated the demand for food at the touch of a button which has become a common part of everyday life. According to Second Measure, the ‘Big Four’ food delivery companies, consisting of DoorDash, Uber Eats, Postmates and Grubhub, have experienced a dramatic increase in their growth since the emergence of COVID-19 in March of 2020. Apps have solved a problem for consumers seeking quality food but not wanting in-person social interaction. As of October 2021, sales for meal delivery services increased approximately 15 percent year-over-year, collectively.<sup>28</sup> In 2021, Sweetgreen reports that 68% of its total sales were generated from digital channels and Chipotle reports its percentage to be 43%.<sup>29</sup> Even McDonalds, which appeals to a less digitally-sophisticated consumer, reports that digital sales reached nearly 20 percent of sales across its top six markets in 2020.<sup>30</sup> The rapid growth of ordering apps as a staple in everyday life has resulted in a paradigm shift in food consumption.

**III. Technology**

The expansion of choice through delivery has opened the market up to fast-casual options leaning on to-go orders as the primary means for survival. Through fast-food drive-through and drive-ins, the history of fast, efficient dining practices is instilled in the core of American eating culture. Over time, health concerns have become even more of a priority to many Americans who still want convenience. Barron claims, “Fast-casual is seen as reflecting core values of

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<sup>28</sup>Janine Perri, “Which Company Is Winning the Restaurant Food Delivery War?,” Bloomberg Second Measure, March 16, 2022, <https://secondmeasure.com/datapoints/food-delivery-services-grubhub-uber-eats-door-dash-postmates/>.

<sup>29</sup> Sweetgreen, Inc., “Sweetgreen, Inc. S-1.”

<sup>30</sup>McDonald’s Corporation, “McDonald’s Corporation Annual Report,” UNITED STATES SECURITIES AND EXCHANGE COMMISSION, 2020, [https://www.annualreports.com/HostedData/AnnualReports/PDF/NYSE\\_MCD\\_2020.pdf](https://www.annualreports.com/HostedData/AnnualReports/PDF/NYSE_MCD_2020.pdf).

today's tech-empowered, younger consumer: health, sustainability, corporate responsibility, among others.”<sup>31</sup> In the post pandemic world, consumers appear to be less interested in a dine-in experience and prioritize quality of food and convenience. With the physical footprint of stores decreasing and digital sales increasing at a staggering rate, companies are analyzing how to stay ahead of the curve and adapt to customer's new sensibilities.

Companies are focused on using technology to meet consumer demand and increase satisfaction while reducing operating costs. The rapid growth of the digital transaction means that a restaurant's app has vital importance. The app serves as the storefront of the business and provides it the valuable opportunity to directly interface with the customer. The app goes beyond a point of sale; it serves as the place to tell the story of a brand and articulate its message. The importance of the app can be demonstrated by the prominence that Sweetgreen places on it. In the first page of its S-1, the document detailing its public offering, Sweetgreen proudly acknowledges that “the Sweetgreen mobile app was recognized by the Webby Awards as the best Food & Drink app in both 2020 and 2021.”<sup>32</sup> Visionary food companies invest in their app's infrastructure; automated checkout systems provide the consumer with the ability to prepay with one swipe and pick up for convenience.

In addition, fast food companies are investing in artificial intelligence technology to use customer information from previous transactions to upsell additional products.<sup>33</sup> For example, Yum Brands, which was an early investor in the mobile app GrubHub, recently acquired Kvantum which specializes in using artificial intelligence for customized consumer marketing.

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<sup>31</sup>McDonald's Corporation.

<sup>32</sup>Sweetgreen, Inc., “Sweetgreen, Inc. S-1.”

<sup>33</sup>Glenn Katz, “How Technology Is Being Served at a Fast-Food Restaurant Near You,” *QSR Magazine*, December 14, 2020, <https://www.qsrmagazine.com/outside-insights/how-technology-being-served-fast-food-restaurant-near-you>.



Chipotle uses artificial intelligence for phone orders. Companies are also experimenting with using autonomous driving for delivery. Chipotle invested in one such company called Nuro in March of 2021. Chipotle CFO Jack Hartung said, “We are going to try to design a vehicle that’s uniquely fitted to deliver our burritos.”<sup>34</sup>

Moreover, a company called Starfish Technologies, founded by the creators of Skype, delivers foods on college campuses through robots which travel autonomously at 4 mph. The robots use machine learning, computer vision and GPS to navigate without the control of humans. Grayson Peters, the Vice President of the Westwood Neighborhood Council which includes UCLA, says that Starship robots could offer “a beneficial alternative to current delivery services like DoorDash and Postmates, which use vehicles that cause traffic congestion and produce gas emissions.”<sup>35</sup> The era of autonomous food delivery has begun.

Successful fast-casual companies consider technological innovation in every aspect of their businesses. Sweetgreen has emerged as a brand with a loyal Generation Z following largely because of its continued emphasis on innovation. Recognizing that climate change resonates with its customers, Sweetgreen partners with Watershed, a climate technology company, to determine how to integrate sustainability into every component of its supply chain. Sweetgreen advertises that its menu items are “30% less carbon intensive than the average U.S. diet.”<sup>36</sup> Sweetgreen recently acquired a robotics company called Spyce which is developing technology to replace chefs with robots in an automated kitchen.

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<sup>34</sup>Alicia Kelso, “Why More Restaurant Companies Are Investing In Tech Startups,” Forbes, April 5, 2021, <https://www.forbes.com/sites/aliciakelso/2021/04/05/more-restaurant-companies-are-investing-in-tech-startups-heres-why/>.

<sup>35</sup>“UCLA Restaurants Serve Campus Community with Autonomous Delivery Robots - Daily Bruin,” accessed March 15, 2022, <https://dailybruin.com/2021/02/23/ucla-restaurants-serve-campus-community-with-autonomous-delivery-robots>.

<sup>36</sup>Sweetgreen, Inc., “Sweetgreen, Inc. S-1.”

#### IV. Consumer Behavior and Decisions

Consumer behavior understandably receives a significant amount of attention from restaurant companies. When it comes to the age-old question of “Where should we go for dinner?”, the function of choice comes into play. In the realm of cuisine, choice and decisions are a part of every step from how far to go, where to go and what to order. What do customers prioritize? I call it the ‘combination plate’ featuring cost, accessibility, nutritional value, diet preferences, and sustainability. The most important intersection to cross is the notion of choice difficulty and decision importance. Customer go through the motion of asking themselves within the short ordering time: “Do I want the chicken or the fish?” “Will this make me feel ok?” Or “Did I enjoy that last time?” Following, the understanding of choice, for example the choice of the chicken or the fish, understanding the long-term effect and how it will play out in the cost structure of the final bill, is the inner monologue that deems routine for customers. With access to unlimited options of where to dine, seemingly trivial decisions such as cuisine choice can be difficult to make.

The function of metacognitive inference, which is “the awareness of one's own thought processes and an understanding of the patterns behind them,” enables humans to experience difficulty in decision making.<sup>37</sup> Though decision making can be intuitive and seamless, many times purchasing something of little value sparks the same emotions as a deliberate, time consuming decision that can reshape the way that one lives one’s life. Sela and Berger note in “Decisions Quicksand: How Trivial Choices Suck Us In”: “studies demonstrate that unexpected

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<sup>37</sup>Aner Sela and Jonah Berger, “Decision Quicksand: How Trivial Choices Suck Us In,” *Journal of Consumer Research* 39, no. 2 (August 1, 2012): 360–70, <https://doi.org/10.1086/662997.a>

difficulty not only causes people to get caught up in unimportant decisions but also to voluntarily seek more options, which can increase decision difficulty even further.”<sup>38</sup>

Decision paralysis forces many fast casual brands to tap into the psychology of choice. The secret sauce in a functional, thriving fast casual chain is having enough choice but not too much. For example, in 2018, Jargon released an article in *The Wall Street Journal* entitled “That Endless Series of Menu Options Is Paralyzing Diners” exploring the reasoning behind why decision paralysis is affecting businesses. In the fast-casual circuit, the pull between customers wanting every option under the sun while trying to make a choice in less than a few minutes creates discordance between time and efficiency.

Having the perfect balance of variety and uniqueness of ingredients pushes forward a brand. Jargon states, “As menu choices multiply—and multiply and multiply—diners are suffering from option paralysis. Especially troublesome are assembly-line-style chains in “fast casual” restaurants where diners have just seconds to answer rapid-fire questions such as whether they want tahini or aioli sauce on their chicken shawarma, or prefer the turmeric almonds or pickled ginger on their beet falafel bowl.”<sup>39</sup> Time management and convenience serve as priorities when choosing to pick up or dine in at a fast-casual restaurant. The anxiety surrounding making the wrong choice creates a boundary that presents customization to be overwhelming so it serves as a negative rather than a positive.<sup>40</sup>

## V. **Recess Concepts, LLC**

In creating a fast-casual restaurant concept, how does the venture consider the essential issues of sustainability, technology and consumer behavior? Recess Concepts is a health centric,

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<sup>38</sup> Sela and Jonah Berger.

<sup>39</sup> Julie Jargon, “That Endless Series of Menu Options Is Paralyzing Diners,” *The Wall Street Journal*, May 10, 2018, <https://www.wsj.com/articles/lunchtime-anxiety-when-you-have-55-options-for-one-sandwich-1525964750>.

<sup>40</sup> Jargon.

fast-casual adaptation from the highly regarded Atlanta food group, The Castellucci Hospitality Group. The inception of Recess dates back to February 2018 as a food stall in the Krog Street Market. With immediate success, Recess fulfilled an unmet need in the Atlanta food scene providing salads, grain bowls, sandwiches, and a variety of hearty vegetable sides. Unlike anything that already existed in Atlanta, Recess sourced partially local and provided an elevated definition of fast-casual. Attached to many acclaimed fine dining restaurants, Recess provided similar flavors and a taste of fine dining within a \$9-\$20 price range. Similar to trends seen with Shake Shack– Shake Shack originally was an iteration produced out of restaurateur Danny Meyers’ Eleven Madison Park, Madison Square Park Conservancy project– Recess’s goal is to close a gap between fine dining and explore the world of ‘fine-casual’.

In 2020, the desire to expand Recess sparked the creation of Recess Concepts LLC, the adaptation of the original Recess in Krog Street Market to become a storefront in Buckhead. Raising over \$500k in Series A fund raising, Recess Concepts’ priority is understanding the relationship between food and technology in a post-COVID 19 world. The fast-casual business model follows the assembly line-model in which the customer follows one’s order as one progresses down a line rather than ordering at a cashier and waiting. Still serving elevated, vegetable centric food, Recess Concepts strives to be the leading healthy food take out option in Atlanta. Targeting families, businesses in the neighborhood, and millennials, Recess already enjoys a loyal following across the city.

When pitching potential investors, Recess Concepts LLC explained the new concept as:

We're spinning the healthy, "food that makes you feel good" restaurant, Recess, out of the Castellucci Hospitality Group and creating a new high-growth venture.

Our mission is to thoughtfully merge convenience & extended hospitality by integrating off-premise operations & delivery with homegrown e-commerce technology. We'll pair flagship dine-in restaurants with pick-up and delivery-focused cloud kitchens as we scale across Atlanta, and eventually, beyond Georgia.

It's hard to find consistent, satisfying, and healthy meals for a convenient lunch or family dinner. And customers deserve more hospitable and predictable ordering, pickup, and delivery experiences, directly from the teams making the food. (Recess Concepts LLC, 2021)

The vague nature of the pitch above served as the introduction to the second iteration of Recess. The pitch set out a mission statement to "extended hospitality by integrating off-premise operations & delivery with homegrown e-commerce technology," yet the statement does not include anything about how Recess will enact the addition of technology as a major feature of the customer experience.

During the height of COVID, Recess Krog Street closed down due to safety measures and used its sister restaurant, Bar Mercado, as a ghost kitchen. Recess relied on ordering apps such as DoorDash and UberEats to serve its customers (Bar Mercado also serves the full Recess menu to preserve traction of the brand). Recess Krog Street reopened in February of 2022 following the same assembly-line model as the store front to ensure a faster paced transition. Recess Buckhead is scheduled to open the late summer of 2022 with a delivery and take-out window as well as indoor and outdoor dining. The creation of an app is in place but has yet to be

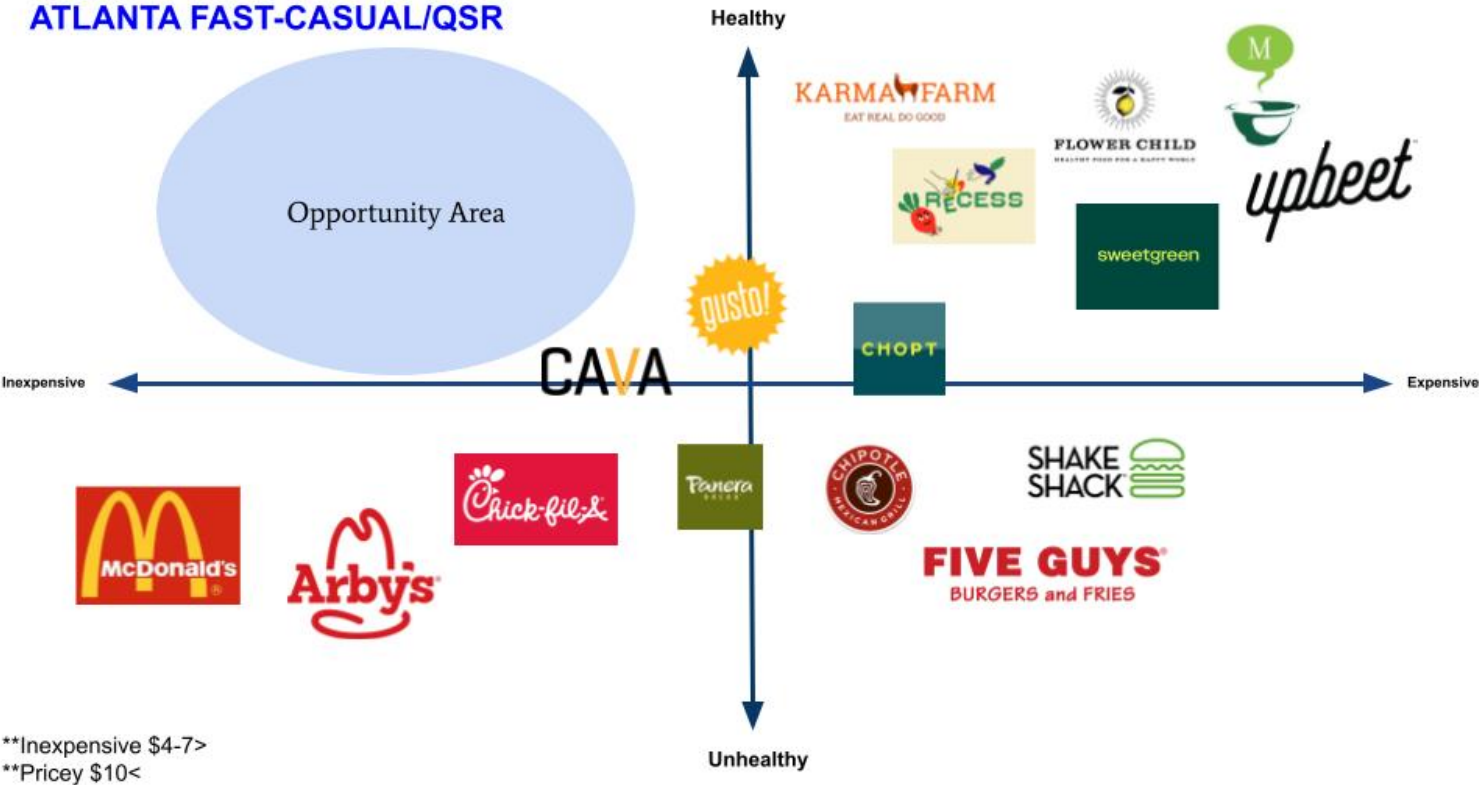
completed. UberEats and DoorDash serve as the primary distribution options for Recess customers who have access to the full menu on the delivery app.

#### **VI. Atlanta Fast-Casual/ Quick-Service-Restaurant (QSR) Analysis:**

Figure 1 below identifies the underserved segment presenting an opportunity. I use a QSR graph to differentiate QSR's based upon two factors: price and healthiness.

Through my personal experience as a female, Gen Z, Emory student, I compiled a list of established fast-food and fast-casual restaurants that have a similar target customer as Recess. There are several QSR's and local Atlanta restaurants left out of the analysis. Figure 1 demonstrates American QSR culture. Consumers primarily expect affordability and quality from fast-casual restaurants. Though the price ranges from \$2 to over \$20, the promise to be fast and efficient remains consistent among the collection of restaurants. My question surrounding the model is: how do you get people to buy into the white space portion defined as the "Opportunity Area"?

Figure 1:



In conducting an interview with a McKinsey & Company Associate Partner, the major take away from Figure 1 is the tension between quality and affordability. There are no existing options in the healthy and inexpensive “Opportunity Area”. Health comes with a premium price. In order to become a player in this area, a company will have to innovate in order to produce the “slow food” demanded by health-conscious consumers at a low cost.

An additional takeaway is the difference between older brands and newer brands. The older brands dominate the unhealthy and inexpensive area while the newer brands dominate the expensive and healthy area. Gen X, Y and Z consumers prefer healthy food and are willing to pay for it. This demonstrates the evolution in consumer behavior between older and younger consumers that has spread throughout the entire food industry in the 21<sup>st</sup> century.

The McKinsey & Company Associate Partner notes, “With the healthier restaurants on the model, because of their high-cost margins, they don’t have ability to scale.”<sup>41</sup> The healthier restaurants rely on local supply chains and do not mass produce their food which makes expansion challenging. The difficulty in scale adds marketing and operational costs as companies attempt to expand which result in higher margins that are passed to the consumer.

The Opportunity Area aims to capture consumers who currently buy into the unhealthy and expensive quadrant and move them upwards. For example, asking questions such as: Why are people going to Shake Shack and paying over 10 dollars not moving upward into the healthy quadrant? How do we expand these people into the Opportunity Area? Why are there no viable options due to cost?

The McKinsey & Company Consultant explains restaurants needs to garner credibility and name recognition to take off. She says, “QSR’s must consider the questions: how do you launch and get a following?”<sup>42</sup> New entrants into the market have to acknowledge the target customer in order to understand where they land. Because there are no viable options for healthy and inexpensive due to cost, the question becomes what’s required to reach the opportunity space. One idea could be the promotion and mass production of plant-based products that appeal to the targeted demographic. If a food product that is perceived as healthy could be inexpensively produced, then it could dominate the Opportunity Area.

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<sup>41</sup> McKinsey & Company Associate Partner, interview by Maya Schirn, Phone Call, March 18, 2022.

<sup>42</sup> McKinsey & Company Associate Partner.



## **Chapter III: Methodology**

### **Objectives**

My research objective aims to find evidence that determines which characteristics make a fast-casual restaurant successful. Areas of focus in my research include sustainability, economics, community equity, and technology and innovation. After reading my thesis, one should have a comprehensive guide to understanding what is positive, negative, necessary, and unnecessary for constructing a fast-casual restaurant that prioritizes the slow food movement while achieving profitability in a post-pandemic world. I want to understand where the intersectionality exists between healthy food, convenience and price when understanding the viability of fast-casual restaurants.

### **Recruitment, Data Collection, and Privacy Rights**

After compiling a list of seven people who I presumed could help me advance my thesis questions, I followed up with them through e-mail. With each subject, I arranged a meeting in person or over Zoom to interview them on their knowledge and find out more about their expectations and forecasting of future trends in the fast-casual marketplace.

Once I compiled my study population, I generated a spreadsheet that allowed me to track the data. I set a list of variables such as: industry/company, role, and gender. Following the interview, I added interview date, length, and location. (Refer to Appendix Section A: Participants Interviewed.)

In addition, to protect the identity and data of the interview, I set guidelines. The data is identifiable, and participants' names will be used with their consent. The risks of participating in this study are the possibility of a breach of confidentiality and content subject to private use. To

ensure data confidentiality, all data will be secured on a hard drive with a passcode or a locked file. Only my advisor and I have access to interview transcript. All direct quotations were approved before using them in my thesis. Company information and background of subjects were subject to approval for educational usage.

### **Study Population**

One aspect of research follows the creation and opening of Recess Concepts LLC, a fast-casual restaurant in Atlanta. The study population includes three Recess employees with knowledge or experience in agriculture, hospitality, food studies, and technology as a means for food business. The other four interviewees include a corporate executive, management consultant, corporate brand manager and local business owner to provide different perspectives on the industry. The contacts will be made by referral or over e-mail and will be guided by a written consent form that they must sign before the interview. All subjects were interviewed for approximately ten to forty minutes. The general scope of the interview will follow the intersection of food and technology practices in a fast-casual restaurant model. I evaluate whether their experiences and insights are consistent with the other industry subjects whom I interview.

### **Development of Interview Questions**

When constructing my interview questions, I wanted to make sure the nature of the questions was diverse, open ended, and approachable yet within the boundaries of the information that I specifically hoped to receive from the interviewee. Through my semi-structured interview, I was able to guide the interview while allowing the subject to explore their field of expertise. The interviews started with predetermined questions but strategically ventured to an open-ended conversation.

I wanted to make sure that my questions were prompting the identity of my thesis questions. For instance, when asking the CEO of Recess LLC questions, I was able to thoughtfully guide the boundaries of our interview to be less centered around the knowledge of Recess, but rather the identity of building a fast-casual brand in 2022. The difference from questions with executives to those behind the scenes, such as farmers and chefs, follows a different trend of questions that expand my thesis on sourcing, distribution and sustainability. I kept the questions appropriate and allowed for the subject to decline answering the question if they felt necessary due to privacy rights. To view my list of guiding questions, refer to the Appendix Section B.

### **Methods For Data Analysis**

Following my interviews, I immediately logged data and transcribed my audio files to ensure the interview was transferred to a secure network. I transcribed all interviews using a transcription website called Otter.ai. Otter.ai allowed me to transfer my audio files directly from Zoom to ensure a smooth and safe transcription. Following the transcription, I transferred my interviews to a collective document to go through with other data. All of my interview transcripts were used to find more information about the subject matter. During my interviews, I took notes while recording, and photographs when I felt necessary. (see Appendix Section D) In addition, all external information, documents, graphs, data, and design plans given to me by the subject were also saved and used to advance my research.

Through the transcribing process my interviews, I was able to grab key words that were reoccurring across all of my interviews. Using a sociological empirical method,<sup>43</sup> I used various

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<sup>43</sup> Empirical sociology inductively studies how people appreciate and get along with each other. C. S. V. Bernard G. Mulvaney, "The Place of Empirical Sociology," *The American Catholic Sociological Review* 3, no. 4 (1942): 225–30, <https://doi.org/10.2307/3707460>.

categories that I collected through readings and data amongst the general scope of fast-casual restaurants in modern day. With my findings, I created five sections of reference points to conduct my analysis. They follow the subject lines of: Sustainability, the COVID-19 pandemic, technology and innovation, sourcing and distribution, and the future of fast-casual. I looked for motivations, challenges, expectations, experience, quality, reasoning, experience and understanding of the definition of fast casual in 2022. The categories I've set out for my research enable a harmonious translation of information into understanding and development of the answer to the tension between quality and price when creating a flourishing food business.

## **Chapter IV: Interview Analysis**

The scope of this study is to understand the growth of the fast-casual dining segment in the post-COVID and slow food eating era. My goal was to gain different perspectives from various players in the industry. I interviewed Nestlé's Senior Vice President of Acquisitions & Business Development to understand what innovations the industry's global leader believes will impact the industry during this decade. Nestlé serves as the widest scope of my study being not only a brand that supplies packages foods and good across the globe but is a on the forefront of innovation and understanding consumer behavior. Due to being the world's largest food company, Nestlé has the means to conduct revolutionary research and an expansive development budget. This person also provided valuable insights on permanent changes to consumer behavior that resulted from COVID-19.

I interviewed a Consultant from McKinsey and Company's Food Industry Group to understand how established fast casual companies are adapting to the industry's slow food movement. I interviewed a Brand Manager from a more recent fast casual entrant, Sweetgreen, about the characteristic's younger consumers value in a brand and how the company adapted to COVID. I interviewed three employees from the start-up Recess about how the venture intends to differentiate itself in the crowded Atlanta fast-casual market and to understand whether their insights are consistent with the industry analysis of the other interview subjects. Lastly, I interviewed the owner of Recess competitor MetroFresh for an in-depth analysis of the Atlanta market.

## I. Sustainability Practices, Sourcing, and Distribution

### a. Nestlé

The issue of sustainability served as the starting point for the majority of my interviews because this topic appears to be considered “the” paramount issue on most people’s minds. I started with Nestlé’s Senior Vice President of Acquisitions & Business Development who discusses sustainability as a desirable attribute in the companies and products in which Nestlé invests. I follow with Sweetgreen’s Senior Brand Manager who points out that sustainability is a key part of the company’s mission statement and receives critical consideration in strategic decisions. Finally, when looking closer at local Atlanta businesses MetroFresh and Recess, I attempt to understand the industry’s best practices on the implementation of sustainable operations policies. These four companies share why they are devoted to helping fix the problem instead of continuing to drill away the finite recourses that our planet has remaining.

On the highest tier of success and innovation, Nestlé prioritizes the customers’ needs and desires as the justification for its sustainability focus. As the demand for plant-based food alternatives becomes more apparent, Senior Vice President of Acquisitions & Business Development of Nestlé states, “...consumers definitely want this [sustainability practices]. There's a great deal of awareness of their own nutrition and environment. So absolutely, I think those trends will continue.” And as for sustainability practices and taking measures to slow down global warming, he notes, “I think it's viewed as imperative. So, in other words, it's non-negotiable.”<sup>44</sup>

Sustainability appears to be good business in 2022. In Nestlé’s *Annual Report*, the financial statements show the impressive double-digit growth of vegetarian and plant-based food

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<sup>44</sup> Nestlé’s Senior Vice President of Acquisitions & Business Development, interview by Maya Schirn, Zoom, February 4, 2022.

offerings. The prioritization of reducing meat production in the supply chain reflects a steady decline across industry practices. With a leader like Nestlé acquiring Essentia, a premium water company, and entering into the rapidly growing functional hydration market, the need for health and wellness while being strategically sustainable is at the top of Nestlé’s priority list. In its *2020 Annual Report*, Nestlé’s announced its ambitious goal of, “...2030...zero environmental impact in our operations, and to achieve net zero greenhouse gas emissions by 2050.”<sup>45</sup>

With the big players in the industry such as JBS, Tyson Foods, and Archer Daniel Midland Company following suit, essential priorities including “better environmental impacts that contribute to a healthier diet, scaling-up initiatives in agriculture to support regenerative agriculture and reduce emissions, and using 100% electricity,” have become common industry practices.<sup>46</sup> When asking Nestlé’s Senior Vice President of Acquisitions & Business Development he claims, “ I think about products like bottled water in a reusable [container] similar to aluminum bottles. [These are] significantly more [reusable] than single use plastic. But consumers look at that and they think to themselves, well, wait a minute, this is something that's not going to last. [Then they look at it again] and say oh, I can use this bottle multiple times, I'm going to pay a premium for it. So, I think it's not one or the other. I think it has to be both.”<sup>47</sup>

#### **b. Sweetgreen**

The influence of sustainability and sustainable practices has always been at the forefront of the Sweetgreen brand. Sweetgreen Senior Brand Manager shares, “Thankfully, sustainability has been a huge part of the brand always. So, it's not like we're trying to do something we've

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<sup>45</sup> Nestlé, “Nestlé’s Net Zero Roadmap February 2021,” Nestlé’s Net Zero Roadmap, February 2021, <https://www.nestle.com/sites/default/files/2020-12/nestle-net-zero-roadmap-en.pdf>.

<sup>46</sup> Nestlé.

<sup>47</sup> Nestlé’s Senior Vice President of Acquisitions & Business Development.

never done before. We are ahead on supply chain and sustainability, like this has been an internal focus for a long time.”<sup>48</sup> Being a leader in the salad segment of the fast-casual industry, Sweetgreen has built a loyal following due to its branding, personality, and identification with millennials. People are no longer eating to eat; People want to eat with a purpose. Sweetgreen’s motto, “Passion+Purpose,” is the key to their mission statement. They share, “We’re leading a movement to reimagine fast food for a new era. That’s why we’re building a transparent supply network, why we cook from scratch, and why we’re building a community of people who believe in the power of real food.”<sup>49</sup>

As my interviewee explains, “In 2022, you’re either a part of the problem or you’re a part of the solution. It doesn’t have to do with the economic gains of the century or the stock market return of the stock. It has to do with our ability to live on the planet.”<sup>50</sup> Investing in resources such as Watershed, an all-in-one software platform for running a climate program, Sweetgreen addresses the carbon curve and measures the impact of their carbon emission. With a goal to be completely carbon neutral by 2027, Sweetgreen offsets its emissions. Continually changing its offerings, focusing on local suppliers, and switching to clean energy is how Sweetgreen plans to meet it’s goal. “We think about Sweetgreen in 30 years, and our ability as a country to grow food, and how climate change might affect our business,” Co-CEO and Co-founder Nicolas Jammet says. “And if we actually want our business to be successful—I’m talking about putting my capitalism hat on here—in the long term, we just think this is the right thing to do. In general,

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<sup>48</sup> Sweetgreen Senior Brand Manager, interview by Maya Schirn, Zoom, January 13, 2022.

<sup>49</sup> Sweetgreen, “Sweetgreen | Our Mission,” Restaurant, sweetgreen, accessed March 19, 2022, <https://www.sweetgreen.com/mission/>.

<sup>50</sup> Sweetgreen Senior Brand Manager.



it's this mentality around what's good for the planet and good for business don't have to be mutually exclusive.”<sup>51</sup>

In order to ensure that the Sweetgreen brand maintains its value, the company continually analyzes its market and connects with local farmers within the region whenever they expand to a new state or city. My interviewee clarifies, “We try and source as locally as possible... Every region has variation in terms of suppliers, as well as what you might even find on the menu. Like in Miami, we have starfruit, and Atlanta, we have catfish.”<sup>52</sup>

The complications with this model come in scaling. Prioritizing local supply chains and distribution within the orbit of the state or neighboring vicinity lends to the problem of inconsistency. “What we're doing is anti to the industrial agriculture system, which is, the cheeseburger you eat in LA is the same as the cheeseburger you eat in New York City, and it's consistent, and process income, these three ingredients,” says my interviewee. “So, what we do in our business is really difficult.”<sup>53</sup> (Refer to Appendix Section C: Figure 9) When choosing to expand to Atlanta, the Sweetgreen team scouted the supply chain, most notably the local farmers, even before selecting real estate for store. This focus enables Sweetgreen to understand the marketplace and guarantee it can offer quality seasonal regional food to its customers.

### **c. MetroFresh**

The best practices used by the largest companies have been slow to advance to the local level. With the pressure of cost overwhelming the push to incorporate sustainable practices into the company's ethos, Atlanta fast-casual restaurants have to balance their priorities in order to

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<sup>51</sup> Adele Peters, “How Sweetgreen Plans to Cut Its Carbon Footprint in Half in the next 6 Years,” Fast Company, February 24, 2021, <https://www.fastcompany.com/90606733/how-sweetgreen-plans-to-cut-its-carbon-footprint-in-half-in-the-next-6-years>.

<sup>52</sup> Sweetgreen Senior Brand Manager.

<sup>53</sup> Sweetgreen Senior Brand Manager.

continue as a going concern. Mitchell Anderson, longtime owner and Exec Chef Emeritus shares, “MetroFresh Midtown opened in 1250 square feet on October 5, 2005. We quickly became the neighborhood “go-to” spot for delicious healthy food. There was no Beltline. There was no Trader Joes or Starbucks. MetroFresh was pretty much the only destination in the front of the Midtown Promenade.”<sup>54</sup> The local spot was a trailblazer in healthy eating for those ahead of the curve. Coming from Los Angeles, Anderson always wanted his restaurant to be community based and neighborhood oriented; a place where “the best customer takes ownership of the business as well.”<sup>55</sup>

For a small venture with only two locations in metro Atlanta, Anderson notes, “We do as much biodegradable and takeout packaging as we can. Yeah, some things that are not possible because of the hot nature, like the hot soups and stuff.... But the biggest thing that we do is compost...we have for years and years and years at great expense to me. It's \$108 a week.”<sup>56</sup> The nature of composting is extremely rare for a small business in Atlanta. Following up, I asked Anderson why he invests time, funding, and space for composting. “Well, because I don't want that to go into landfill. I mean, 100% I don't want it to be part of landfill. And at the end of the day, it's a lot more convenient. Because when you're preparing fresh food, there is always organic waste, and it becomes super heavy. We don't tend to throw out much food at all.”<sup>57</sup>

This statement serves as a testimony to local businesses who are willing to invest time and resources into reducing their carbon footprint. With competition such as Sweetgreen moving into the Atlanta scene, local restaurants, such as MetroFresh, differentiate their businesses through their warm hospitality, food ethos, and vocalizing their sustainability practices to their

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<sup>54</sup> “MetroFresh,” accessed March 19, 2022, <https://metrofreshatl.com/about>.

<sup>55</sup> “MetroFresh.”

<sup>56</sup> “MetroFresh.”

<sup>57</sup> “MetroFresh.”

customers. With a promise to follow practices that honor the company’s goals, the pressure to maintain sustainable practices is upheld by the loyal customer base. Currently, the supply chain has disrupted sustainability practices for MetroFresh. When asking Anderson about changes due to supply chain shortages he claims, “Sometimes we can't get a certain bag or a certain container, you know, and there's a lot of substitutions. And substitutions are 20% higher costs, and that part of it has been an ordeal.”<sup>58</sup>

#### **d. Recess**

Choosing sustainability practices when entering the market plays a key part to understanding how a restaurant will function. Recess, located in Atlanta’s Krog Street Market food and mess hall, re-opened with a new team, menu, and food ethos. Previously owned and run by the Castellucci Hospitality Group, Recess is revamping its original brand. The focus on local, seasonal menus and ingredients is at the forefront of the new venture. Whitney Wood, the new culinary director who previously ran True Food Kitchen’s Atlanta restaurant, shares, “I think people are just starting to not care more but be more knowledgeable. And they're searching for the answers and how to help.”<sup>59</sup>

Through the process of creating a new menu and building out a new line ordering system for the what themselves call ‘fine-casual’ restaurant, Recess is prioritizing the decisions they are making in the process of curation. Wood explains when thinking about best practices for creating her menu, “...it's knowing the product; And it's knowing your vegetables, and it's having those relationships with your reps and with your vendors. I know that I'm going to want to bring in strawberries and tomatoes for the summer; I know that I'm going to want to bring in sweet peas

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<sup>58</sup> “MetroFresh.”

<sup>59</sup> Whitney Wood, Recess Culinary Interview, interview by Maya Schirn, Recording, February 15, 2022.

and asparagus for the spring. It's really just highlighting what the earth is providing to you in abundance at that time.”<sup>60</sup>

To follow up, I asked Wood what people prioritize when they are choosing where and what to spend their money on when it comes to dining out. Wood clarifies, “People aren't eating to eat anymore. People are eating for fuel and [prioritize] sustainability. They're looking to build their bodies and give their body something nutritious.”<sup>61</sup> The importance of sustainability when it comes to choice is proving to be a factor for Recess’ clientele. The evidence is proven in Wood’s testimony and observations of Atlanta’s market over her five years working in the restaurant industry. The nature of connecting to the regions and origins of where your food comes from appears in Recess’s company mission statement and value proposition.

## **II. COVID-19 Pandemic**

As the effects of the COVID-19 pandemic wane, the world adjusts to a new normal. With the possibility of additional variants bringing continued uncertainty, restaurants develop a flexible business model in order to stay afloat. During the first wave of the pandemic, Recess broke off from the Castellucci Hospitality Group (CHG), a casual, vegetable-oriented concept, to become its own venture. Recess has experienced a challenging first two years; the company revised its menu due to supply chain shortages, addressed an inefficient ordering system, and adapted to CDC guidelines and shutdowns. Due to delays resulting from the pandemic, the Buckhead storefront, which was projected to open in August of 2021, hopes to open in the late summer of 2022. Industry leaders such as Sweetgreen have also adapted their business model and delayed store openings due to the effects of the pandemic. Many restaurants determined that

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<sup>60</sup>

Wood.

<sup>61</sup> Wood.

the way to enhance profitability during this unprecedented time was by limiting the menu to the most popular items and exclusively offering take-out. In this process, well managed enterprises developed capabilities in speed, limited contact and mobile ordering systems that will continue to be competitive advantages in the post pandemic world.

**a. Nestlé**

Nestlé sits at the forefront of the industry in understanding consumer behavior. During the initial COVID-19 stay-at-home order in 2020, Nestle benefitted from the at-home distribution and consumption of products such as frozen pizzas, quick meals, comfort foods, and beverages. While this was a direct result of people staying home, there are some changes in consumer behavior that Nestlé believes will be permanent. The Senior Vice President of Acquisitions & Business Development of Nestlé said about the impact of COVID on the food industry: “I think the emphasis on convenience will extend to the post-COVID era. Customers want ease of use. I think it [the restaurant industry] will continue to recover quite a bit. We've already seen progression in our food service businesses, but I think the emphasis on convenience will continue.”<sup>62</sup>

In addition to adding importance to convenience, the pandemic changed consumer behavior as it accelerated the use of apps, particularly third-party delivery apps such as GrubHub and UberEats, for food ordering. The use of apps reduces consumer anxiety around picking up meals and provides restaurants the platform to increase their margins by eliminating or reducing dine-in service. The necessity of delivery apps and adaptation to online delivery solved problems of in-person contact and efficiency during a time of uncertainty. Customers became accustomed

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<sup>62</sup> Nestlé's Senior Vice President of Acquisitions & Business Development.

to using apps when ordering meals and developed a preference for apps that expedited and simplified the user experience.

#### **b. Sweetgreen**

For Sweetgreen, the pandemic caused the company to restructure its entire business. Because Sweetgreen's highest grossing margins come from its lunch service, which was decimated by the pandemic, Sweetgreen focused on third-party apps to distribute its food. Sweetgreen's Senior Brand Manager shares, "We, obviously, offer delivery through multiple services or through our own distribution channel. We realized the importance, however, of sending our customers to our proprietary app where we control the digital experience and develop a deeper connection with the customer."<sup>63</sup>

My interviewee shares that sending customers to the Sweetgreen app means greater revenue per transaction and the higher likelihood of repeat visits. Based on Sweetgreen's experience, other restaurants should invest resources in their apps by providing compelling content and easy ordering in order to enhance customer loyalty and retention. Sweetgreen notes that it took a loss during the pandemic because of the lack of customers coming in for lunch. Co-Founder and Chief Brand Officer Nathaniel Ru told the *Wall Street Journal* in March of 2021, "We used COVID as a little bit of a canvas for experimentation. In January 2020, we launched Sweetgreen's native delivery experience, where you go on the app and order delivery. The timing of that, plus work we did with digital ordering, really helped us throughout COVID. We rolled out Plates, our answer to dinner and unlocking the dinner daypart, and also Collections, which was our first version of personalizing menus."<sup>64</sup>

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<sup>63</sup> Sweetgreen Senior Brand Manager.

<sup>64</sup> Bruell, Alexandra, "Sweetgreen's Brand Chief Is Trying to Reimagine Fast Food for Gen Z," *The Wall Street Journal*, May 26, 2021, <https://www.wsj.com/articles/sweetgreens-brand-chief-is-trying-to-reimagine-fast-food-for-gen-z-11622037601>.

### **c. MetroFresh**

Nestled in the Midtown/Virginia Highlands neighborhood of Atlanta, MetroFresh served customers having lunch meetings, families coming in for breakfast, and people stocking up on their sides and proteins for the week. Through the pandemic, MetroFresh pivoted by “doing takeout dinners, the type you just grab and go and store in the [refrigerator] case. We also stopped serving food indoors”, said owner Mitchell Anderson.<sup>65</sup> To alleviate anxiety and ensure that MetroFresh could sustain its business, Anderson provided three meal plans for his customers who were tired of cooking at home. Months later, when regulations were lifted, Anderson saw people quickly returning to indoor dining or sitting on his expansive patio.

In the spring of 2021, when customers were starting to get vaccinated, Anderson had an ethical dilemma when many of his customers were getting COVID. Anderson explains, “But here's where the complicated thing was, when we were starting to come out [of quarantine] before Delta and before Omicron, you're coming out of it, you're trying to prioritize, and market to get people in here [MetroFresh]. We have a bar that people come in and enjoy. But then you're like, am I risking their lives? So that's been really hard. The hardest challenge is trying to prioritize economics and success and growth. And, you know, all the things that you need for a successful business. In the midst of a pandemic, you're concerned about people, both my staff and the customers that walk through the door every day.”<sup>66</sup>

### **d. Recess**

Opening a restaurant during COVID creates enormous challenges. Throughout the last two years, the necessary merger of Recess with sister restaurant Bar Mercado undeniably was the

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<sup>65</sup>

Mitchell Anderson, MetroFresh Interview, interview by Maya Schirn, Recording, February 17, 2022.

<sup>66</sup> Anderson.

best means of survival. Recess adapted its menu to be complimentary to Bar Mercado’s menu for almost two years. President and CEO Fred Castellucci of The Castellucci Hospitality group, speaking *The Atlanta Story* (podcast-April 2021) explains, “We've already gone ghost kitchen. And our sales have not been impacted. Through the pandemic, we're even over a previous year when the industry is down 30-40-50%. This business is a ghost kitchen, and it's doing the same as it was before if not better. The strength of the brand is there. Let's take this and run with it, and how does this [Recess] look in a scalable format.”<sup>67</sup>

In order to continue operating, Recess transitioned to a “ghost kitchen”— a food prep kitchen set up exclusively for pick-up and delivery. Ghost kitchens have rapidly expanded during the pandemic, offering restaurants a way to have distribution and lower costs while working with third party delivery services. Recess’ decision to switch to a ghost kitchen during the pandemic was a step in the right direction and forced the company to revise its business model. The company decided to change its Krog Street Market location to a line system. The new Buckhead location will offer customers with the opportunity to customize salads and grain bowls, expanding and personalizing the menu.

Recess plans to opportunistically utilize locations that have vacancies because of closures due to the pandemic. Locations with existing kitchens, space plans, and quick renovation turnaround time are essential for expansion. Recess reopened its doors to their Krog Street Market location on February 28th, 2022, almost two years after closing down and solely serving through its ghost kitchen. The new model of Recess in Krog Street Market no longer has a bar seating area and is a completely enclosed kitchen. For sanitary, health, and efficiency reasons, the transition to a modified design is the result of the pandemic. This design is projected to speed

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<sup>67</sup> Jon Birdsong, “The Atlanta Story,” accessed February 10, 2022, <https://www.atlstory.com/fred-castellucci>.



up meal ticket turnaround time, increase the speed of online orders, and assist pick up for third-party delivery drivers. For a concept such as Recess, unlike MetroFresh, the face-to-face contact and community relationship is not at the forefront of their model. Offering quality meals at an affordable price with convenience is the value proposition that Recess hopes to achieve in order to be successful in a post-COVID world.

### **III. Technology and Innovation**

#### **a. Nestlé**

The drive to be an innovator is at the forefront of Nestlé’s brand identity, placing the global food giant on the highest stage for product development that meets continually evolving consumer demand. “I think it starts with consumer trends,” says the Senior Vice President of Acquisitions & Business Development of Nestlé. “So, we could use plant-based, for example... You look at macro trends of what's going on with consumers, and then what's going on food and beverage segment, and from there you put focus on potential innovations.”<sup>68</sup> In pursuit of its agenda, Nestlé has a protein science team and chefs that are pioneering the future of food. The 2021 Nestlé Annual Report states: “Our plant scientists work with farmers to breed and select nutritious, tasty pulse varieties best suited for plant-based alternatives. To make plant-based alternatives more available in geographies with a limited supply chain, we are developing shelf-stable products that do not need to be chilled or frozen.”<sup>69</sup> Through accelerator programs and acquiring start-ups, Nestlé has twelve sites in eight countries with the mission to innovate and test new foods.<sup>70</sup>

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<sup>68</sup> Nestlé’s Senior Vice President of Acquisitions & Business Development.

<sup>69</sup> “Driving Purpose through Innovation | Nestlé Annual Report,” Nestlé Global, accessed March 9, 2022, <https://www.nestle.com/investors/annual-report/innovation>.

<sup>70</sup> “Driving Purpose through Innovation | Nestlé Annual Report.”

Entering 2019, Nestlé made it known that it wanted to own the vegan meat market through their Sweet Earth brand. The company’s objective to create authentic, tasty plant-based food is supported by consumer behavior and global trends for more products that emulate qualities of meat with a lower environmental footprint while providing a similar protein content. In 2019, leaders Lightlife, MorningStar Farms, and Sweet Earth announced their shift to plant-based meat products and innovation.<sup>71</sup> Following the pandemic, the urge to expand and invest in the plant-based sector has pushed food service companies and distributors (including JBS, PepsiCo, Tyson Foods, Kraft and Heinz)– to continue innovating and push plant-based alternatives that are featured on menus of fast-food restaurants. This trend includes traditional industry leaders known for their meat-based menu items. For example, Burger King released the Impossible Whopper in its United States stores, which led to a 3.5% increase in overall sales at Burger King in 2019.<sup>72</sup>

Mainstream ‘flexitarianism’–someone who adheres to a plant-based diet but will consume meat or fish– within the general population, and especially among the youngest generations and millennials, has allowed for the push of plant-based innovation. “I believe consumers, and certainly members of your generation, expect companies to be socially responsible,” my interviewee declares. “People are looking to eat healthier and looking for more nutritional offerings. And consumers definitely want this [plant-based alternatives], there’s a high awareness of their own nutrition and environmental impacts. So, absolutely, I think these [plant-based innovation] trends will continue.”<sup>73</sup> In order to become a household item that is routinely

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<sup>71</sup> The Good Food Institute, “2019 U.S. State of the Industry Report Plant-Based Meat, Eggs, and Dairy,” Industry Report (The Good Food Institute, 2019), <https://gfi.org/wp-content/uploads/2021/01/INN-PBMED-SOTIR-2020-0507.pdf>.

<sup>72</sup> The Good Food Institute.

<sup>73</sup> Nestlé’s Senior Vice President of Acquisitions & Business Development.

making the grocery list, plant-based alternatives are adapting to the variation and followed by incorporating technological advancements to match the product design. Virtually any meat-based product on the market can be replaced with a plant-based look-a-like, meaning as time and technology progresses, the trend forecast will continue to point in the direction of product innovation and flavor replication.

#### **b. Sweetgreen**

Beyond food innovation, the industry has been significantly impacted by the use of digital apps. In February of 2013, Sweetgreen introduced the first iteration of its mobile payment and loyalty app. The original beta of the app allowed for customers to scan their phone in order to pay and track their payments. Originally, for every one-hundred-dollars that a customer spent, they would receive a ten-dollar reward, which would almost cover one salad or grain bowl. With several versions of the app being developed over the next five years, Sweetgreen ultimately adapted the ability to mobile order. Rather than waiting in line for minutes at a time, Sweetgreen developed an easy way for customers to pre order and pick up at the touch of a button. (See Figure 13)

The data-focused company realized that mobile sales were rapidly increasing and becoming a huge market that they had to prioritize. The company learned that the number of mobile orders exploded during the lunch rush in major cities when customers were tired of waiting in line and left with no time to eat. Sweetgreen figured out that customers want to address their dietary restrictions through as much customization as possible and repeat past orders. Co-founder and Chief Brand Officer Nathaniel Ru explains to *The Wall Street Journal*, “What we strive to do in the future is personalize your digital ordering experience on

the Sweetgreen app. If you don't like meat and are gluten-intolerant, we want to make sure these items do not show up on your app."<sup>74</sup>

In 2019, Sweetgreen completed its biggest round of funding to that date, raising almost \$150 million and pushing their valuation to \$1.6 billion.<sup>75</sup> The money raised was used to launch its app-based delivery program, allowing for customers to use the app to connect to a Sweetgreen delivery provider within a certain area or redirect to a third-party distributor. Though pre-pandemic, the investment validated Sweetgreen's focus on its digital capabilities. Less than a year later, the world found itself in a pandemic when delivery services and elimination of in-store contact became essential.<sup>76</sup>

In 2021, Sweetgreen also showed its commitment to innovation by acquiring Spyce, a robotic-powered restaurant which prepares food in "three minutes or less."<sup>77</sup> Sweetgreen's reasoning behind acquiring Spyce is its desire for speed. The automatization of food is an application that has been on display in the food industry since the early 1900s. The necessity to eliminate the middleman worker, which in Sweetgreen's operation means the salad line employee, can be accomplished using Spyce's technology. Essentially, Spyce uses a robotic kitchen and conveyor belts that use their technology and artificial intelligence to cook and serve warm bowls and salads without any human manpower or assistance. "Spyce and Sweetgreen have a shared purpose," said Jonathan Neman, co-founder and CEO of Sweetgreen when announcing the acquisition in August of 2021. "We built Sweetgreen to connect more people to

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<sup>74</sup> Bruell, Alexandra, "Sweetgreen's Brand Chief Is Trying to Reimagine Fast Food for Gen Z."

<sup>75</sup> Katie Roof, "Salad Chain Sweetgreen's Tech Focus Helps Push Valuation to \$1.6 Billion," *The Wall Street Journal*, Pro VC New Money, September 20, 2019, <https://www.wsj.com/articles/salad-chain-sweetgreens-tech-focus-helps-push-valuation-to-1-6-billion-11569008888>.

<sup>76</sup> Roof.

<sup>77</sup> Amelia Lucas, "Salad Chain Sweetgreen Bets on Automation by Acquiring Spyce and Its Robotic Kitchen Tech," CNBC, August 24, 2021, <https://www.cnbc.com/2021/08/24/salad-chain-sweetgreen-acquires-spyce-and-its-robotic-kitchen-tech.html>.

real food and create healthy fast food at scale for the next generation, and Spyce has built state-of-the-art technology that perfectly aligns with that vision. By joining forces with their best-in-class team, we will be able to elevate our team member experience, provide a more consistent customer experience and bring real food to more communities.”<sup>78</sup> As of the fall of 2021, Sweetgreen already has two locations that are using Spyce technology to make two of their most popular menu items.

Sweetgreen serves as an example for other fast-casual companies to emulate. The company has invested in technology which leads to innovation and competitive advantages. The company continually tries to improve its operations and offerings. Sweetgreen’s Senior Brand Manager says, “We are always trying to find a better way. For example, we're currently experimenting with the Harvest Bowl [Sweetgreen’s most popular order], and some of our other menu items. With the app, there's a prototype right now, and we're gathering a lot of customer insights, like how people enjoy experience with using technology.”<sup>79</sup> This trend is on the rise, with super giants such as McDonald’s investing in the same variation of technology over the past few years. The clear pathway of automatization of food is the future of eating especially in the fast-casual sector where time is money.

Sweetgreen has positioned itself as a lifestyle brand through leveraging social media, specifically Instagram, from the debut of the app. The social media appearance of Sweetgreen has always been a focal point of their brand identity. Their aesthetic has evolved over the last 15 years, yet their identity and creativity remain consistent. When discussing brand identity and how social media positioning effects brand evolution, my interviewee notes, “What we've experienced in past years, is customers are not going into Sweetgreen, they're just ordering on an

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<sup>78</sup> Lucas.

<sup>79</sup> Sweetgreen Senior Brand Manager.

app...And maybe it's a little more transactional, but I think the brand still has been able to translate to our customers through the digital experience. And there's a lot of thoughtfulness that goes into the design and the interface.”<sup>80</sup> Sweetgreen uses marketing campaigns demonstrating that its finger sits on the pulse of current events and popular culture. Last year, the company used spokeswomen Naomi Osaka, the twenty-three-year-old tennis player that has led the athletic world in understanding mental health, because they knew she would resonate with Gen Z, who are the next generation of Sweetgreen consumers. Sweetgreen has established a true connection with its young customers and understands the lifetime value of these relationships.

### **c. Recess**

Just two years from its creation, Recess strives to make a strong first impression with its customers in order to generate loyalty. Recess Co-founder and CEO Erik Göranson says his main focus is “expanding with smaller store layouts and a focus on online ordering,” Göranson says. “We want easy-to-order food that travels well and can be prepared consistently and quickly.”<sup>81</sup> The pandemic resulted in an emphasis on digital ordering and eliminating the seating area in the reopening of the Krog Street Market location. To support future online orders and delivery service pick-ups, the area that was a wraparound bar for seating has now transitioned into a closed kitchen for food preparation. This transition demonstrates the trend in the fast casual segment to focus on the digital (and not the in person) experience.

Göranson follows the models of successful companies over the last five years. He shares, “The classic example is Domino’s. Domino's is a software company that sells pizza, like that's what they like to say. And if you look at the way Domino's grew; they didn't have dining

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<sup>80</sup> Sweetgreen Senior Brand Manager.

<sup>81</sup> Erik Göranson, Recess CEO Interview, interview by Maya Schirn, Recording, March 17, 2022.

rooms.”<sup>82</sup> The Domino’s model is something Recess wants to follow once they can afford to have the best technology systems and financial backing to support its expansion. In the meantime, Göranson says winning customer loyalty to generate repeat visits serves as Recess’ biggest goal. Currently, Recess uses a website powered by Squarespace, which offers pre-built website templates, to conduct Recess’ first attempt at online ordering through its eatrecess.com web site. Recess plans on opening its UberEats ordering system very soon to the public with the expectation it will result in sales growth.

When asking Göranson about technology in the industry, he says that the world will progress towards the build-out of final products of QSR, but the prep and culinary aspects of an elevated “fine-casual” will always need to be prepared to taste. He says, “I think the prep is actually where the magic happens for a lot of concepts...So, I think the putting together part will be automated first.”<sup>83</sup>

According to Göranson, customer interaction serves as the key component in the future of fast-casual dining. The strongest companies will understand intimate details about their customers including what a customer likes to order, the customer’s dietary restrictions and preferences, and the frequency of a customer’s visits. This information allows the company to assess the lifetime value of each one of its customers. Göranson says, “We want to invest in technology that’s built around things that the customer interacts with directly. And that’s our website, that’s our ordering experience, and that’s even later on in the pickup experience. We are thinking about using kiosks to store food ready for customer pick up. If you order a warm bowl, shouldn’t you pick it up in a warm locker and not a cold shelf?”<sup>84</sup>

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<sup>82</sup> Göranson.

<sup>83</sup> Göranson.

<sup>84</sup> Göranson.

In Göranson's experience, Recess' returning customers order the same item approximately 80% of the time. The habit of falling into something that one can rely on for consistency creates a strong and loyal customer base. This pattern continues from the roots of fast food when customers valued McDonald's consistency in the mid 20<sup>th</sup> century. Göranson explains when discussing why customers are afraid of branching out to trying new menu items: "People appreciate their home base, they like their repeat order."<sup>85</sup> Recess possesses strong brand awareness because of its previous Krog Street Market exposure. An item on the original menu, the Superbowl, remains the most popular menu item because of the customers' familiarity with it. A bowl comprised of flavors from tahini, dried mango, and beets, the Superbowl serves as Recess' most identifiable menu item and compliments the brand's identity as a health centric restaurant that delivers quality.

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<sup>85</sup> Göranson.



## **Chapter V: Conclusion and Recommendations**

### **I. Industry**

Fast food has been a part of American society for over a century. The industry has been consistently impacted by changes in technology and consumer behavior. From assembly line manufacturing to automation, fast food production reflects the innovations of its time. The American consumer's demand for fast food has also changed as health considerations have evolved. The status of the industry in 2022 reflects the values that United States consumers currently have as the industry includes a fast casual segment shaped by digital innovation and the slow food movement.

My study seeks to understand the essential characteristics that make a fast-casual restaurant succeed in the post COVID-19 pandemic world. Through rapid technological and consumer behavior changes accelerated by the pandemic, the fast casual industry has been revolutionized in a brief period. As previously stated, my research questions are: 1) What is necessary to make a restaurant flourish in a fast-paced world when consumers expect nutritious, locally produced food but want convenience and affordability 2) How will the introduction of technology, such as customized apps, into the restaurant model impact sales and profit margins and alter consumer behavior? 3) What is the tension between quality and price? 4) What durable changes has COVID-19 made to the industry?

After conducting interviews with several industry participants with different perspectives and data, I find consistent approaches and opinions on sustainability, the future of plant-based products, and critical importance of digital capabilities. I have observed three main categories that pave the way for a fast-casual restaurant. First, the impact sustainability has on demand. Gen

Z and millennial consumers value sustainability far more than older consumers and are willing to pay more for “slow food”.

Second, the pandemic accelerated much needed change in the industry. Efficiencies created from contactless pick-up and faster process time are becoming industry standards. There are opportunities for restaurants serving as ghost kitchens. Consolidated sharing of commercial kitchens and advancing the ghost kitchen concept has remained common in the post pandemic world.

Third, the rise of automation in the industry will cut labor costs and help with recipe handling because it will save wasted food cost and promote higher efficiency than human labor. Innovations such robots handling meal preparation and delivery will become a reality in the near future. Delivery either through the restaurant’s app or a third-party distributor is key. With technology evolving, real estate and store front of QSR’s will start to disperse, promoting the pandemic model. With physical location having decreased importance, a restaurant’s app serves as its storefront and will be critical in developing customer loyalty and retention.

My QSR analysis determined that the underserved part of the market is the demand for nutritious food but at a lower, more affordable price. The current players are unable to achieve lower prices because of the cost structure that is inherently required to produce nutritious food. Many entrants exclusively use local supply chains and fresh ingredients that are far more expensive than the mass production used by established fast food restaurants. Innovation through automation and the replacement of real property with digital assets may lead to lower cost structures that will enable players to emerge in the underserved segment. Another possibility for an entrant in this segment is less expensive methods of producing plant-based products that meet the nutritious requirements of health-conscious consumers.

## II. Future of Recess

Recess serves as a case study to understand the current state of the industry. A staple to Krog Street Market in Atlanta, Recess established local brand value as the primary healthy, vegetable centric option in the mess eating hall. The evidence shows that Recess utilizes local ingredients and celebrates seasonal produce to offer quality nutritious food without protein at a price around \$10 per meal. Based on the QSR Graph used above, Recess competes with other emerging companies seeking to establish themselves in the nutritious and expensive segment. If Recess could find a way to lower its prices so their menu items would typically be under \$10, then it would face little competition as healthy food at an inexpensive price appears to be an underserved segment.

In accordance with the conclusions listed above, Recess will have to focus on several key items beyond food quality and affordability in order to be profitable. Digital marketing has emerged as a critical component to success in this industry. Recess will have to invest in creating an app that has the following essential characteristics: food-centric content featuring the quality of its offerings, an interface that makes purchasing food easy and customization that stores customer's preferences and restrictions. These attributes are rapidly becoming the standard in the post pandemic world. In addition, Recess will have to closely manage its cost structure and innovate by adopting autonomous practices for food preparation and delivery as they become the industry standards.

## Appendix:

### Section A: Participants Interviewed and Interview Details

Participant	Company	Gender	Role	Date	Length	Location
Erik Göranson	Recess Concepts LLC	Male	CEO & Co-founder	3/15/2022	41 minutes	Recess Krog Street
Whitney Wood	Recess Concepts LLC	Female	Director of Culinary	2/15/2022	22 minutes	Recess Krog Street
David Cardoza	Recess Concepts LLC	Male	General Manager	2/15/2022	7 minutes	Recess Krog Street
Mitchell Anderson	MetroFresh	Male	Founder and Creative Chef	2/17/2022	25 minutes	MetroFresh Midtown
Name Not Approved	Sweetgreen	Male	Senior Brand Manager	1/13/2022	37 minutes	ZOOM
Name Not Approved	Nestlé	Male	Senior Vice President of Acquisitions & Business Development	2/4/2022	32 minutes	ZOOM
Name Not Approved	McKinsey & Company	Female	McKinsey & Company Associate Partner	3/17/2022	37 minutes	Phone

## Section B: Sample Interview Questions

1. How do you source? How do you balance cost and quality?
2. Will local mom-and-pop restaurants without apps survive when they are ubiquitous?
3. There is a price point that people won't go above... It seems Chipotle, Panera, etc. don't go above \$10, or in your experience, is there a price point that people won't go above?
4. What have you seen as permanent changes in consumer behavior brought on by COVID? Is the prioritization of less contact permanent?
5. In your experience, what about Atlanta was a good marketplace to open a fast-casual chain like Recess?
6. What does the future look like as a developing fast-casual restaurant in terms of sustainability?
7. I read in the Annual Report that vegetarian and plant-based food offerings have strong double-digit growth. Do you think growth in this segment will continue to grow?
8. Do you know what percentage of overall orders in the fast-casual business are done through apps right now? How will that grow?
9. Do you plan on investing in technology? How important is having an app to you?
10. What changes has Nestle seen in consumer behavior in the pandemic? Do you think these changes will be permanent?

Section C: Images of Atlanta Business and Recess Brand Development



[Figure 2. Recess Krog Street Market. The picture was taken at their reopening on 2/28/2022. Photographed by the author in 2022.]



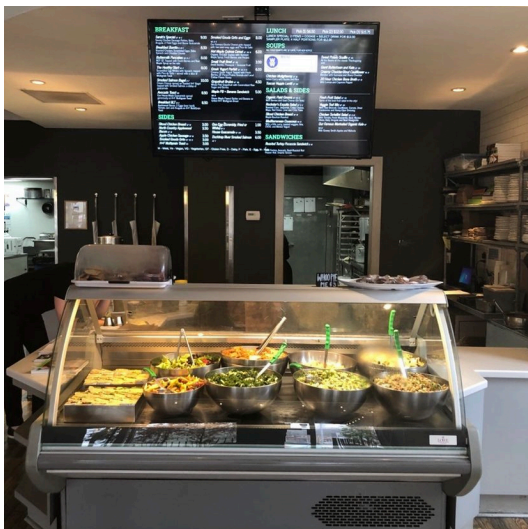
[Figure 3. Recess Buckhead. The outside graphic is situated for spectators to see when driving or walking on Roswell Road. Photographed by the author in 2022.]



[Figure 4. Recess new menu image of menu item Harvest Moon II. Photographed by Milk and Butter Social in 2022.]



[Figure 5. Recess New Menu 2022. Downloaded by the author in February 2022.]

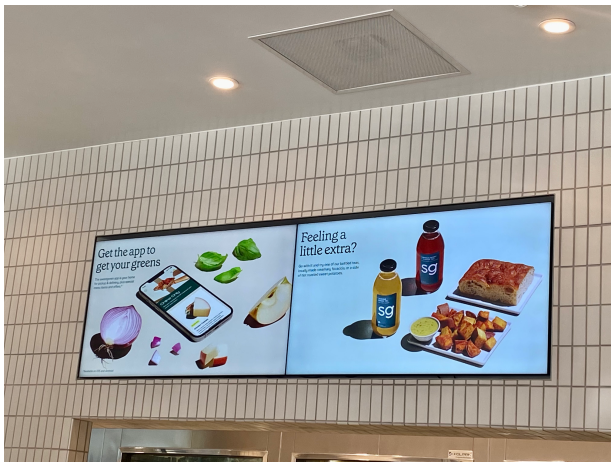


[Figure 6. MetroFresh Midtown case in 2021. Downloaded from Instagram by the author in February 2022.]





[Figure 7. Image of the line system captured during the opening of Sweetgreen West Midtown on March 18<sup>th</sup>, 2022. Photographed by the author in 2022.]



[Figure 8. Image of Sweetgreen menu and app promotion board captured during the opening of Sweetgreen West Midtown on March 18<sup>th</sup>, 2022. Photographed by the author in 2022.]



[Figure 9. Image of Sweetgreen sourcing from local farmers. The image was photographed at the Ponce City Market location. Photographed by the author in 2021.]



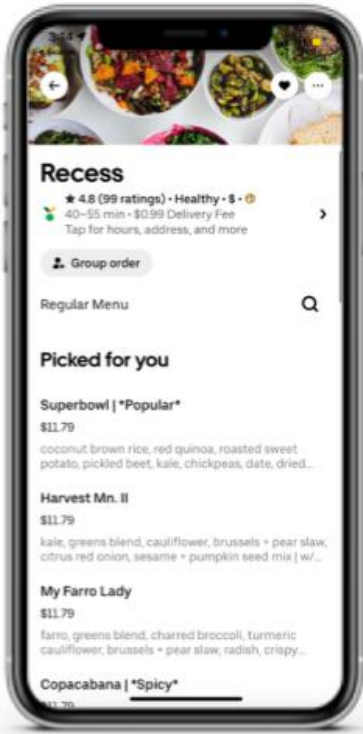


[Figure 10. Located in Santa Monica, California, the window serves as pick up for a ghost kitchen. Third party delivery personnel and customers waiting for pick up tend the window as they wait for their order to be ready. Photographed by the author in July 2021.]



[Figure 11. Tocaya serves as a ‘fine-casual’ California inspired Mexican restaurant with locations surrounding Southern California and Arizona. Due to its popularity and influx of to-go orders, the image displays the two shelves: one for normal pick up and the other for delivery app partners, Postmates and UberEats. Photographed by the author in August 2021.]

Section D: Images of Sweetgreen, Cava, and UberEats Ordering Application



[Figure 12. Recess Krog Street page on UberEats. Screenshot collected by the author in 2022.]



[Figure 13. Sweetgreen App welcome page customized to the customer. Past orders, name, and dietary restrictions are all noted. Additionally, free shipping code is features at the top. Screenshot collected by the author in 2022.]

[Figure 14. Cava’s ordering app showing customization and caloric value of items. Previous customization options are applicable as well as setting order pick up time or delivery. Screenshot collected by the author in 2022.]



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