

UC Santa Cruz

Innovative Business Models Case Study Series

Title

Case Study No. 2: Bon Appétit Management Company

Permalink

<https://escholarship.org/uc/item/1cs3r6wr>

Authors

Thistlethwaite, Rebecca
Brown, Martha

Publication Date

2010-01-15

BON APPÉTIT
MANAGEMENT COMPANY

food services for a sustainable future®

BON APPÉTIT MANAGEMENT CO.
Palo Alto, California

MISSION

The dream of Bon Appétit is “to be the premier onsite restaurant company known for its culinary expertise and commitment to socially responsible practices. We [BAMCO] are a culture driven to create food that is alive with flavor and nutrition, prepared from scratch using authentic ingredients. We do this in a socially responsible manner for the well being of our guests, communities and the environment.” Bon Appétit’s tagline is “Food Services for a Sustainable Future.”

HISTORY

Fedele Bauccio and Ernie Collins launched Bon Appétit Management Company (BAMCO) in 1987, after they purchased a small San Francisco-based catering company. The two met while working for the restaurant division of the Saga Corporation, a large contract-feeding company that was bought out by Marriot Corporation in the 1980s. Bauccio and Collins left Saga at that point to launch a business that would bring higher quality, from-scratch meals to larger clientele such as universities and corporate cafeterias. The technology boom in Silicon Valley was creating a demand for food cooked in-house to keep employees happy and productive on their path to inventing the next great thing. Bon Appétit was poised to capture that market.

In the beginning, the business’s key focus was food quality, but not necessarily its origins. Local food was often fresher than produce and other products transported long distances, and thus Bon Appétit began its long-term orientation toward sourcing local ingredients.

In 1999 they began questioning the food system, noticing that the ingredients they were purchasing lacked the flavor, texture, and other sensory qualities of previous decades. Food was being produced for uniformity and ease of transport, but not for flavor. The management of BAMCO also began to look into issues of environmental sustainability,



Bon Appétit Management Company’s chefs work with local growers through the “Farm to Fork” program to obtain the freshest produce available.

such as the living conditions of livestock and poultry, sub-therapeutic antibiotic and hormone use, seafood health and sustainability, packaging, food waste, etc. They decided to take the bold step of explicitly supporting a food system that was closer to their kitchens and one that valued flavor, thus birthing their “Farm-to-Fork” program, the first of their many food sustainability efforts.

During the 1990s, BAMCO focused on steady growth within the corporate and institutional food sectors as their reputation for high quality food became more and more well known. As their corporate clients expanded, opening new offices in other cities or states, they would often bring Bon Appétit with them.

The Innovative Business Models Case Study Series

Developed by the UCSC Center for Agroecology & Sustainable Food Systems, this series of case studies focuses on the social and environmental efforts of innovative U.S. food system businesses across different geographies, scales, legal structures, and points along the food supply chain. While these represent only a handful of the thousands of socially and environmentally responsible food businesses across the nation, they have many features that others can learn from in developing sustainable businesses that incorporate the triple bottom line of people, planet, and profits.

In 2002 BAMCO was acquired by London-based Compass Group, the largest food service company in the world (with over \$20 billion in revenues for fiscal year 2009). Compass Group paid a reported \$155.8 million for BAMCO, which at the time was earning close to \$280 million a year. Exact BAMCO revenues are not disclosed currently, but are reported to be over \$550 million a year now that they have almost doubled their number of clients since their acquisition. Despite being a wholly owned subsidiary, Bon Appétit still maintains their own CEO, controls their own management and purchasing policies, and has expanded their commitment to sustainability.

In 2005, BAMCO decided to form a not-for-profit foundation so that it could increase educational programming and activism around the food system. The Foundation's mission is to educate consumers, institutional purchasers and culinary professionals about how their food choices affect the global environment, local economies, and the quantity and quality of healthy food, now and for future generations, and to activate them to make change. They began with a sustainable seafood educational tour around the country, which resulted in over a thousand clients, chefs, and other food service staff learning how to make better seafood choices. This effort actually resulted in the Compass Group making sweeping changes to their own seafood purchasing standards. After that, the Foundation turned its attention to climate change, working with scientists and non-governmental organization (NGO) Ecotrust to create the Low Carbon Diet and the Low Carbon Diet Calculator.

GEOGRAPHY/SCOPE

Currently, Bon Appétit has over 10,000 employees and contracts in 30 states with over 400 locations, focusing their food service on partnerships with private universities, corporate cafés, and other institutions such as museums. They are a small piece of the Compass Group's overall geographic reach, which includes over 40,000 locations, yet they are having a large impact on their parent company.

Although BAMCO purchases some bulk ingredients (salt, sugar, etc.) from large distributors such as Sysco, they also work with many smaller produce distribution companies located near their kitchens and even many individual farmers who deliver straight to their facilities. Currently, all of their non-tropical produce, meat, and dairy products originate from North America and they are working to reduce their consumption of ingredients that come from overseas, such as tropical fruit and chocolate. Purchases of locally-grown or processed products (within 150 miles of each kitchen) amounted to \$55 million dollars in 2006, a significant economic boost to the communities they serve. Although current numbers are not yet available, BAMCO's goal is to purchase at least 20% of all their food from their Farm-to-Fork producers. Because BAMCO is growing each year and buying more ingredients, their impact on local economies should also be increasing.

Unlike many "local" efforts of larger buyers that can include locally-grown produce grown by large grower/shipper organizations (i.e., agribusiness), Bon Appétit's local purchasing program buys only from owner-operated farms with less

than \$5 million in annual revenue (this may seem like a lot, but for many diversified mid-scale family farms in California, \$5 million is reasonable).

PRODUCTS/SERVICES

BAMCO prepares from-scratch meals at each of its contracted facilities. They do not use centralized kitchens, rather making food fresh on site for their patrons. They run cafeteria-style facilities that serve breakfast, lunch, and dinner, as well as fine-dining restaurants, and provide catering services for special events at the companies and institutions they feed.

FINANCING

Bauccio and Collins originally pooled what funds they had saved as well as some financing by angel investors to get Bon Appétit off the ground. By the mid 1990s, those angel investors wanted to benefit from their investments so they sold their equity stake to Shidax, Japan's largest food service company.

When the Japanese economy faltered, Shidax needed to raise capital and looked to Bon Appétit either to sell or put up as a public offering. Food service companies historically don't perform well on the stock market, so Fedele and Collins didn't feel that was the right solution. London-based Compass Group offered to buy the entire company while committing to keeping the Bon Appétit brand and leadership intact. The company's founders thought that selling to Compass was the best way to ensure the longevity of the brand.

Once purchased by Compass Group in 2002, ongoing financing became more accessible to capitalize the infrastructure and equipment needed in their kitchens. BAMCO can now take advantage of some cost savings such as consolidating their accounting departments with those of the Compass Group.

Although BAMCO has higher production costs than many food service companies, CEO Fedele Bauccio has always believed strongly in the importance of driving revenues versus focusing solely on cost cutting. His philosophy has always emphasized quality, which keeps their patrons committed and coming back for more.

MANAGEMENT/BUSINESS STRUCTURE

Fedele Bauccio has remained CEO of BAMCO, despite the acquisition by Compass Group. Fedele's brother Michael Bauccio, formerly a vice president with Marriott Corporation and experienced in the college food service sector, serves as Bon Appétit's COO. Co-founder Ernie Collins chose to retire after the company was sold to the Compass Group.

As a wholly-owned subsidiary of Compass Group North America, Bon Appétit does not have its own board of directors, but Fedele Bauccio does sit on the board of Compass Group N.A. Instead, strategic decisions are made by an executive team consisting of CEO Bauccio, Vice President Maisie Greenawalt, and Director of Strategic Initiatives Helene York. Although BAMCO has a typical hierarchical structure, they give their executive chefs at each facility considerable decision-making and management authority.

BAMCO does not have a Corporate Social Responsibility director nor a director of sustainability. Rather, their ethic of sustainability and the responsibilities that entails is included in everyone's job description.

LABOR PRACTICES

BAMCO's employees receive wages above the norm for food service workers, along with generous benefits packages. Some of the dining facilities in which BAMCO was awarded contracts already had unionized staff. In several cases, BAMCO has honored those union contracts and continues to employ the same staff. However, as a company with over ten thousand employees, they are not unionized as a group.

Beyond the executive management, BAMCO's structure is relatively flat at the level of each kitchen. Each facility is given a budget to work with and financial targets to meet. However, chefs have considerable decision-making power over menus, ingredients, and purchasing. Bon Appétit's leadership realizes that you can't purchase locally through some central facility, an issue with which other food service companies struggle. This freedom for chefs to build their own relationships with suppliers not only strengthens local economic relations but also builds some fun and creativity into the job, a factor that keeps good talent around.

In order to build a culture of sustainability and shared values, each kitchen's staff members hold a weekly meeting and discuss at least three reasons that they can be proud to work for Bon Appétit. BAMCO has also created on-line learning modules for staff to learn more about key issues in food system sustainability. This not only helps increase their understanding and buy-in to the BAMCO sustainability initiatives, but also helps staff educate their patrons.

SOCIAL/COMMUNITY INITIATIVES

BAMCO's local purchasing initiatives have provided a tremendous boost to the economies around each kitchen, with over \$55 million dollars spent in 2006 as part of their Farm-to-Fork program. Current numbers are expected to be higher. In California, BAMCO supplier and rancher David Evans of Marin Sun Farms says, "Bon Appétit is so far ahead of the curve. They have essentially told me that they will open up more accounts to me as I scale to serve them. This is such a progressive stance. They truly practice what they preach through the Farm-to-Fork program. They bend to work with me in order that I can scale to better work with them. It is a rare and beautiful thing."

With a growing concern for farm labor conditions, Bon Appétit has recently embarked on an initiative to ensure living wages, improved living conditions, and other rights for tomato pickers in Florida. After hearing about numerous cases of slavery and indentured servitude for Florida tomato workers, CEO Bauccio, Vice President Greenawalt, and BAMCO chef Francisco Alvarez visited with members of the Coalition of Immokalee Workers, a tomato-workers association (Immokalee is a town at the epicenter of Southern Florida's tomato production).



A local organic grower sells his produce at an on-site farmers' market, a regular feature of BAMCO's operations.

Following that visit, Bon Appétit called upon Florida tomato farmers who want to do business with them to pay one cent more per pound to their pickers and improve a range of working conditions. Overall, BAMCO's purchase of nearly 5 million pounds of commodity tomatoes each year does not make them a large volume buyer, but as an influential leader in their industry, other companies are paying attention.

As of this writing, two tomato farmers have signed onto the code of conduct in order to do business with Bon Appétit. One is an independent grower and the other is a member of the Florida Tomato Growers Exchange, a powerful tomato growers' cooperative for that region. This is just the beginning of what may become a game changer in the historically abusive tomato industry of south Florida. However, if not enough growers sign onto the code, CEO Bauccio is willing to cut back on serving tomatoes. Bauccio believes his clients would be ready to give up tomatoes for a good cause, just as consumers boycotted grapes in support of the United Farm Workers in the 1960s.

This carrot and stick approach has served BAMCO with other suppliers, such as when they helped push a group of poultry producers to stop using antibiotics in their feed. It is BAMCO's hope that they can usher in a wave of interest and action regarding farmworker conditions and push the food system further towards sustainability.

To better understand what role the company could take in moving the supply chain towards improved labor conditions, the Bon Appétit Management Company Foundation recently began a new fellowship program for young college graduates. Fellows will work directly with the various farmers around the country that supply Bon Appétit to assess overall sustainability, including their labor practices.

ENVIRONMENTAL INITIATIVES

Most of Bon Appétit's sustainability efforts have focused on decreasing their environmental impacts and encouraging development of a food system that is more regionally-based, humane, ecological, and less toxic.

Through innovative partnerships with non-profit organizations, BAMCO has harnessed scientific expertise to help them design new sustainability initiatives. Working with the

Monterey Bay Aquarium's Seafood Watch program, they have transitioned all of their seafood purchasing to better align with the green, yellow, and red recommendations of Seafood Watch (green means eat liberally, yellow means eat sparingly, and red means don't eat). They worked with the Environmental Defense Fund to understand and develop a policy for antibiotic use in food animals. In fact, CEO Bauccio testified before the U.S. House of Representatives in favor of H.R. 1549 "The Preservation of Antibiotics for Medical Treatment Act," which would have discontinued non-therapeutic¹ antibiotic usage in livestock and poultry. And in an effort to improve livestock conditions, BAMCO required that all of their shell egg suppliers provide cage-free conditions for their hens starting in 2005.

Bon Appétit's commitment to science-based management extends to their efforts to reduce the company's and diners' carbon footprint. Working with independent scientists as well as Portland-based Ecotrust, Bon Appétit developed the Low Carbon Diet and the Low Carbon Diet Calculator in 2008. With this easy-to-use web program, diners can assess the carbon footprint of each item they put on their plate.

BAMCO's overall goal is to reduce carbon impacts by 25% in three years by reducing their purchases of carbon-intensive dairy and beef products, and long-distance transported tropical fruits; reducing food waste; composting when possible; cutting water and electricity use in their kitchens; and re-emphasizing more seasonally-appropriate offerings in their menus.

Other initiatives include their work with the Food Alliance, a Pacific Northwest-based social and environmental certification program. BAMCO facilities in the region source many of their ingredients from Food Alliance-certified farmers and processors.

BAMCO's bold environmental steps and NGO collaborations have garnered numerous awards, including the Natural Resources Defense Council's Going Green Award (to CEO Bauccio), Seafood Champion by the Seafood Choices Alliance (to CEO Bauccio), and the Ecological Society of America's Corporate Award for ethical business practices.

KEY CHALLENGES

BAMCO's operational costs are higher than those of most food service companies due to their commitment to "from-scratch" cooking, which requires higher staffing levels. And although BAMCO is committed to local sourcing, certain foods that don't have a high value, such as sugar, salt, grains, and legumes, are not grown in volume near their kitchens, which makes localizing those items difficult.

¹Non-therapeutic in this context means continual low-dosage antibiotics used preventively in feed, rather than for eradicating a disease or saving the life of an animal.

Another challenge is moving the supply chain quickly enough to provide all the sustainable foods they need and to maintain a high level of transparency throughout the process. However, because of BAMCO's size and reputation, they are having a greater impact on the supply chain than most, and an impact on how their competitors are behaving. For example, several other institutional food service companies are now making efforts to incorporate local ingredients, hormone- and antibiotic-free meats, and Fair Trade coffee.

Other aspects of the supply chain are more difficult to control, such as how labor is treated along the complex chain of actors that leads from the fields to the kitchen. Bon Appétit is not abdicating its responsibility to those who grow and process the food they purchase. BAMCO's CEO and Vice President have spent much of 2009 talking to farmers and farm workers, touring the fields, and continuing a process of mutual education and dialogue.

CONCLUSIONS

Bon Appétit is not a typical food service company—their commitment to taste, quality, and sustainability has built strong relationships that have helped sustain their contracts. As a diversified business serving higher education, corporations, and specialty venues such as museums, BAMCO has weathered the recent economic times well. Although revenues at individual facilities have not gone up and some food budgets have decreased at corporations and universities, they have added new contracts in the last year that have boosted their overall performance.

Bon Appétit Management Company is not only moving the entire food supply chain towards increased sustainability, they have raised the bar for the food service industry as a whole; as a result, others are increasingly being held to these higher standards. Their parent company Compass Group has taken notice, and is now making changes to their seafood purchasing standards (they buy over a million pounds of seafood a year) and signing onto the historic agreement with the Coalition of Immokalee Workers, as well as taking other sustainability steps. Joining forces with the Compass Group has provided BAMCO the resources to take more progressive steps and in turn have a greater influence on the bigger players in the food services industry. Whatever BAMCO's next move will be, it will surely be something deliciously bold.

FOR MORE INFORMATION on the Innovative Business Models Case Study Series, contact CASFS at 831.459-3240, or send email to casfs@ucsc.edu. You can learn more about CASFS at <http://casfs.ucsc.edu>

Development of the Innovative Business Models Case Study Series was supported by a grant from the Appleton Foundation and by U.S. Department of Agriculture award #2009-34424-19775. © 2010, CASFS, UC Santa Cruz.