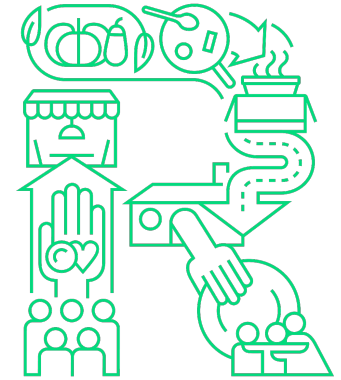


Rethink Food



Understanding the impact of addressing food insecurity via locally owned restaurants

Final readout

June 22, 2023

Agenda

- 1 Recap of goals and problem statement | **5 min**
- 2 Review methodology and sources of insight | **5 min**
- 3 Share main findings | **20 min**
- 4 Discuss implications for Rethink | **20 min**
- 5 Align on next steps for Rethink | **10 min**

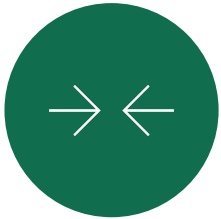
After the presentation, we'll have a celebratory lunch!

Scope of Rethink x McKinsey work



What is the “It”?

Using Rethink’s “local sourcing model” for government or nonprofit funders seeking to prepare and deliver high quality meals for food-insecure individuals **via CBOs**



What are we comparing to Rethink?

Alternate meal preparation vendors that reach CBOs with more centralized and at-scale operations (probably a vendor with a large contract with New York City government)



Under what circumstances?

Routine meal distribution OR emergent / crisis response in New York City





















What impact do we seek to identify and quantify?

When we distribute funding to local restaurants, there are **direct impacts to restaurants and broader economic and social impacts to local communities**

We identified 8 drivers of economic and social impact and will compare them across the Rethink vs Central model to assess local impact

Quantitative benefits
  Funders
 Meal recipients
 Communities (e.g., vendors, CBOs)

 Restaurants
 Workers

Drivers of impact	Benefits to examine	Metrics to compare	Stakeholders impacted
Financial drivers	① Impact per dollar invested	Cost per meal	 
	② Locality of spend	Within / outside NYC; within / outside same borough as business; secondary multiplier impacts	   
	③ Share of spend with SMBs	Whether the business is an SMB; % B2B spend with other SMBs	 
	④ Hours of employment	Hours utilized in meal preparation per dollar funding / contract value	 
	⑤ Quality of employment	Salary amount, benefits	 
	⑥ Diversity of owners and workers	Women and minority owned businesses, % staff belonging to minority populations	 
Non-financial drivers	⑦ Meal desirability	# cuisines offered, meal quality	 
	⑧ Environmental impact of food recovery	Reduction in carbon footprint due to food recovery and distances travelled	 

Sources of insight used – across Rethink and McKinsey – to understand local spend model



Interviewed 7+ Rethink restaurant partners



Interviewed 3+ community-based organizations



Consulted with 3+ research partners



Brainstormed with 4+ Rethink leaders

McKinsey resources



Expert network interview calls (~3-4 catering companies)



McKinsey economic impact analysis team



McKinsey internal database and experts

Executive summary

- **This report compares the local benefits and ripple effects of the Rethink Model to the Centralized Model across New York City**
- **The analysis is focused on prepared meals at food vendor facilities offsite distributed to end users through CBOs**
 - Public / non-profit donors often contract with regional large food provision/service entities (incl. caterers) to produce meals at scale. The total meal preparation expense for food insecure communities in NYC was estimated at \$95 - \$125M in 2022 (incl. city agencies)
- Based on the comparative analysis of impact across the two models used in NYC, **the main findings are as follows:**
 - **Rethink meals are likely to be more costly than those provided through the Centralized Model**
 - **Rethink funding has greater economic impact on local communities (7% higher) and double the impact on small businesses (40% vs 20%)**
 - Rethink restaurants channel a higher % of spend within NYC than companies in the Centralized Model (75% vs 68%)
 - Of the 75% of funding that stays local in NYC through the Rethink Model, 48% stays hyper-local (i.e., within the same borough)
 - 40% of spend is shared with SMBs through the Rethink Model, while 20% funneled to SMBs in the Centralized Model
 - **Rethink spending has a 24% higher economic multiplier effect and creates 50% more jobs in communities**
 - Using economic multipliers, the Rethink Model increases earnings and economic output by ~24% more than the Centralized Model
 - Rethink generates 74 more employment hours (equivalent to two additional jobs) than the Centralized Model weekly for every \$10,000 invested
 - **Rethink primarily supports minority-owned businesses (86% of businesses funded)**
 - Only one of three caterers examined (~33%) reports being minority or women owned, while six of seven Rethink restaurants reported as minority owned
 - The average percentage of staff belonging to minority populations in Rethink restaurants is 96% vs 43% in the Centralized Model
- Case studies of comparable decisions made on spending locally versus centrally draw attention to (1) the importance of seeking partners with complementary goals, (2) leveraging networks to promote diversity, (3) ensuring program continuity, and (4) using a flexible operating model focused on end user need
- **Rethink's model exemplifies these four lessons, presenting a playbook on how Rethink can potentially scale, leverage diversity, and develop a sustainable and flexible operating model**

Main findings across benefits (1/3)

Benefits examined	Rethink Model	Centralized Model	Takeaway
<p>① Impact per dollar invested</p>	<p>Rethink's CPM ranges from \$4-\$6 (and is likely to average at \$5)</p> <p>\$10K in funding would support the creation of 1600-2500 meals</p>	<p>CPM ranges from \$4-\$9 (and is expected to average on the lower side of ~\$4)</p> <p>\$10K in funding could generate 1100-2500 meals</p>	<p>Rethink meals are likely to be more costly than those provided through the Centralized Model</p>
<p>② Locality of spend</p>	<p>75% of meal spending was found to be local (within NYC), of which 48% stays hyper-local</p> <p>Six out of seven Rethink restaurants reported that 80-100% of spending on costs of materials and packaging stays local</p>	<p>68% of meal spending stayed local</p> <p>Spend on food and other materials that stayed local reflected a wide range (30-90%) across businesses</p>	<p>Spending through the Rethink Model has greater economic impact on local communities (local spend is 7% higher)</p>

Main findings across benefits (2/3)

Benefits examined	Rethink Model	Centralized Model	Takeaway
3 Share of spend with SMBs	~40% of overall spend goes to SMBs	~20% of spend is funneled to SMBs	Spending through the Rethink Model has double the impact on small businesses
4 Hours of employment	Spend 57 hours per week , on average, to prepare 500 meals 6 FTE jobs created for every \$10,000 in funding per week	Spend 32 hours per week , on average, to prepare 500 meals 4 FTE jobs created for every \$10,000 in funding per week	Rethink creates 50% more jobs in communities and spending has a 24% higher economic multiplier effect
5 Quality of employment	Average wage of \$19/hour Typically offer sick leave and family meals	Average wage of \$22.50/hour Often offer comprehensive benefits for FT employees	Employment generated by Rethink is likely to be lower in quality (based on hourly wages and benefits offered)

Main findings across benefits (3/3)

Benefits examined	Rethink Model	Centralized Model	Takeaway
⑥ Diversity of owners and workers	<p>86% restaurants were MWBEs</p> <p>Average of 96% of staff belonging to minority populations</p>	<p>33% organizations were MWBEs</p> <p>Average of 43% of staff belonging to minority populations</p>	<p>Rethink drives a higher share of funding to MWBEs; businesses supported have a higher % of staff belonging to minority groups</p>
⑦ Meal desirability	<p>Offers at least 13 different cuisines</p> <p>Creates a feedback loop between CBO and restaurant</p>	<p>Offer on average 2 different types of cuisines</p>	<p>Both models uphold NYC prepared food standards, however the Rethink Model offers more cuisines varieties</p>
⑧ Environmental impact	<p>Averaged 80 pounds of food recovery per week, though some restaurants reported none</p> <p>Typically, within three-mile radius to CBO</p>	<p>Limited information available on food recovery operations</p> <p>Typically, outside three-mile radius to CBO, usually located on outskirts of city</p>	<p>Rethink restaurants are likely to deliver to CBOs within a three-mile radius, whereas Central model travels on average farther than three miles</p>

Summary of case studies and implications for Rethink

Impacts

Food-focused



Sustain and Serve New Jersey resulted in over \$56 million distributed across 400+ restaurants in every county of New Jersey, serving over 5 million meals



Word Central Kitchen partnered with Good Work Austin, a small business network, to serve over 2,000 meals after Storm Uri devastated Texas

Other sectors

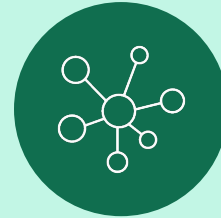


Memphis Medical District Collaborative increased local spend by over \$45 million and local MWBE spend by over \$10 million



University of Pennsylvania's supplier program, started in 1986, recently launched another initiative to fuel business growth, increasing local MWBE spend by 6% from 2021 to 2022

Implications for Rethink



SSNJ proves that the **Rethink Model can scale** and work **successfully in partnership with local government**



WCK demonstrates how **agile restaurant networks** like Rethink's can **leverage the diversity** of a community to **quickly respond to crises** and changing needs



MMDC and Penn prove **how long-term partnerships with small businesses** can **affect equitable economic growth** and **community development**

Implications for Rethink based on drivers of impact examined in report

Drivers of impact

	Benefits to examine	Topics for discussion
Financial drivers	① Impact per dollar invested	• How can we reduce CPM?
	② Locality of spend	• How can we enhance the tracking of funds? • Can we build out hubs to reinforce hyper-locality?
	③ Share of spend with SMBs	• Is there opportunity to increase mutually beneficial programs between restaurant and CBOs?
	④ Total employment hours	• Can Rethink introduce guidance and resources to restaurant partners to improve the quality of employment?
	⑤ Quality of employment	
	⑥ Diversity of owners and workers	• What can Rethink change to be in line with MWBE requirements from the City? • How can Rethink further create opportunities for MWBE owners across Rethink's network?
Non-financial drivers	⑦ Meal desirability	• How can we tell the story of the cultural relevance and quality of our meals more effectively?
	⑧ Environmental impact of food recovery	• How can we enhance sustainability tracking and build these capabilities with partners? • How can we reframe what food excess means with restaurant partners?

Other questions

- How can Rethink grow contracting with the City? Stand-by contracts?
- Is there an opportunity to leverage the Commissary Kitchen operations to reduce CPM?
- Is there an opportunity to target large philanthropic multi-year grants focused on food insecurity?

Potential next steps for Rethink

Finalize report

- ✓ **Align on final edits to report** with Rethink team's input (e.g., call to action in conclusion, supporting anecdotes)
- ✓ **Confirm the inclusion of interviewed stakeholders** in the acknowledgements section before publication
- ✓ **Finalize design and branding** of the report with input from Rethink marketing and design contracts

Internal engagement

- ✓ **Socialize report with Rethink team** and discuss implications internally
- ✓ **Socialize report with Rethink Board** discuss implications for Rethink's outreach efforts and growth plans

External engagement

- ✓ **Prepare comms and marketing plan** for publication (e.g., talking points, events, social media content, etc.)
- ✓ **Develop an engagement plan for donors** using insights from report

Our hope is that this report can support Rethink by:

- > Promoting conversations across NYC's ecosystem of leaders and decision-makers
- > Facilitating engagement and partnerships with funders
- > Supporting efforts to engage Restaurants and CBOs and grow the Rethink network

Thank you!



*It's been such a pleasure working with the Rethink Team!
Thank you for the inspiring work you do, we're excited to see what
this next chapters brings!*