Deliverable 1.22

A cross-country comparison of initiatives in the supply of welfare-friendlier food products within the Food Service Industry.

Authors:

Mr Marc Higgin, Cardiff University
Dr Emma Roe, Southampton University

Preface

Animal welfare is of considerable importance to European consumers. Nowadays food quality is not only determined by the overall nature and safety of the end product but also by the perceived welfare status of the animals from which the food is produced. The fact that improving the animal's welfare can positively affect product quality, pathology and disease resistance also has a direct bearing on food quality and safety

The Welfare Quality project is about the integration of animal welfare in the food quality chain: from public concerns to improved welfare and transparent quality. The project aims to accommodate societal concerns and market demands, to develop reliable on-farm monitoring systems, product information systems, and practical species-specific strategies to improve animal welfare. Throughout this Integrated Project, effort is focused on three main species and their products: cattle (beef and diary), pigs, and poultry (broiler chickens and laying hens).

The research programme is designed to develop European standards for on-farm welfare assessment and product information systems as well as practical strategies for improving animal welfare. The standards for on-farm welfare assessment and information systems will be based upon consumer demands, the marketing requirements of retailers and stringent scientific validation. The key is to link informed animal product consumption to animal husbandry practices on the farm. The project therefore adopts a 'fork to farm' rather than the traditional 'farm to fork' approach. Welfare Quality will make significant contributions to the societal sustainability of European agriculture.

This publication is the last deliverable produced by food service work package 1.4 in subproject 1. Its aim is to:

- Provide a summary overview of the current position on farm welfare in the food service sector
- Provide guidelines for labelling of welfare friendly products for consideration in the work in SP4.

Introduction

The aim of Work Package 1.4 was to assess the scope, structure and consumer orientation of the food service sector in regard to farm animal welfare. It approached this task from two different angles.

Firstly, sub-tasks 1.4.1 and 1.4.2 investigated the scope and structure of the food service industry in Norway, UK and Italy, followed by more in-depth research into the role 'brands' have played into the development of a market for 'welfare-friendly' products in the food service sector. This was done through case studies within the quick service restaurant sector (commonly known as the 'fast food' sector) and the food and service management sector (commonly referred to as 'contract catering').

The second approach was to conduct a small-scale market experiment in partnership with a number of canteen restaurants in the Netherlands run by the food and service management operator Sodexho. Here the feasibility of producing a 'welfare-friendly' product was investigated, which was then presented to consumers under a number of different experimental conditions; manipulating the form and content of information presented along with the product and analysing its implication for consumer behaviour.

This final report of the workpackage will begin by providing a comparative analysis of the food service sector in Norway, UK and Italy. Section 2 will provide a summary of 1.4.3. Section 3 will draw insights from all three sub-tasks and put forward an analysis of how the market is currently working, potential for future developments, and guidelines for implementation to go forward to SP4.

Contributing authors:
Mr Marc Higgin and Dr Emma Roe* – Cardiff University, UK

Ms Antonella Ara and Mr Diego Pinducciu - UNIPI, Italy

Ms Lill Margarethe Vramo and Mr Arne Dulsud– SIFO, Norway

Dr Rene A. De Wijk, - Wageningen UR, Agrotechnology & Food Sciences Group, Centre for Innovative Consumer Studies (CICS), The Netherlands.
Izak Vermeij, - Waginengen University, Animal Sciences Group, The Netherlands.

* Now based at Southampton University, UK

"The present study is part of the Welfare Quality® research project which has been co-financed by the European Commission, within the 6th Framework Programme, contract No. FOOD-CT-2004-506508. The text represents the authors' views and does not necessarily represent a position of the Commission who will not be liable for the use made of such information" .

Section 1: Food Service

1.1 Overview

Food Service is vast and diverse market within Europe, and the world, as such it is notoriously hard to define. The definition used with WP1.4 has been the commercial provision of prepared food and/or drink to people who are away from their homes, for consumption shortly after purchase.

The industry is often divided into two broad categories (Mintel 1994, Keystone 2006, Warde and Martens 2000):

- Commercial or profit sector: restaurants, **quick service restaurants**, pubs, hotels, leisure
- Food and service management or institutional sector: **staff restaurants**, education, health care, custodial (e.g. prisons), ministry of defence, welfare (e.g. old people's homes and meals on wheels).

The size of both these markets are truly staggering, the Western European market for the commercial sector was estimated at around $400 billion in 2006 (Euromonitor International 2008), while the food and service management sector (counting only food services) in Western Europe was estimated at around $39 billion in 2000 (Euromonitor International 2000).

Food and service management is already a fairly consolidated industry with the three market leaders in Europe accounting for just less than 60% of market share in 2005 (Ferco 2005). The main trends in contract catering, according to Keystone (2006), are (1) smaller operators are constantly being taken over by larger players and (2) many operators are looking to mergers and acquisitions to provide both growth and economies of scale (3) a shift from public owned catering operators to privately owned.

While within the commercial sector, McDonald's alone accounted for 3.8% of the market for commercial foodservice in UK in 2006, while in France it was around 8%

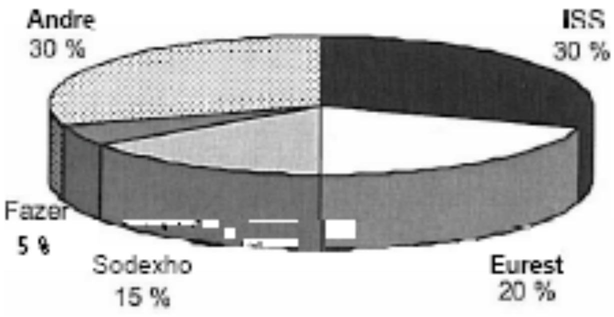
(Euromonitor International 2008). However, as a whole this sector is less consolidated than food and service management.

We will begin by outlining the structure of food service markets in each of the study countries. Deliverable 1.19 gave an in-depth account of these markets; the present outline will concern itself with only the most salient points for our analysis here.

1.2 Structure of the markets:

1.2.1 Norway

1. As presented throughout SP1, within Norway, industry, retailers and consumers regard welfare quality as the responsibility of the state. The Norwegian government in conjunction with the Norwegian food industry, which is dominated by producer cooperative monopolies, set what they see as rigorous standards of farm animal welfare (based on EU legislation but going further in some respects please see Deliverable 1.8). The quality assurance scheme KSL is charged with maintaining compliance at the farm and abattoir level. There is a widespread "gentleman agreement" among actors in the supply chain to exclude animal friendliness as a competitive value, with a few exceptions (please see Deliverable 1.9 for more details). Consumers are concerned about animal welfare, but do not regard the market as an arena for exerting influence, and have high trust in the government to look after farm animal welfare. At the structural level; the strong corporatist and collectivist nature of Norwegian production combined with little external competition (within meat, dairy and egg) mean that there is active resistance to development of 'higher' welfare products from the supply side. At the demand level: consumers are not actively demanding higher welfare products. And at the marketing level; differentiating a brand or a range of products along welfare lines makes no commercial sense.
2. The government exerts a strong influence on the food service sector in two inter-connected ways. Firstly, the Norwegian government in 2005 announced its goal to *increase the organic food production* and *organic food consumption* to 15 % by 2015. While actively promoting this policy on the supply side it also is using it as leverage for major clients, such as food and service management operators to write organic procurement into its contracts with food operators.
3. As mentioned above, due to high tariffs there is very little import of meat, eggs and dairy into Norway at present, including within the food service sector, exceptions are that certain meal types are necessarily imported at certain times of the year because of a seasonal shortfall in Norway.
4. The food and service management sector in Norway is very consolidated.



Estimation of the market shares in the food service sector (Knutsen et al 2007)

1.2.2 UK

1. The UK market is a much more 'open' market. Imports from both within and without the EU are significant. While UK regulation concerning farm animal welfare is higher than those required by EU legislation, products on the market can come from a range of different production systems following different standards. The food service sector, which is traditionally a much more price-sensitive sector than food retail, uses a high proportion of these imports.
2. Quality Assurance Schemes, which can be industry-led, NGO-led or retailer-led have become a very important mechanism for the development for the market for higher welfare products in the UK. While farm animal welfare has become an important issue in terms of market segmentation and differentiation in food retail in the UK, the food service sector has very largely lagged behind these developments.
3. The UK government is also emerging as an important driver within food service using its leverage as an important client of food and service management. Although the bulk of these contracts are not centralised leading to a much more fragmented picture than Norway, we do see some developments on local, organic procurement taking place (please see D1.19 for more information).
4. Corporate Social Responsibility is becoming an increasingly important dimension to brand management, with implications to large companies within food service as well as their clients.
5. Similarly to Norway food and service management sector is fairly consolidated. Four companies – Compass Group, Sodexho, Aramark and Avenance, all of

which are part of global foodservice businesses – dominate the UK market for contract catering and foodservice management; these companies have consolidated their position in the last 5 years through a combination of organic growth and acquisitions.

1.2.3 Italy

1. As in the UK, Italy operates within the EU open market for meat, egg and dairy products.
2. Within both food retail and food service, the market is segmented along 'quality' lines, with PDO and PGO products being the most visible 'value added' products on the market. Some of these carry higher specifications for farm animal welfare standards.
3. Italy is still characterised by having a highly fragmented market both within the commercial and service management sectors, with many independent small businesses flourishing. Global brand restaurants have expanded fairly rapidly but their market share is still fairly small compared to other European countries.

Table 2 showing typology and size of market share within commercial sector in Italy 2006

Evolution of Italian commercial catering. Years 1999 - 2005			
	1999	2003	2005
Total restaurants	74.000	74.000	73.900
Modern restaurants	1.200	2.000	2.200
On which: fast food	400	600	650
Self-service	800	1.400	1.550
Traditional restaurants	72.800	72.000	71.700
On which: restaurants / Eating houses	48.000	48.000	47.300
Pizzerias	24.000	24.000	24.000
Source: MAIOR Ho.re.ca.tering survey	Largo Consumo 1/2006		

This is the same picture within food and service management, with small firms still making up a much more significant share of the market than either the UK or Norway. However, the main trends are towards consolidation and a shift from public to privately-owned businesses is very much apparent, with the greatest movement evident in the more affluent and industrialised north.

4. As with Norway and the UK, the Italian Government, mainly at a regional level, is an important driver in developing 'higher welfare' products in the food and

service management. In particular since 2000, when the passing of the Finance Law led many regions to begin to legislate on the adoption of organic products in the school canteens. For example in 2002, the Emilia-Romagna region enacted a law that provides for "the qualification of the collective catering services" which stipulates that 70% of produce has to be from organic certified production.

1.3. Analysis of brand management as a driver for the development and procurement of welfare-friendly products in the food service sector

This section presents an analysis of the dynamics by which *brands* become important drivers for change as the market for 'welfare-friendly' products develops within the food service sector, within three markedly different national contexts. The analysis necessarily highlights the inter-dependence of market mechanisms operating within both cultural and governing structures. As outlined earlier, it is important to remember that Work Package 1.4.2 only looked at two specific sectors within food service: quick service restaurants and food and service management.

1.3.1 Quick service restaurants

Our main case study across the three countries was McDonald's; this global corporation is the market leader in all three countries, not just within the quick service restaurant sector but across the whole of global commercial food service. The other two case studies, Burger King in Norway and KFC in UK are likewise global brand names.

Both the size and visibility of these companies' means they have developed very different commercial practices than the rest of the industry especially in terms of procurement, with generally much more integrated and controlled supply chains. In effect, they operate to a model more akin to large European food retailers than the restaurant trade, although the volumes and the specificity of products mean they have less leverage, especially in terms of defining production and quality parameters. However, these major fast food brands have been at the forefront of the changing face of food service in bringing in more accountable and transparent procurement policies to consumers and the public domain.

1.3.1.1 McDonalds

The McDonald's Corporation is one of the most successful and well-known brands in the world with 31,000 restaurants serving an estimated 47 million customers daily (http://www.mcdonalds.ca). Its global operations are split into US, Europe and the Asia/Pacific, Middle East and Africa groups.

McDonald's Europe has shown strong growth in profits in 2007 and 2008, following a period of more troubled times over the turn of the century. Much of this turn around in fortune, particularly in countries in which few new restaurants were being opened (UK, France and Germany in particular), can be attributed to a number of new initiatives developed by the company, including:

- Redesign of the restaurants into more consumer friendly spaces; comfortable coffeehouse-style décor, music and WIFI
- Expanded menu featuring salads, fruit, sandwiches, 'gourmet' burgers, which has given consumers greater choice and help to shake off some of the negative associations with 'junk food'.
- A low key re-branding of McDonalds as an 'ethical' company

The structure of McDonald's Europe is as follows: each country has an operating company, which is registered with the US, registered McDonald's Corporation. Every country is run on the same franchise model that McDonalds operates around the world. Above these national companies sits McDonald's Europe, which oversees commercial operations, mainly with regard to procuring pan-European products such as beef, chicken, buns, and identifying strategic directions. However, national companies are still given the responsibility, with a fair degree of freedom, for implementing directions and the sales of products on the ground.

McDonalds Europe identify four 'critical paths' that are integral to their brand, and the trust placed in it by their customers:

- Social responsibility: in supply chain, workforce and restaurants.
- Health: nutrition and development of menu choice.
- Environment: sustainable and ethical in production as well as wider business practices.
- Kids: McDonalds' brand themselves as a family restaurant

Their three key strategies for implementing them are transparency, assuring food quality and safety, and ethical and sustainable business/production practices.

We will briefly review three factors that have been key in implementing this strategic vision, using the case study countries of UK, Norway and Italy:

1. The development of McDonald’s Agricultural Assurance Programme (MAAP)
2. Strategic supplier partnerships
3. Brand management

Central to McDonalds’ implementation of its strategic vision in its diverse supply network has been the development of *MAAP*. These are codes of agricultural practice that define expectations with regards to food safety, food quality, traceability and ethical/sustainable production including acceptable standards of farm animal welfare.

It was first developed as a European initiative in 2001 and was a natural extension of the audits and requirements that direct suppliers (i.e. processors) underwent; these audits were concerned primarily with food safety, quality and consistency. There was a certain amount of auditing further up the supply chain towards the farm level but at that stage it did not cover all key agricultural products that McDonalds source.

MAAP was developed by a European McDonald’s steering group, which included representatives from major suppliers as well agricultural consultants, notably the Food Animal Initiative based in Oxford, UK. It is reviewed every year. It forms the benchmark used to assess the agricultural practices of all core raw materials supplied into McDonald’s restaurants in Europe. Every year McDonald’s undertakes a gap analysis of farm assurance schemes used by suppliers against MAAP. This along with details of the proportion of supply coming from each farm assurance scheme is used to calculate product and supplier scores by country, and as a European average. Targets are then set for the next year.

MAAP includes both currently expected and aspirational standards; no farm is directly audited to MAAP standards. Very little agricultural production is directly contracted by McDonalds (especially in beef where, with the exception of the UK, most supply comes from the dairy herd), so they have to rely on generic QA schemes and actively lobby the certifying bodies to bring their standards in line with MAAP.

In addition to this, they have also stipulated higher production standards for certain items such as shell-eggs which can only come from non-cage systems within Europe, and Rainforest Alliance accredited coffee. McDonald’s UK now sell only organic certified milk.

Long-term relationships with their suppliers are integral to the McDonald’s business model. For example, their main beef supplier in Europe (with operations in United Kingdom, Germany, Hungary, Poland, Spain, Ukraine, Austria, Sweden and Serbia) is ESCA (part of the OSI Group who were McDonald’s original beef supplier in 1950s in the US). Although McDonald’s do not have all integrated supply chains (their Italian beef supplier INALCA being an exception), these close relationships with their (direct) suppliers, including open book costing, have made the implementation of their MAAP standards easier to manage; suppliers see McDonald’s as a long term customer and thus embrace and share strategic goals with them, which now includes higher standards of farm animal welfare.

The development of MAAP and the ongoing implementation of these in partnership with their suppliers can be seen as the ‘back-story’ of the McDonald’s brand. In many ways it has happened out of the limelight. From the 1970s onwards, McDonald’s have been under scrutiny by NGOs and the media, who routinely ‘exposed’ failings in terms of their record on environmental issues, working conditions, animal welfare, nutrition and so on. McDonald’s Europe have been leading the way in developing business practices which promote the values it sees as integral to its brand. However, McDonald’s Europe has been wary of directly marketing these developments. This is partly due to the fact that the MAAP standards are aspirational, not all countries perform equally well, nor is all produce 100% MAAP compliant within any country. It is very hard to market the fact that you are 80% compliant to a standard.

Equally, welfare doesn’t necessarily sell, at least through direct marketing. In Norway, for example, where there exists a strong collectivist approach to the challenge of farm animal welfare, with the government and industry setting standards that are applicable across all production, farm animal welfare is conceived as a strategy for differentiating Norwegian production as a whole from foreign imports (see D1.9, D1.20 for more information). The inverse of this is that there is no driver to segment the market along animal welfare lines within Norway, either within food service or food retail. Therefore it comes as no surprise McDonald's Norway make no mention of MAAP, only that they use KSL assured Norwegian produce, and this is only communicated on their website.

The UK, on the other hand, has a market in which animal welfare, along with other 'quality' criteria, is used to differentiate products and ranges. McDonald's do market their welfare credentials; the use of free range eggs, fair trade coffee and organic milk is marketed through information leaflets, food tray-liners, lorry advertisements and so on although it does not form part of its main advertising campaigns, for example it is not part of TV or Billboard advertising. There is little communication of the more complex issue of their MAAP standards, however, it does make an appearance on their affiliated website http://www.makeupyourownmind.co.uk/.

McDonald's believe third party endorsements, such as from animal welfare non-governmental organisations, to be a vital part of their marketing strategy, especially in countries such as the UK where farm animal welfare is a live issue in the public consciousness. They have received awards from Compassion in World Farming and the RSPCA for their animal welfare initiatives in the UK.

1.3.1.2 Burger King Norway

Burger King is a lot more representative of the general role food service actor have played in Norway, since they have taken what can be regarded as a more passive stance to welfare issues. They keep an eye on what goes on in the Norwegian media but in general they trust their suppliers (and do not demand additional certification) and more importantly they see that Norwegian law as *good enough*. In the case of Burger King, the Communication Manager regards animal welfare as an extra cost, as he says:

> *Norway is not in the European Union. It sources from Norwegian suppliers and as long as a demand for free-range chicken has not emerged, we will not take the*

cost. Animal Welfare is not a case in the media. We have no overall strategy on animal welfare other than pursuing Norwegian law.

Umoe AS, a leading Norwegian company for food services, runs Burger King Norge. Burger King requires quality production standards and is exposed to audits from their regional head office in London, although none of these include animal welfare. In comparison, Burger King Norge is not particularly concerned about ethical issues and therefore comparable to the major retail chains (in Norway).

1.3.1.3 KFC UK

As an important global brand, KFC is undeniably in the public eye, with its commercial practices being scrutinised ever more closely. KFC have been the target of a sustained campaign by PETA in the US for what is seen is as their poor record on farm animal welfare – see http://www.kentuckyfriedcruelty.com/, with high profile celebrities encouraging boycotts of their products. The footage of animal cruelty at one of their major US suppliers was widely publicised by PETA in 2004.

As part of a wider effort to manage and protect the currency of its brand, KFC UK have been developing their own codes of practice, which include animal welfare. They began by asking for Assured Food Standards certification from their suppliers. For a number of reasons they were dissatisfied with this arrangement:

- The standard was little understood or recognised by consumers
- The standard had been devalued by a series of negative exposes
- It was generic for the UK but had to work internationally
- Provides little other 'quality' information

With RL Consultancy (which is the consultancy arm of Food Animal Initiative), they developed their own codes of practice, based partly on AFS and Freedom Food standards. The code is reviewed every 15 months, a process in which all suppliers are invited to participate. Suppliers, both direct and indirect, are audited on a 15 month cycle.

In line with McDonald's approach, they do not market farm animal welfare directly to consumer at restaurants except with phrases such as 'good life' that conveys their focus on ‘real food’. However, they do communicate on websites, for example, the US website (www.kfc.com) has a section devoted to the subject, while the UK website (www.kfc.co.uk) is being updated to include information on how KFC chicken is produced and cooked. It is also written into their Corporate Social Responsibility reports.

Third party endorsement with respected Non-Governmental Organisations are also important to their marketing strategy, like for example building positive links with Compassion in World Farming, who have acknowledged the work they are doing in the UK and USA in improving standards.

In terms of consumer’s interest, they receive very few calls asking about welfare standards or related issues. They see their consumer as wanting to know ‘it is taken care of’, that they can trust KFC to have acceptable standards of farm animal welfare.

1.4. Food and service management sector

As outlined earlier the food and service management sector is already a fairly consolidated industry with the three market leaders in Europe accounting for just under 60% of market share in 2005 (Ferco 2005). The main trends in contract catering, according to Keystone (2006), are (1) smaller operators are constantly being taken over by larger players and (2) many operators are looking to mergers and acquisitions to provide both growth and economies of scale (3) a shift from public owned catering operators to privately owned.

This sector is generally split into a number of key markets:

- Business and industry
- Education
- Healthcare and nursing homes
- Defence, offshore and remote sites
- Facilities management
- Retail and travel
- Sports and leisure
- Vending.

The sector is diverse in terms of the nature and variety of institutions, spanning both public and private clients. Each sub-sector has its own unique issues as well as shared concerns for the whole industry. The major food and service management companies which feature in 1.4.2, which include Sodexho, Marr, Compass Group and Aramark Ltd, operate in most, if not all, of these markets.

Our research focused on what is mainly characterised as *contract catering*; defined as supplying meals to third party organisations. These third party organisations encompass a wide variety of businesses and institutions. In business and industry, contract caterers are the prime source of on-site catering for multi-employee workforces. Contract caterers provide the skills, equipment and personnel and often investment inside premises to operate the catering function, allowing the company or organisation to concentrate on its core activities.

While in other sub-sectors, for example, education, healthcare, prisons, the food service operators work within a market context with limited or no outside competition, within the Business and Industry subsector, company restaurants may often operate in direct competition with other food outlets (including both the commercial sector and food retail) because of office locations in towns or cities. Another important distinction of the Business and Industry sub-sector is that it is characterised by a trend towards limited or nil-subsidy, in particular in the UK although this trend is becoming increasingly apparent in Italy and Norway as well. Client companies do not subsidise the food served in staff restaurants, bringing it much closer to the commercial sector, where profits are calculated in till receipts.

The food service industry has traditionally been characterised by focus on cost and consistency (i.e. bulk commodity products), though this is starting to change in some areas. The nature of the food service provision is defined in the contract between client company and food service operator. We can identify three important drivers to the introduction of higher standards of farm animal welfare within this sector's supply chains:

1. Client companies possess more or less visible brands[1], and with the rise of Corporate Social Responsibility (CSR), these brands and the values are seen to extend beyond the quality and integrity of the products they sell, encompassing, to varying degrees, the provision of food service for employees.
2. Food and service management companies are beginning to integrate their commercial practices and the services they offer with CSR and brand values in order to be more competitive in a marketplace that is placing an increasing value on 'ethical' issues.
3. Staff restaurants have increasingly had to compete directly with the commercial food service sector i.e. the 'High Street', mainly due to the trend towards limited and zero subsidy by client companies (i.e. employees have to pay for the full cost of their meal). This has led to the development of more retail-orientated business models, with a greater emphasis on choice, quality and so on.

[1] 'Brand' is not the most apt term to describe public/institutional clients. They do, however, have analogous values and policies which in effect function comparably brands.

1.4.1 Case Study: Compass Group and Google, UK

Compass Group is the world's leading foodservice company. With 400,000 employees, it specialises in providing food, vending and related services on the clients' premises in over 90 countries, generating annual revenues of around £11 billion (Compass Group website 2008). It has operations within each of the major markets outlined above (see D1.19 for more details).

Compass group operate both a European buying desk, which negotiates procurement of mainly 'commodity' staples across national markets (this does not at present include meat products) and national buying desks which concentrate on nationally and locally relevant products as well as client specific products as we shall see in the case of Google.

In terms of meat procurement, while food safety accreditation is a must, quality assurance down to farm level is not an absolute necessity. However, additional requirements may be requested from suppliers to meet the specific demands of clients.

Compass Group have been providing in-house food service for Google since the 1990s, beginning in the US, and moving with them to Europe as Google has expanded to be the global business it is today. The partnership is based on the Compass Group understanding and delivering to Google expectations of food quality; in terms of both quality of the food on the plate and the quality of the supply chains behind the food.

Google's attitude to the quality of their staff restaurants is illustrative of their ethos and business culture. The core values of Google's food service are:

- Sustainability and (low) global footprint. By 2008, Google plan to be carbon neutral.
- Local seasonal food. Where possible, local suppliers delivering fresh, seasonal food are used.

- Good animal welfare. Suppliers have to demonstrate high standards of farm animal welfare.

Google's staff restaurants are free to its employees, and their guests. This is in many ways against the general trend of food service in 'business and industry' sector, where the majority of contracts have moved towards limited or nil subsidies:

Google's London office opened its restaurant in February 2007 in partnership with Eurest/Compass Group. In terms of meat products, Compass Group source for the Google restaurant from one high-end catering butcher in London - Fredericks. As supplier into Compass Group, the catering butcher conforms to the food safety and traceability standards required by the purchasing team. On top of this, both the Compass purchasing team and the supplier knows the requirement brief for Google:

> 'I know we do [use QAS] for the actual suppliers, so our meat supplier has accreditations….but its really been done more on giving a brief to our suppliers, ensuring those suppliers follow that through – a lot of that is carried out by purchasing department' Development Chef for Food Service Company

Although there does not seem to be any specific on-farm QAS that are required, free range and organic are used wherever possible, and the operations of suppliers are scrutinised. For example, there was a question mark over a previous supplier, in particular with regard to the distances livestock were travelling between farm and abattoir, and abattoir to market, and so they were dropped from the supplier list.

Both Google and Compass are keen to arrive at the point where they know where each patch of meat is from, down to the farm. They are keen to source from and develop a relationship with farms that are both local and use natural, extensive systems (free range and/or organic) for raising their livestock. This is not an easy exercise given the small volumes actually going into Google food service in the UK at present. It is a question of building a market in food service for these high quality, ethical products, which Compass Group see as an important developing market.

We understand this to be part of an emerging picture where client companies are actively writing in ethical specifications into procurement contracts with food and service management operators. In each country we have identified examples of this trend; the activities of Aramark Plc and PriceWaterhouseCoopers case study in the UK; the activities of MARR (Cremonini Group) and IKEA in Italy; the activities ISS in Norway[2]. However, it is only in the cases of MARR/IKEA and Compass/Google that specific farm animal welfare standards are actually being specified.

These developments are even clearer in the public sector markets, in particular the school canteen sub-sector. Here, various national and regional governments have begun to take up the quality of the food in food service provision as integral to their policy goals. This development has already been outlined within the Italian and Norwegian contexts, but the role of public procurement is equally visible in the UK. School meals have become an important site for political action between local government, NGOs, academics, media, and celebrity chefs, which is leading to significant re-negotiation of contracts with food service operators.

On the one hand, we have seen client organisations increasingly beginning to see food service as part of their wider (Corporate) Social Responsibility, indeed as part of their brand management (although important, we will not explore the differences in how ‘social responsibility’ is played out in the private and public sector).

On the other hand, we have seen food and service management companies actively compete to meet these demands. Indeed all the companies we spoke to during the research expressed the view that this ‘added value’ market was set to grow and moreover some companies wanted to move strategically from simply meeting client demand, to proactively promoting and marketing their quality/ethical portfolio. At the moment the cost of ethical/quality products is currently high; this is mainly due to the low volumes involved. These costs should come down as volumes increase and competition for clients become fiercer. However, it should be stressed that this market is still very small. The vast majority of contract catering is extremely price sensitive, being concerned primarily with food safety and product consistency and convenience.

2 . For example, the Norwegian Labour and Welfare Organisation *NAV* demanded that all available products should carry the Swan-label (the Nordic environmental label), while Statkraft – an energy company – requires that at least 20 percent of their supply should be sourced within a radius of maximum 50 km.

1.3.2 Analysis: Brands

For the purposes of this report we shall concentrate on three inter-related aspects of 'brand' with the food service sector.

- The food /drink on the menu (front stage)
- The supply chain/commercial practices that form the 'back story' of these products.
- How both products and their 'back stories' are marketed to customers (both consumers and clients).

The food and drink served at the restaurant counter; its taste, smell, presentation, its *explicit* characteristics, are central to the consumers experience and enjoyment of eating at a particular restaurant. There are many other influencing factors; such as setting, price and so on, but we shall leave this aside, for the moment. A restaurant by definition serves food, and it is according to the quality and value of its menu that it is primarily judged. However, there are many important characteristics of food that cannot be *explicitly* read by consumers; nutritional quality, quality of supply chain (sustainability of production and distribution practices, standards of farm animal welfare. The supply chain or network behind the food on the consumers' plate forms its hidden or *implicit* characteristics.

It could be argued that the importance of the back story, the quality and integrity of the supply chain behind the food, only became a real concern for the food industry and the food service sector in Europe with the farming and health crises of the last twenty years – BSE, Foot and Mouth, health, nutrition and obesity. Consumers were increasingly seen to be demanding to know how the food they were eating was made and where it came from.

The response to this, as we saw earlier, has varied between Norway, UK and Italy depending on particular markets and their governance. The UK and Italian response can be generalised, at least in structure if not extent, to represent the picture in the majority of EU countries (in particular the 'old' EU states). On the one hand we have seen increasing legislation of farm animal welfare, especially at the EU level. On the other, the food industry has increasingly taken on the responsibility for food safety and quality. One of the most important mechanisms has been through the adoption of Quality Assurance Schemes that define acceptable standards of production and processing that are assessed and awarded through regular auditing procedures (please see 1.9 Deliverable for more information).

While the Norwegian model is similar, the strong collectivist approach has meant there has been little differentiation of QA schemes within the market, with the exception of organic, which in many ways is being driven by the Norwegian government.

1.4.2.1 The marketing of farm animal welfare through public scrutiny and creating high-quality staff restaurants.

How is the 'back story', and its importance to the final product, becoming visible to consumers? We will focus on three emerging dynamics in making farm animal welfare visible in the food service sector.

They are:

- Public scrutiny by 'stakeholders' e.g. NGOs, government, media.
- Major brands subtle marketing of their corporate social responsibility commitments.
- Generic 'ethical' range within staff restaurant meal options.

In contrast to food retail sector, throughout our research we have found that welfare is rarely directly marketed to food service consumers, the only example being McDonald's UK and their labelling of free-range eggs and organic milk.

Public scrutiny by 'stakeholders' e.g. NGOs, government, media

The space in which brands are marketed to consumers/customers has undergone a transformation. Friedberg (2004) illustrates this clearly in what she calls the 'ethical complex' of businesses; she describes how non-governmental organisations with specific interests, sustainability or animal welfare, have been increasingly proficient at exposing companies' commercial practices (i.e. the back story to their products), using the media to get this information to the general public/consumers. As outlined in 1.4.1 report, McDonalds and KFC, as leading brands in the quick service restaurant sector, have been especially targeted by NGOs on issues from farm animal welfare standards to nutrition and 'junk food'. The food and service management sector, whose brands do not compete (openly) on the High Street and are not marketed directly to consumers and public at large, has not been the focus of any comparable scrutiny as yet. This 'ethical complex' whilst certainly challenging has developed into an opportunity: whilst punishing what they see as bad practice with bad publicity, NGO's have also rewarded good practice with good publicity. Many of these NGOs are seen by the public as trusted arbitrators or regulators and hence by companies as useful organisations to collaborate with. In many ways the whole rise of Corporate Social Responsibility should be seen within this context, a healthy relationship of criticism and praise between third party non-governmental organisations and/or lobby-groups.

Major brands subtle marketing of their corporate social responsibility commitments.
In line with food retailers in the UK, both McDonalds and KFC have managed their supply chains to ensure acceptable standards of welfare are met, through the use of generic and bespoke QA schemes. These developments have been welcomed by NGOs such as the RSPCA and CIWF in the UK. As befitting global brands, these developments in supply chain practices have been international in scope, with all the complexities in translating these into national contexts, in effect partially independent of national cultures and consumer demand.

This dynamic is less clear in the food and service management sector. As described in the preceding section, sustainability and ethical issues, including farm animal welfare standards have become increasingly important criteria in gaining and retaining clients as well as retaining customers at the food service outlets (staff restaurants and cafes).

Generic 'ethical' range within staff restaurant meal options.
Within the private (business and industry) sector, the rise of Corporate Social Responsibility have made businesses, especially high profile companies such as PWC and Google, far more conscious of wider ethical issues and the possibility of both good and bad publicity. Staff restaurants stand in an interesting relation to these client companies: they are not directly part of Price Waterhouse Cooper's or Google's commercial practices but are associated with their brand – CSR audits and public scrutiny might well inquire into their food service contract and their operators practices.

Staff restaurants are also important as part of these firms' staff and business culture, as exemplified at Google. These processes are important in the relation between food and service Management Company and client. But sustainability and ethical issues, including farm animal welfare standards, are also becoming increasingly important issues in keeping staff restaurants profitable for food service operators i.e. attracting and retaining customers within the fiercely competitive High Street.

1.4.2.2 Supply chain management

The food and service management sector is not characterised by the integrated supply chains seen in the Quick Service Retail (QSR) sector. We have seen a trend towards more consolidated buying desks, buying greater volumes at the international scale with a resulting greater leverage on quality as well as price. There has been a move towards greater control in the supply chain, from buying primal cuts directly, to the increased use of Quality Assurance Schemes (QAS), to sourcing a wider variety of niche products. Our case studies describe a strategic move towards a more proactive approach to wider ethical issues, including farm animal welfare in the future – providing QAS products as standard for example. However, within a sector, which is extremely price conscious, in which the threat of bad publicity is minimal (relative to our QSR case studies), progress is measured.

Section 2

2.1 The Product

A schnitzel-type product was developed that contained 25% welfare-friendly chicken meat, 60% mushrooms, soy protein, sunflower oil, welfare-friendly chicken protein, potato starch, spices, herbs, salt and aromas. Each schnitzel weighted 80 grams and contained leg-meat. The welfare-friendly products contained less cholesterol (8.4 vs. 33.4 for the regular product), less fat (8.5 vs. 23.5 grams) and less calories (774 vs. 1275 kJoules) than the regular product. In addition, the welfare-friendly product contained considerably more dietary fibre than the regular product. The product is shown in Figure 1. The cost price of the welfare-friendly schnitzel is approximately 5.50 Euro/Kg, whereas that of the regular product is a little less expensive: 4.50 Euro/kg.

Figure 1: welfare-friendly schnitzel developed for the studies.

2.2 The Experiment

Two new strategies were tested to increase sales of the welfare friendly products in catering restaurants; these were price reduction and providing information. Sales in company restaurants in The Hague indicated that the product presented as "new" was sold most, followed by the same product presented as “welfare friendly” and “healthy”.

A subsequent study in the “Restaurant of the Future” in Wageningen, The Netherlands, where consumer behaviour can be observed with video cameras, indicated somewhat different patterns. Most of the consumers selected the product presented as welfare-friendly, followed by the new and healthy products. The different patterns may be explained by the fact that the product in The Hague was first introduced in the restaurants in the “new” condition and subsequently re-introduced in one of the other conditions, i.e., the product may already have been familiar to the customers during the re-introduction even though the product was then presented with different information. In contrast, in the Wageningen study consumers were presented with the same product and three different types of information. The results further demonstrated that female consumers had most interest in the welfare friendly product. Not only did they select the welfare friendly product more frequently than did male consumers, they also expected the product to have superior taste and texture compared to a regular product. In contrast, male consumers were more interested than female consumers in the same product offered as “new”. The preference of especially female consumers for welfare friendly products is in line with earlier results of Vanhonacker et al. (2006) who concluded that current and future consumers of animal friendly foods are most likely to be found among the “young, well educated, urban, female population”. The results suggest that consumers, especially females, are sincerely interested in animal welfare, but are looking for an additional reason for buying welfare friendly foods, namely different, and presumably better sensory properties.

Previous findings indicated that consumers are interested in animal welfare, but are unwilling to pay more for welfare friendly meat. Presumably, animal welfare is too abstract, and not seen as the problem of the consumer him/herself but of some other party, such as the government (see also Evans and Miele, 2007). Instead, consumers may be looking for other reasons to justify their choice of welfare friendly meat, such as improved sensory properties, suggesting that welfare friendly meat should not only be good for the animal but should also be more enjoyable to the consumer. The consumers in the Restaurant of the Future may belong to a larger market segment

(36%) for whom animal welfare is important but not a top-priority, who want to be informed and who are willing to pay for welfare products (Vanhonecker et al., 2007). Vanhonecker et al. (ibid) suggests that this market segment can be reached when welfare products are associated with for instance better taste.

Interestingly, our results indicated that sensory properties were hardly mentioned in relation to welfare friendly products when consumer attitudes were assessed using a questionnaire. It was only when consumer expectations with regard to sensory properties of welfare friendly meat were specifically addressed, in a restaurant meal that included welfare friendly products in the offering that sensory properties emerged as an important factor. These sensory expectations were apparently powerful enough to affect perceived sensory properties when the meat was actually consumed, i.e. consumers rated the taste of the product as more “savoury” when it was presented as “animal friendly”, compared to the same product presented as “new” or “healthy”. These results illustrate the limited value of questionnaires for monitoring consumer attitudes. Similarly, our results demonstrated a relatively large discrepancy between self-reported menu selections using questionnaires and actual menu selections.

Section 4 – Synthesis of Research Findings including concluding points.

The challenge here is to bring together two quite different studies, both looking at the food service industry and the development of welfare friendly products, but at two quite different scales.

The food service industry differs from food retail in a number of ways;

- Most importantly in its fragmentation and diversity, which this work package has only touched upon. Statisticians struggle to build up a comprehensive picture of the food service sector. Any drive to instigate the uptake of welfare-friendly or farm-assured food product is should include a major strand that encourages consumers to actively seek it out, since major branded supply chains only make up a comparatively small part of all food eaten outside of the home.
- In the level of choice within the space(s) of consumption in food service outlets. In comparison to a supermarket, consumers entering a restaurant or canteen have a) much less choice (if any) and b) are presented with much less information. A typical menu will generally only present the names of food dishes and prices. Any extra information is generally restricted to allergies or ingredients. Communication of the 'back-story' behind meals and/or their ingredients, making clear its 'implicit' qualities, is very limited. In a sense, the level of information presented to consumers at the Restaurant of the Future in the Netherlands is not representative of current activities in restaurants or canteens but does indicate the scope for introducing information about a products welfare-friendliness as it supports a more positive eating experience.
- The usual model of the development of ethical markets through the device of labels and consumer choice is not necessarily applicable here for two reasons:
    1. As outlined in the point above, there is limited opportunity to market/communicate diverse *implicit* quality characteristics of products ie the 'backstory'.
    2. There exists little consumer demand or commercial imperative for developing this area of marketing/communicating. Research indicates

that ‘active ethical consumerism’ is much less obvious in the behaviour of consumers when they eat outside of the home. The catering industry argue that the majority of consumers are primarily driven by taste of the food, convenience and the service they receive when eating out; Mintel (2007) report that just 2% of respondents say they think through ethical considerations when deciding where to eat out. Yet providing information about a product can encourage different purchasing decisions, although ‘welfare-friendly’ may not be as attractive as ‘new’, for example.

However, one important way food retail and foodservice markets do converge is:

- The increasing importance of transparency in supply networks. WP1.2 and WP1.4.2 have shown how behind-the-scene supply chain practices are becoming increasingly visible, an emerging arena in which food chain actors actively seek to manage their ‘brands’, historically in opposition but increasingly in conjunction with NGOs and media. Brands operate within a fiercely contested, shifting arena; they have a huge impact on consumer behaviour, sales and finally profits. While a consumer entering McDonald’s would not find nor may want to find information on the welfare standards of the cattle which make up the burger she is eating, the indirect communication/marketing of McDonald’s MAAP standards, its direct marketing of its use of free range eggs, may well have had a big impact of this consumer’s decision to try her first Big Mac in fifteen years.
- Farm animal welfare standards, then, become part of whole bundle of other criteria by which a company is judged. To reiterate: this does not require direct communication to the end consumer; much of the work is done by NGO, interest groups and the media that directly scrutinise company practices and pass their judgements onto to the public, which then becomes part of a whole barrage of other information, attitudes, prejudices that inform consumer choice as to whether to visit this restaurant or another. As noted in Section 2, this relationship is a little less clear within the food and service management sector. However, Corporate Social Responsibility, which is fundamentally a response to this new ‘battleground’ of the brand, is becoming an increasingly important to ‘client’ companies, which in turn is having consequences in the

> demands it lays down for food service. Food service operators are meeting this demand. Ethical and quality procurement is beginning to form part of the competitive landscape and taking a proactive stance to become part of the strategic vision of food and service management companies.

It should be made clear that research within 1.4 focused on the leading developments in the food service sector. In general, the sector is characterised by bulk, commodity buying of animal products produced both within and without the EU, with little traceability or transparency of production standards (including farm animal welfare). In this terrain where brands matter far little, customers whether individual consumers or corporate business or public procurement can have considerable influence in changing and improving the quality of foodstuffs served on their premises. This activity is undoubtedly the most significant driver of improvements in food quality across the sector.

References

Blythman, J. 1998. The Food We Eat. Penguin Press, London

Blythman, J. 2006. Bad Food Britain. Fourth Estate. London

Bredahl, L., Grunert, K.G. and Frewer, L.J. (1998), "Consumer attitudes and decision making with regard to genetically engineered food products – a review of the literature and presentation"

Compass Group PLC. *Compass Group PLC*. 2006 [cited 2006 9 December]; Available from: http://www.compass-group.co.uk/.

Crang, P. (1994) 'Its showtime: on the workplace geographies of display in a restaurant in southeast England' Environment and Planning D: Society and Space, 12, p675-704

Evans, A. and Miele, M. (eds.) 2007. Consumers' Views about Farm Animal Welfare. Part I: National Reports based on Focus Group Research. Welfare Quality Reports No.4. Cardiff University, Cardiff.

Euromonitor International 2008. Report: *Global Consumer Foodservice*. Euromonitor International Plc. London.

FERCO. *European Federation of Contract Catering Organisations*. 2006 [cited 2006 9 December]; Available from: http://www.ferco-catering.org/.

Friedberg *S,* 2004, "The *ethical complex* of corporate food power" Environment and Planning D: Society and Space 22 513 – 531

Key Note Publications Ltd. *Catering Market*. 2006 [cited 2006 14 December]; Available from: http://www.keynote.co.uk/CnIsapi.dll?fld=X&alias=kn2k1&uni=70827&SetUserType=1&jump=&collapseLevel=0&fromPage=StatAZ&AutoShowFirstRecord=1&search=SY%20=%2012-1689-49801&Browser=MSIE

Kjærnes, Unni, Harvey, Mark and Warde, Alan. 2007. Trust in Food. A Comparative and Institutional Analysis. New York. Palgrave Macmillan.

Mars, G. and Nicod, M. (1984) The World of Waiters. Allen and Unwin. London

Marshall, G. (1986) 'The workplace culture of a licensed restaurant'. Theory, Culture and Society. 3 (1), p33-48

McDonalds website detailing the McDonalds UK supply chain, ingredients, cooking practices; their 'backstory': http://www.makeupyourownmind.co.uk/.

MINTEL (1994) Special report – Catering. MINTEL, London

MINTEL (2005) Eating out review. MINTEL, London

MINTEL (2007) Ethical Catering. MINTEL, London

Morgan, K. (2006). School Food and the Public Domain: the politics of the public plate. The political Quarterly, Vol 77, No.3. particular 379-387

People for the Ethical Treatment of Animals (PETA) campaign website: http://www.kentuckyfriedcruelty.com/

Roe, E. and Marsden, T. (2007). "Analysis of the retail survey of products that carry welfare-claims and of non-retailer led assurance schemes whose logos accompany welfare-claims" in Kjarnes, U; Miele, M.; Roex, Y (eds). Attitudes to Customers, Retailers and Producers to Farm Animal Welfare. Welfare Quality® reports no 2 Cardiff, UK.

Roe, E. and Higgin, M. (2008). UK meat and dairy retail distribution and supply networks: a study of the current and potential markets for welfare-friendly foodstuffs. Welfare Quality® reports no 6, Cardiff, UK.

Roe, E and Higgin, M. (2008). European Meat and Dairy Retail Distribution and Supply Networks: A Comparative Study of the Current and Potential Markets for Welfare-friendly Foodstuffs in Six European Countries. In Kjærnes, U., Bock, B., Roe, E. and Roex, J. (eds) Consumption, Distribution and Production of Farm Animal Welfare. Welfare Quality® reports no. 7, Cardiff, UK.

WQR7, Cardiff University.
Roe, E, Higgin, M, Ara, A., Pinducciu, D., Vramo, L. and Dulsrud, A. (forthcoming). Current strategies for animal welfare in the food service sector in Norway, UK and Italy. In Welfare Quality® reports no. 8, Cardiff, UK

Roe, E, Higgin, M, Ara, A., Pinducciu, D., Vramo, L. and Dulsrud, A. (forthcoming). Brand values and the procurement of welfare friendly products in the food service sector in Norway, UK and Italy. In Welfare Quality® reports no. 8, Cardiff, UK

Schlosser, E. (2001) Fast Food Nation. The Penguin Press London

Sodexho. *Sodexho*. 2006 [cited 2006 9 December]; Available from: http://www.sodexho-uk.com/.

Sosteric, M. (1996) 'Subjectivity in the labour process:a case study on the restaurant industry. Work, Employment and Society. 10 (2), p201-216

Vanhonacker, F., Verbeke, W., van Poucke, E., and Tuyttens, F.A.M. (2007): Segmentation based on consumers' perceived importance and attitude toward farm animal welfare. International Journal of Sociology of Agriculture and Food. Vol. 15 (3), 91-107.

Warde, A. (1992) ‘Notes on the relationship between production and consumption’ in R. Burrows and C. Marsh (eds)*Consumption and class: divisions and change*. Macmillan, London. p15-31.

Warde, A. (1996) ‘Eating out and eating in: households and food choice’ Report to Economic and Social Research Council.

Warde, A. and Martens, L. (1998) ‘A sociologiucal approach to food choice: the case of eating out’, in A. Murcott (ed) *The Naiton's Diet*. Longman, London. p129-146

Warde, A. and Martens, L. (2000). Eating Out. Cambridge University Press. Cambridge.

Warde, A. and Tomlinson, M. (1995) ‘Taste among the British middle classes, 1968-88’ in T. Butler and M. Savage (eds) *Social Change and the Middle Classes*. UCL Press, London. p241-256