

EMERGING CHAIN SPOTLIGHT: MODERN MARKET

HOW TO MAKE HEALTHY, DELICIOUS FOOD ACCESSIBLE TO ALL

The standard business model for scratch cooking with high-quality ingredients involves passing on the costs to the diner by marking up the price of the item to compensate. But at Modern Market, they apply an engineer's concern for operational efficiency to the fast casual food experience. Why? To bring the price point down and make great tasting, healthy food options accessible to the masses.

Everyday Eating

As the Menus of Change initiative and other culinary leaders have pointed out, restaurants are no longer merely the places you go to celebrate a special occasion. They are places where people eat sometimes multiple times a week.

"The restaurant industry was built on the backs of indulgence, and no one looked at what happens for people eating at these places every day," says Modern Market co-founder and co-CEO, Anthony Pigliacampo. "Our view is: What would the restaurant of the future look like, where you're going to eat there a lot but you're not going to worry about it hurting you?"

He credits Chipotle with being among the first to fit those criteria, but he laments that it's just one cuisine type, so no one could eat there every day.

As an engineer, Pigliacampo used to be on the road a lot for work. He grew frustrated by noticing how the only options available for a quick bite outside the home made him feel awful afterward. "I love the analogy that it's like voting—you choose the least worst option," he says.

To make do during those years, he ended up eating at grocery stores, taking food back to eat in his hotel room. He became so frustrated by this situation that he decided to do something about it. With no culinary background or restaurant experience whatsoever, he and his co-founder, Robert McColgan, who was working at Goldman Sachs in New York at the time, started a fast casual restaurant chain.

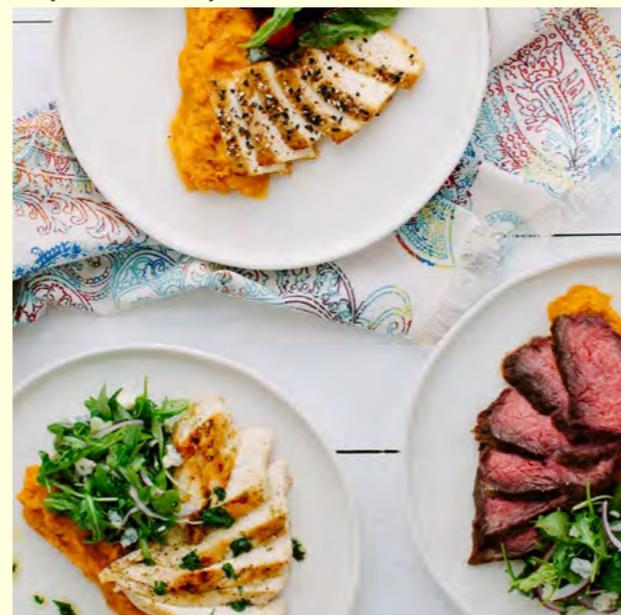
Based in Boulder, CO, Modern Market serves simple American fare—soups, salads, sandwiches, and pizzas—with a plant-forward bent. They consider

their menus healthy in that they're based on the way most people cook at home. Good home cooks shop the perimeter, and he felt that should be the case in restaurants, too. It's unlikely that consumers have a vat of xanthan gum on their counter, he explains, or a tin of MSG. So Modern Market sticks to "clean, whole foods."

Their Secret Sauce

Throughout the industry, many foodservice operators want to make the better raised, better grown, better tasting ingredients meet every diner's budget. But how can it be done? For starters, Modern Market leverages its scale, purchasing high-quality ingredients at fairly low prices. For this reason, rapid growth has always been their goal. Founded in 2009, the chain is currently at 24 units and expects to hit 40 by the end of 2018.

But their real point of differentiation is the precision of the operations on the back end. As an engineer, Pigliacampo was trained to optimize processes in order to achieve a certain objective. Entering the food arena, he found that what usually complicates operations is human error. For example, if a chef botches a step in a recipe, the entire dish usually gets tossed, driving up food costs. Instead, he and his team have found ways to minimize error and waste, to the point that they now run actual versus theoretical food costs (or variance from theoretical food costs) at 1.5 percent, a very low number for scratch cooking. By optimizing their processes, they know exactly how much antibiotic-free chicken



goes on every sandwich, for instance, so they can calculate what the cost should be for those four ounces (which are relatively expensive), and keep the difference between the cost it ends up being as tight as possible. In applying that same precision to every high-quality ingredient that goes into the sandwich—scratch-made aiolis, for one, and bread that's only flour, olive oil, salt, yeast, and water—they manage to charge just \$7 for ingredient and culinary quality that their competitors frequently charge \$14 for, he says. That makes that higher quality sandwich affordable for a lot more people.

As Pigliacampo puts it: "The typical way is, 'Here's the rough recipe; go.' Our [approach] is down to the gram of every ingredient, and we are very specific about the tools for how to make [each item]. It's much more of a culinary science than a culinary art." That said, "It has to always look like art from the customer standpoint, but we have to put more rigor from behind the curtain to make it repeatable." To make the steps repeatable, they spent years breaking down cooking steps into many more sub-steps than other operations tend to use. They ask questions like, "If I'm cooking this protein on this combi oven and holding it this amount of time, what's the moisture loss and how does that influence the price?" So the low prices they pull off are the result of having asked those kinds of questions about every item in their order guide. It's the sum of a thousand small tweaks, through a process of continuous refinement. Most restaurants, he says, simply don't want to endure the hassle of that degree of operational exactitude.

Pigliacampo is adamant to emphasize that good food is never *cheap*. Instead, Modern Market's goal is to find the floor for how inexpensive the really high-quality food can be. He likens it to clothing. A \$5 t-shirt at Target, he says, shouldn't exist, because it doesn't reflect the shirt's true costs. He is a strong believer that this rule applies to food: "There's no way to make a 99-cent chicken sandwich where the worker who made it is treated well because they're paid a living wage, where the environment is treated well because of how you sourced it, and the health of the person eating it is treated well because of what's in it."

By far the most difficult part of their journey as a company has been effectively communicating with all of the people working in their stores as they grow at such a rapid pace. "That's what we spend the bulk of our time and energy trying to solve," he says. "How fast we can develop people entirely. It's both the training—and communicating a culture among a rapidly growing team that's really geographically spread out—and a technical part like techniques and recipes."

His advice to any restaurateur or foodservice entrepreneur is to over-hire your support team and hire well in advance—a year or even two years

ahead—of when new units open. Only then will you have enough time to bring everyone up to speed.

Simple Isn't Sexy

Another chief obstacle was convincing diners that Modern Market was offering what people truly wanted to eat. "It's fascinating how hard it is to communicate what we do," says Pigliacampo. "So many restaurants are just smoke and mirrors, but the food doesn't really deliver. We're the opposite of that. Simple, clean food isn't that sexy, but it's what people want."

Importantly, Modern Market doesn't position its food as being healthy. Instead, the design of the in-store experience evokes the ethos of the food itself: bright, modern, clean. An open kitchen in each unit provides a "trust pass" from the guests because they can see what's going into their meal. Their receipt shows the nutrition profile of the dish, and then, as soon as they taste the food, it connects all the dots.

Taste is paramount at Modern Market. So often, Pigliacampo notes, healthy food options don't taste good enough for people to want to eat them. One of their most successful strategies has been to start with humble and wholesome items like a salad and take them up a notch through grilled-to-order proteins, which they prepare at a large carving station. For diners, the experience of receiving a small, two- or four-ounce topping of hot, freshly prepared meat or tofu atop a simple bowl of fresh vegetables adds enormous appeal.

Who *wouldn't* want to eat that every day?

