

Understanding the impact of addressing food insecurity via locally owned restaurants

Examining the Rethink Food Partner Kitchen model and potential impact on food insecurity in New York City

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Executive Summary



Food insecurity is a critical issue that reflects and exacerbates long-term social and economic disparities. Insufficient access to nutritious food can lead to increased healthcare costs, diminished educational attainment, and reduced productivity for individuals and communities. Nearly 1.5 million New Yorkers experienced food insecurity, including one in four children, according to a 2021 analysis by Feeding America.¹ The COVID-19 pandemic highlighted how structural inequities directly impact food systems and how disproportionately food insecurity affects marginalized and under-resourced communities. Efforts to increase equity and sustainability have been growing across public, private, and social actors and innovative models and networks are emerging to reduce food insecurity and act as complementary solutions to established programs.²

Traditionally there are a number of models for funders to get food to food insecure recipients: through the direct provision of groceries / ingredients (e.g., through food banks and pantries), via meals prepared at government or non-profit facilities onsite (e.g., a soup kitchen or school) or via meals prepared at food vendor facilities offsite (e.g., by caterers or restaurants). These models often reach food insecure people directly through City government programs or through community-based organizations (CBOs). This analysis will focus on meals prepared at food vendor facilities offsite that are distributed through CBOs.

These efforts are generally funded by public or non-profit donors who often contract with regional large food provision / service entities (including caterers) to produce meals at scale.³ The estimated total expense for meal preparation for food insecure communities in NYC was \$95-\$125 million in 2022 (this estimate does not include contributions

from individuals and smaller non-profits / religious organizations). Approximately 70% of this funding comes from government sources and creates an opportunity to grow alternate models like Rethink Food by increasing contracting efforts with City government agencies.

For the purpose of this analysis, the traditional approach for creating meals is referred to as the “Centralized Model” and will be compared to an alternative, distributed model implemented by Rethink Food (the “Rethink Model”). Rethink’s Partner Kitchen Program offers an alternative to the Centralized Model by leveraging a distributed network of restaurants or small businesses matched with CBOs to prepare high quality meals for food insecure communities. Rethink’s model leverages restaurant capacity available during off-peak hours and provides funding to independent neighborhood restaurants to make culturally relevant meals.

This report compares the relative direct and indirect impacts of the Centralized Model and the Rethink Model across New York City (NYC) and seeks to:

1. Analyze drivers of impact for each model across economic, social, and environmental dimensions
2. Synthesize learnings from case studies on comparable decisions made by public programs and non-profits to spend dollars locally rather than centrally
3. Share perspectives on strategies for growing local impact through the Rethink Model
4. Identify areas for further research

¹ City Harvest. (2022). Food Insecurity. City Harvest. <https://www.cityharvest.org/food-insecurity/>

² Examples of established programs include Supplemental Nutrition Assistance Program (SNAP), Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), etc. A full list of food assistance programs from the USDA can be found here: <https://www.fns.usda.gov/programs>

³ Inclusive of city agencies

The goal is to create a baseline understanding of how decisions to spend locally with small businesses and restaurants can foster a more equitable and sustainable food system. To do this, eight key benefits and associated indicators were identified allowing for a comparative analysis between the models. Data collection involved leveraging publicly available information in addition to internal Rethink data augmented by interviews with Rethink restaurant partners and catering companies.

Based on the analysis of the two models used in New York City for providing meals to food insecure populations, the findings are:

- **Rethink meals are likely to be more costly than those provided through the Centralized Model:** When comparing the costs per meal (CPM) between the Rethink Model and the Centralized Model, neither is consistently higher than the other as costs vary based on circumstances and details unique to contracts. However, Rethink's CPM is on average about 20% higher since smaller restaurants, managing smaller order volumes, are involved in the meal preparation process.
- **Spending through the Rethink Model has greater economic impact on local communities (7% higher) and double the impact on small businesses (40% versus 20%):** Rethink restaurants report a higher share of spending through NYC-based vendors compared to the companies in the Centralized Model (75% versus 68%) and higher spending with other small and medium businesses (SMBs). The analysis shows that as much as 75% of funding through the Rethink Model stays local in NYC and 48% stays hyper-local (i.e., within the same borough). Hyper-locality of spend is not prevalent in the Centralized Model given the inherent nature of operations wherein meals are prepared mostly in a single or a few central kitchens. Results indicate that as much as 40% of overall spend goes to SMBs in the Rethink Model, while 20% of spend is funneled to SMBs in the Centralized Model. Several Rethink restaurant partners describe their relationships with SMB vendors as lasting and mutually supportive.
- **Rethink spending has a 24% higher economic multiplier effect and creates 50% more jobs in communities:** The Rethink Model was found to generate the equivalent of two additional jobs weekly for every \$10,000 invested in the program compared to the Centralized Model. These employment hours and jobs contribute to wages that permeate through the local economy and increase demand for the supply chain and consumer goods. Using recognized economic multipliers, it was determined that the Rethink Model increases earnings and economic output by approximately 24% more than the Centralized Model. This highlights the importance of local spending through Rethink to promote economic and community development.
- **Rethink primarily supports minority- or women-owned businesses (86% of businesses funded):** The Rethink Model drives a higher share of funding to minority- or women-owned businesses. Out of the seven Rethink restaurants sampled, six (86%) reported themselves as minority- or women-owned business entities. The average percentage of staff belonging to minority populations in these restaurants is 96%. Out of the three caterers examined, only one (33%) reported being a minority- or women-owned company. The average percentage of staff belonging to minority populations is 43% for catering companies, substantially lower than in the Rethink Model.

These benefits are corroborated by learnings from case studies of comparable decisions made on spending locally versus centrally. These learnings 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 needs. Rethink’s model exemplifies these four learnings and has an opportunity to increase impact around these dimensions as the Partner Kitchen Program model grows. These lessons present a playbook for how Rethink can scale, leverage diversity, and develop a sustainable and flexible operating model.

This report also offers options for consideration to provide food more effectively and in ways that yield additional benefits to communities and local businesses. As alternate models like Rethink Food grow, there will be an increased focus on how to use innovation and partnerships to make food systems equitable and sustainable.

Rethink Restaurant Map⁴

The distribution of firms across NYC that are involved in the Rethink Model reflects the diversity of communities affected.

⁴ As of June 15, 2023, sourced from Rethink Food website



Section 1: Introduction and Context



Purpose

This report aims to assess the impact of the two (Rethink and Centralized) models for the creation and distribution of meals to enable stakeholders to make more informed decisions. It focuses on the impact of Rethink's Model to facilitate higher engagement and partnership among funders (e.g., governments, philanthropists) and organizations like Rethink to enhance local community development. Restaurant entrepreneurs can explore ways to grow their businesses and connections with local communities. CBOs and their respective leaders can leverage the information in this report to grow their meal distribution efforts and increase their involvement in the Rethink network. The goal is to contribute to and promote conversations across NYC's ecosystem of leaders and decision makers working to address food insecurity.

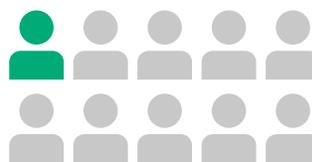
Landscape: Overview of Stakeholders Addressing Food Insecurity

Scale of Food Insecurity in the U.S. and NYC

Food insecurity matters more than ever as communities across the world adjust to a post-pandemic world. In New York City (NYC), there is a massive and growing need for meal support driven by poverty, immigration, and a recent influx of asylum seekers. Additionally, macroeconomic

factors like NYC's high cost of living and inflation (+13% increase in food prices in 2022, the highest in 40 years), put continued strains on the financial resources of individuals. According to the U.S. Department of Agriculture (USDA), an estimated 10.5% of U.S. households were food insecure in 2021, meaning they had limited or uncertain access to adequate food for all household members.⁵ Since the prevalence of food hardship is intimately connected with the prevalence of poverty, food insecure individuals and communities are often confronted with other hardships that have compounding effects on health and economic stability.

Inequities that exist in the U.S. food system disproportionately burden marginalized communities. Today certain racial and ethnic communities face hunger at a higher rate than other communities in the U.S. In 2021, the food insecurity rate was 17.3% among African American households, 12.6% for Hispanic households, and 7.1% for white households.⁶ The historic exclusion of marginalized groups in economic and political systems increases structural inequities directly impacting food systems as well. The problem of food insecurity in NYC is widespread and constant. From 2021 to 2022, one in ten New Yorkers struggled to put food on the table and 80% of food pantries and soup kitchens reported an increase in demand.⁷ Hispanic (59%), Black (51%), and Asian (63%) New Yorkers surveyed were more likely to report that they had less income for food than white New Yorkers (42%).⁸



One in ten

New Yorkers struggled to put food on the table

⁵ Overview. USDA ERS - Food Security in the U.S. (n.d.). <https://www.ers.usda.gov/topics/food-nutrition-assistance/food-security-in-the-u-s/>

⁶ Alisha Coleman-Jensen, M. P. R. (n.d.). Household food security in the United States in 2021. USDA ERS. <https://www.ers.usda.gov/publications/pub-details/?pubid=104655>

⁷ As of May 2023, sourced from Q2 Rethink Food Board Document

⁸ Insight from the Harlem. (n.d.). <https://www.nyc.gov/assets/doh/downloads/pdf/epi/databrief128.pdf>

Spending to Address Food Insecurity

The main funders of programs focused on food insecurity are government and non-profit organizations that support both ongoing and emergency meal distribution efforts across NYC.

Federal funding (often from USDA programs) and state funding is generally allocated to City government agencies, which in turn manage local contracts and programs to serve NYC residents. Based on an analysis conducted by researchers at the City University of New York (CUNY), NYC government agencies spent approximately \$75 million on prepared meals in 2022, accounting for 8% of the City's total spending for food related expenses (the remainder being primarily for meals prepared directly by City agencies onsite, like the Departments of Education (DOE) and Correction



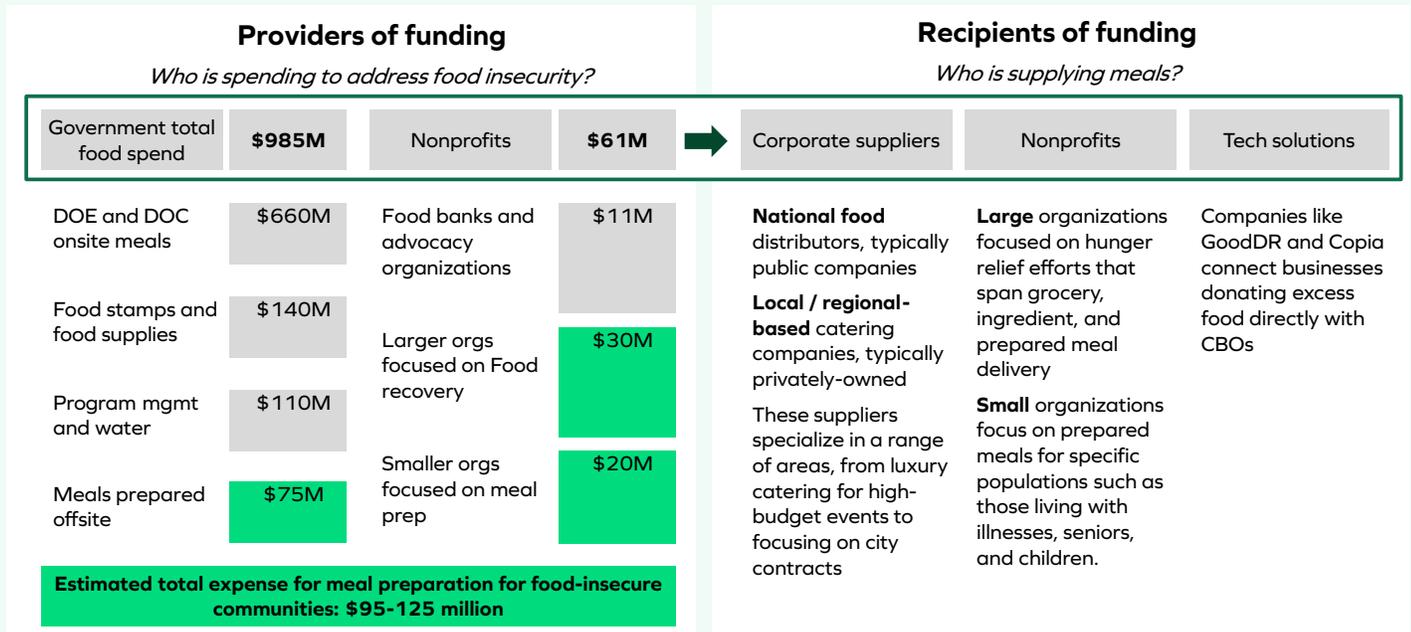
8% (\$ 75m)

of the city's total budget for food expenses is for prepared meals

(DOC), as shown in Exhibit 1.1).⁹ The majority of this spending for prepared meals was by the Department for Aging (DFTA) and the Department of Social Services (DSS), which run programs like GetFoodNYC and home delivery programs for the elderly. These estimates likely do not capture emergency funding allocated to the Humanitarian Emergency Response and Relief Centers (HERRCs) to support the thousands of asylum seekers arriving in NYC.¹⁰

When examining the demand for meals created for CBOs, publicly available data for non-profit funders was limited to major philanthropic organizations

Exhibit 1.1
Sources and recipients of funding



⁹ Food and the New York City Budget. (n.d.). CUFPI. Retrieved June 20, 2023, from <https://cunyunurbanfoodpolicy.org/resources/report/food-and-the-new-york-city-budget/>

¹⁰ This analysis is based on New York City's adopted FY22 budget which was determined in 2021 and likely includes residual COVID-related crisis relief spending. However, funding for HERRCs was incremental to the City's budget and in November 2022, the City added \$577 million to the DHS budget for emergency shelters, \$22.7 million to the Department of Social Services, \$310 million to H+H to operationalize the HERRCs, \$50 million to NYCCEM, \$30 million to the Office of Technology and Innovation, \$10 million to DCAS, and smaller amounts to a few other agencies for the HERRCs. Based on information from: <https://comptroller.nyc.gov/reports/accounting-for-asylum-seekers/>

included in Candid's Foundation Directory database. When analyzing donations to food security and food aid efforts in NYC (using 2021 due to incomplete 2022 data), approximately \$61 million was donated.¹¹ \$20-\$50 million of this was donated to organizations involved in meal preparation and / or coordination efforts, detailed in Exhibit 1.1.

Based on this analysis of government and non-profit spending in NYC, the estimated total expense for meal preparation for food insecure communities was \$95-\$125 million in 2022. This figure does not include the contributions made by individuals and smaller non-profits and religious organizations.

Vendors Supplying Meals

The context for meal provision varies from ongoing, day-to-day meal provision for food insecure communities lacking reliable and affordable access to disaster and emergency relief situations. For the purpose of this analysis, we examined meal suppliers in both emergent and non-emergent situations. The landscape of suppliers of prepared meals in NYC is split across corporate and non-profit entities. Corporate suppliers range from national large-scale food distributors that are public companies to local and regional catering companies that are privately owned. When analyzing NYC government meal preparation contracts valued at over \$1 million, the bulk of the meals were provided by local or regional catering companies that operate central kitchens for meal preparation. While publicly available information for these entities was limited, these local entities have centralized meal preparation facilities and the ability to prepare meals at large scale. An example of this is one NYC-based caterer's role in serving and delivering 650,000 weekly meals (or more than 12 million meals annually) through

GetFoodNYC, a program for elderly people during the COVID-19 pandemic.¹²

Non-profit suppliers, who often have closer partnerships with CBOs also play a role in preparing meals for food insecure communities in NYC. Larger organizations focused on hunger relief efforts like City Harvest, Feeding America, and Food Bank for New York City often have a broader ambit beyond meal preparation and tend to prioritize food rescue and donation efforts across their respective companies and distributors. Some smaller NYC organizations that prepare meals have a narrower focus on specific food insecure populations such as God's Love We Deliver (focused on medically tailored meals for those living with illnesses), Meals on Wheels (focused on senior populations), and No Kid Hungry NYC (focused on children).

Finally, across NYC there are many grassroots efforts that focus on delivering meals such as mobile or self-service community fridges (e.g., In Our Hearts and the People's Bodega) and at-home delivery services for people with dietary restrictions (e.g., Community Solidarity). Another growing source of meals for food insecure communities emerging from the private sector are tech-enabled solutions. Companies like GoodDR and Copia connect businesses donating excess food directly with CBOs.¹³

Understanding the Rethink Model

Rethink Food has a unique position in the broader NYC ecosystem of meal preparation given its dual role as a non-profit intermediary funder and supplier of prepared meals for CBOs. Rethink Food was founded in 2017 as a non-profit with a growing network of restaurants and organizations focused on food rescue and alleviating food

¹¹ The \$61M is likely not inclusive of all funding, it only includes what is publicly available.

¹² Group, R. H. (n.d.). Riviera Hospitality Group. Riviera Hospitality Group. Retrieved June 13, 2023, from <https://rivierahospitalitygroup.com/>

¹³ Rethink Food Market Landscape Scan Document, November 2021

insecurity. Rethink is committed to developing a more sustainable and equitable food system by providing high quality, culturally relevant meals for food insecure communities through two primary programs: a restaurant program and a commissary kitchen.¹⁴ Rethink’s Partner Kitchen Program meets local demand and preferences of people in need by connecting CBOs with small and local businesses within the same community. Most partner kitchens contribute their capacity and kitchens to prepare meals for people in need.¹⁵

For restaurants, Rethink funding provides a revenue stream that supports meal preparation, and offers other benefits to business owners, employees, customers, and the broader community. In 2022, Rethink invested \$10.6 million across 71 partner kitchens and delivered 2.4 million meals to 98 CBOs.¹⁶ Overall, 76% of restaurant partners supported by Rethink in 2022 were Minority- or Women-Owned Business Enterprises (MWBEs). Many restaurant owners view Rethink funding as an important factor in retaining employees and building closer ties with socially-minded customers and local suppliers.¹⁷ Restaurants also report their ties with their local CBOs are enhanced through Rethink’s partnership and often go beyond initial scope to offer additional meals and increase their involvement in food insecurity efforts.

Defining the Centralized Model and the Rethink Model

Hundreds of millions of dollars are being spent each year by the public sector and private donors to purchase and deliver meals to food insecure individuals. One common approach uses contracts with a single major food provider that prepares meals which are then supplied to local food distributors or to government agencies which deal directly with those in need.¹⁸ This common method is characterized by a centralized operating model which often leverages commercial facilities located throughout or outside of NYC. This analysis refers to this approach as the “Centralized Model” for delivery of prepared meals to city agencies and community-based organizations (CBOs).

An alternative approach, used by Rethink Food and referred to here as the “Rethink Model”, uses local restaurants to prepare meals for delivery to local CBOs that then distribute them to individuals in need. In recent years Rethink has started to demonstrate that its network of independent restaurants can fulfill large-scale needs and has increased its partnerships with government initiatives. Rethink’s partner kitchens serve dignified meals to food insecure individuals with a focus on community impact, sustainability, and food equity in NYC’s food system. This analysis will explore the economic, environmental, and social impacts of both models to compare effects of each on CBOs, businesses preparing meals, and communities.

¹⁴ Rethink’s commissary kitchen focuses on rescuing and converting excess food

¹⁵ Partner kitchens are categorized into three categories that offer flexibility in operating models and cost structures: Community restaurants, Collaborative non-profit kitchens, and Collaborative for-profit kitchens. Community restaurants account for the majority of Rethink partner kitchens and are primarily small businesses, usually minority- or women-owned. Collaborative kitchens include non-profit and for-profit partners that can produce meals at scale and have a lower cost structure due to economies of scale and funds donated by supporting foundations and external partners. Rethink often acts as an intermediary between restaurants and CBOs since Rethink purchases meals from the former and coordinates meal deliveries to the latter. Rethink Food also provides customer service support and facilitates feedback between Restaurant and CBOs.

¹⁶ Rethink Food 2022 Year End Impact Report

¹⁷ This insight was drawn from seven interviews conducted with Rethink Food restaurants; interviews were focused on understanding the impact of Rethink funding on business operations and finances

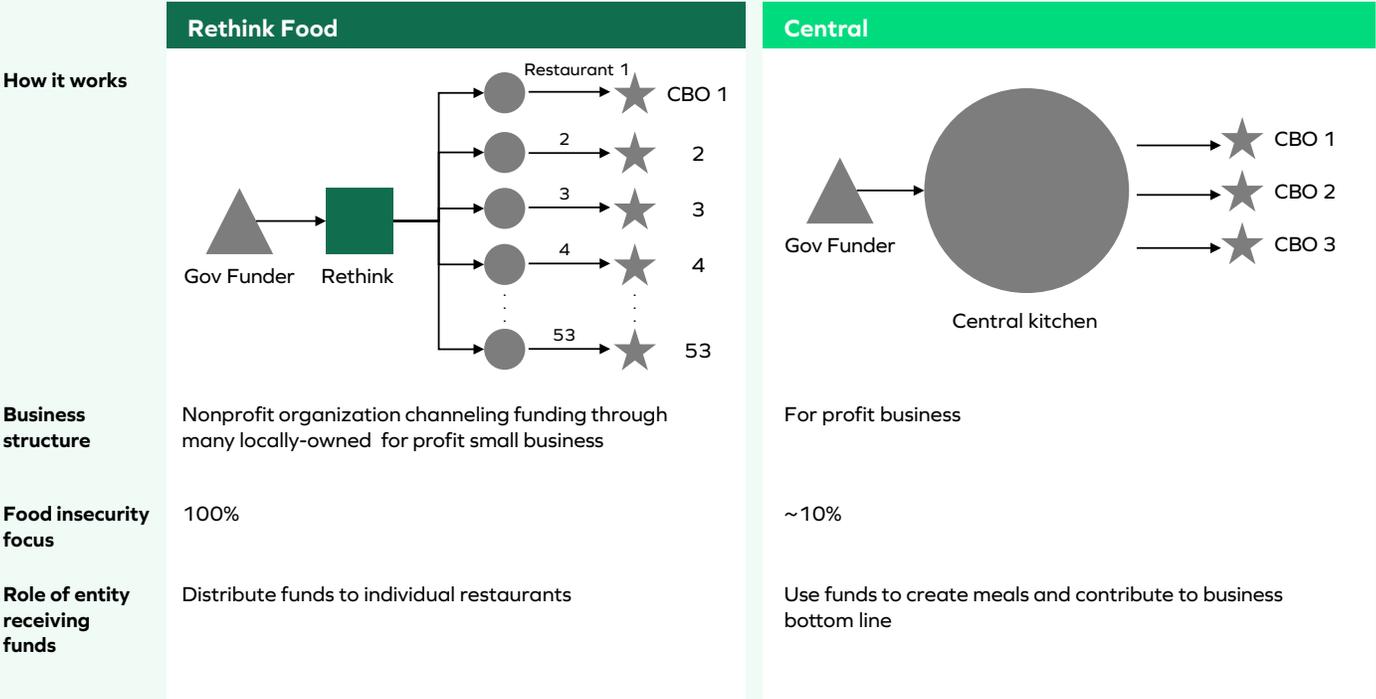
¹⁸ This model was chosen as the appropriate comparison because these contracted caterers (Centralized Model) solely focus on prepared meals, as opposed to some portion of prepared meals alongside ingredients and groceries, which is done by local organizations like City Harvest and food banks.

This report analyzes the relative impact of each model, synthesizes learnings from case studies on comparable decisions to spend locally, and provides perspectives on future implications of growing local impact through the Rethink Model. The findings from this exercise can help increase

awareness of how Rethink supports community-minded partners across the food ecosystem to consistently provide healthy, culturally celebrated meals for their neighbors.

**Exhibit 1.2
Comparing the Models**

▲ Source of funding ■ Entity that distributes funds ● Kitchen ★ Community-based organization



Section 2:

Analyzing the Impact of Rethink's Decentralized Model as Compared to a Centralized Model



Objective of Impact Analysis and Overview of Methodology

This section provides findings on the impact of Rethink’s model of partnering with local restaurants (the “Rethink Model”) as compared to the use of a model involving a single vendor (“Centralized Model”). To do this, eight key benefits and associated metrics were identified that capture economic, social, and environmental impacts across multiple stakeholders to allow for comparisons across models (Exhibit 2.1).

The following is a brief description of each benefit analyzed, along with the associated metric of measurement or proxy indicator utilized. The first four benefits reflect quantifiable results that are

directly comparable across the two models. These four benefits are further utilized in estimating the impact of the potential scale that Rethink could envision (detailed in the last part of this section). The other four benefits are qualitative and complement the other benefits in understanding the holistic impact of both models.

1. **Impact per dollar** invested reflects the number of meals a defined amount of funding or contract value would generate. Cost per meal (CPM) is the metric utilized – a lower CPM would lead to greater impact through a higher number of meals.
2. **Locality of spend** reflects a comparison between the share of overall meal preparation spend that is channeled locally across both models. For the purpose of this analysis, “local” is defined as created impact within New York City and “hyper-local” means impact within the borough in which the restaurant is located.

Exhibit 2.1
Benefits overview

	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 business in itself is SMB; % B2B spend with 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 business, % staff belonging to minority populations	
Non-financial drivers	7 Meal desirability	# cuisines offered, meal quality	
	8 Environmental impact	Reduction in carbon footprint due to food recovery and distances travelled	

Legend for stakeholders: Funders Meal recipients Communities (e.g., vendors, CBOs) Restaurants Workers

3. **Share of spending with Small and Medium Businesses (SMBs)** assesses which model has a greater focus on supporting SMBs. The percentage of total spending channeled to SMBs is utilized as the metric here.
4. **Hours of employment** assesses hours of work generated by a defined amount of funding or contract value.
5. **Quality of employment** is determined by analyzing two key factors: wage rates and benefits offered across both models. Wages equal to or above a NYC living wage, defined as \$22 / hour, and comprehensive benefits characterize “high quality” jobs.¹⁹
6. **Diversity of workers and business owners** reflects an estimate of the impact of both models on growing minority- or women-owned businesses as well as on supporting employees identified as belonging to minority populations.
7. **Meal desirability** aims to understand nutritional value and cultural relevance of meals prepared, primarily keeping the end recipient as the focal stakeholder. Data analyzed here is collated from recipient feedback shared with businesses directly or through intermediary organizations (e.g., CBOs). Additionally, the number of cuisines served is also used as a proxy indicator to signal the cultural relevance of meals prepared.
8. **Environmental impact** seeks to understand how funding impacts food recovery and distance traveled to meal recipients.

At the outset, this exercise intends to serve as a preliminary assessment of the impact of Rethink’s work since the inception of its Partner Kitchens Program in 2020, in comparison with

the closest regularly utilized alternative, i.e., the Centralized Model. The data collection process involved reviewing and analyzing internal Rethink data (e.g., cost per meal data across over 70 partners) as well as in-depth interviews with seven restaurant partners to understand the nature of their partnership with Rethink, economics of meal preparation, and other characteristics of their business (e.g., partnership with SMB vendors). With regards to the Centralized Model, data collection involved publicly available information (e.g., an organization’s cost per meal bids as provided through a 2020 NYC Department of Sanitation procurement document) and interviews conducted with former employees from three selected catering companies to understand business operations, meal economics, and other characteristics.²⁰ Given the limited scope of this preliminary assessment and challenges in data gathered (particularly on the Centralized Model), the analysis involved informed assumptions at several points. The following section provides a detailed description of the analyses conducted (including methodology and assumptions wherever relevant) to demonstrate how results were attained.

Quantifiable Benefits Compared Across Models

1. Impact per dollar

Impact per dollar was analyzed by examining cost per meal (CPM) to understand how many meals a certain amount of funding or contract value would generate. For Rethink’s model, CPM reflects what Rethink pays a restaurant partner to prepare a meal that is then provided to CBOs for delivery to

¹⁹ Glasmeier, A. (2019). Living Wage Calculator. Mit.edu. <https://livingwage.mit.edu/>

²⁰ Conducted anonymous expert interviews with former and current employees

individuals and families. For the Centralized Model, CPM reflects the costs borne by the businesses to prepare and deliver the contracted number of meals.

From this analysis, it was determined that Rethink's CPM ranges from \$4-\$6 (and is likely to average at \$5) and means that \$10,000 in funding could support the creation of 1600-2500 meals. Several sources helped reach this conclusion including internal Rethink data, interviews with seven restaurant partners, and publicly available information.²¹

On the Centralized Model, the CPM ranges from \$4-\$9 (and is expected to average on the lower side of ~\$4). This means that the same \$10,000 funding could generate 1,100-2,500 meals. Limited publicly available data sources and interviews with formers from three catering organizations helped determine the above.²²

When comparing CPM between the Rethink Model and the Centralized Model, there is no consistently definitive answer as to whether one is higher than the other since cost can vary based on circumstances and details unique to contracts. Rethink's CPM is likely to often be higher than the Centralized Model since smaller restaurants, managing smaller order volumes are involved in the meal preparation process. The Centralized Model's wider range of CPM indicates higher wages and flexibility due to their centralized and at scale operations often providing caterers a competitive edge for City contracts. The Rethink Model might have less flexibility to adjust CPM since it is inclusive of community kitchen partner expenses and

strives to offer favorable economics for the small businesses involved. Ultimately for both models, having more lead time with contracts can help mitigate pricing pressures. Higher variance can be expected during emergencies than in routine circumstances.

2. Locality of spend

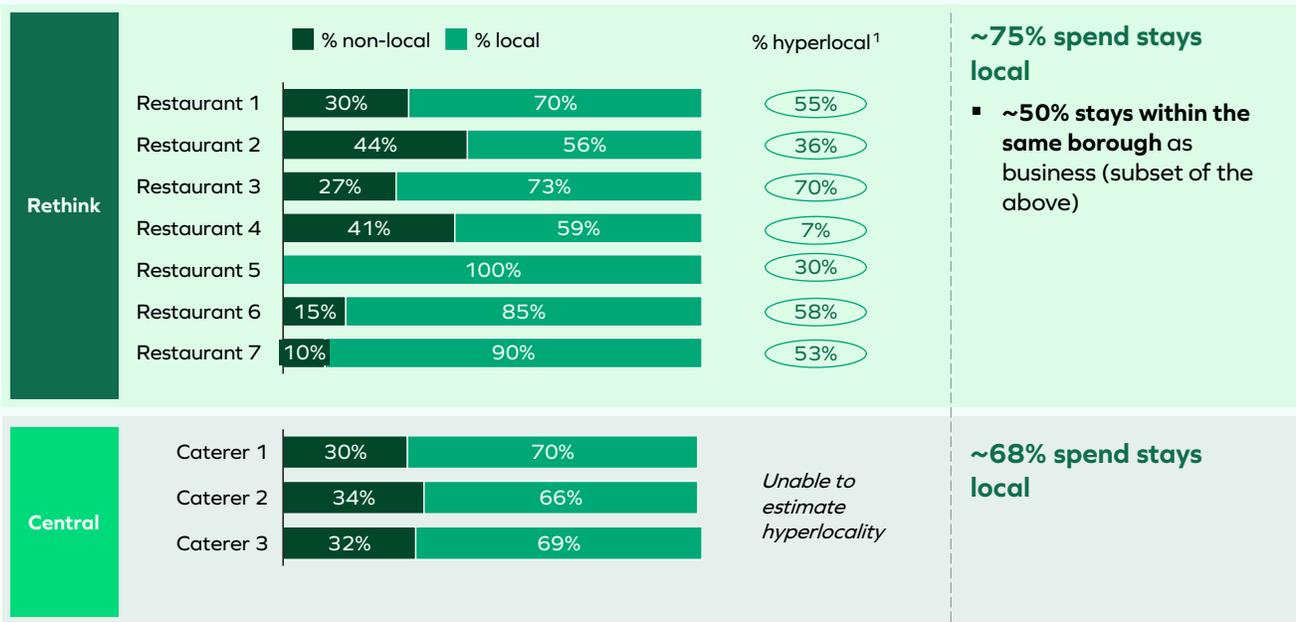
Locality of spend involves understanding the distribution of meal spend channeled locally (i.e., within New York City) across both models. For this purpose, the percentage split of spend across cost categories (i.e., cost of materials, labor, delivery, packaging and other costs, overheads, and profits) was analyzed. For each of these cost categories, the estimated percentage of spend channeled to NYC-based vendors (including ingredients suppliers), employees (restaurant staff), and other relevant parties (such as landowners) was estimated through interviews to support development of the aggregate number. Overall, 75% of the Rethink Model's meal spending was found to be channeled within NYC, while 68% of meal spending stayed local when it came to the Centralized Model, detailed in Exhibit 2.2.

Six out of seven Rethink restaurants reported partnering with NYC-based suppliers (of food and materials) and that 80-100% of spending on costs of materials and packaging stays local. On the other hand, the percentage of spend on food and other materials that stayed local in the Centralized Model reflected a wide range (30-90%) across businesses. However, the percentage of spend on labor staying local is similar across both models – over 90% of all employees are based in NYC, while

²¹ Rethink's restaurant partners are classified into two kinds. Community restaurants constitute ~75% of Rethink partners and are smaller businesses that rely primarily on Rethink funding for meal preparation and have higher CPMs (~\$6 as per internal Rethink data). Six of the seven Rethink restaurants interviewed reported an average CPM of \$5.11. A 2020 Department of Sanitation (DSNY) bid for delivered meals also indicated a similar CPM value. Collaborative restaurants make up the remaining 25% of partners and can leverage other sources of funding (mainly philanthropic) to contribute towards Rethink meals and are able to accommodate a lower CPM value (reported at ~\$4 in Rethink internal data).

²² DSNY bid information for regional caterers with NYC government contracts over \$1 million indicated that CPM ranged from \$6.50-\$9. This estimate reflects costs for meal packs, divided by the number of meals (which was six) and adjusted for last-mile delivery costs (to have a more comparable estimate to the Rethink Model which delivers to CBOs and not directly to individuals). However, during interviews, experts mentioned a CPM estimate of closer to \$4. Interviewees explained that the lower estimate was a product of NYC government contracting preferences and are not sustainable for the economics of their business. The average is determined due to higher confidence attributed to findings from interviews as opposed to public information.

Exhibit 2.2
Locality of spend



1. Hyper-locality (i.e., within the same borough as business) is also estimated across Rethink restaurants – it is a subset of local spend; NA for the central model

the remaining are often based in surrounding areas (e.g., New Jersey).

The propensity of funding to stay hyper-local (i.e., spend that stays within the same borough as the restaurant) was also analyzed for the Rethink Model, given a portion of meals prepared by restaurants often serves recipients in the same / surrounding neighborhoods (directly or through CBOs). This metric is a subset of the measure of locality of spend for Rethink. The analysis showed that of the 75% of Rethink funding that stays local, 48% stays hyper-local. For the Centralized Model the hyper-locality of spend is less relevant given the inherent nature of their operations wherein meals are prepared mostly in a single or a few central kitchens and can be delivered across the city to recipients' doorsteps.

3. Share with Small and Medium Businesses (SMBs)

Understanding the share of spend with SMBs involved two approaches. The first aimed at understanding whether the business in consideration itself (i.e., the Rethink partner restaurant or central caterer) is a small business. The second involved studying the percentage of spend that is shared with SMBs through business-to-business partnerships across both models. To clarify, share of spend with SMBs does not imply share of spend with local vendors. A supplier contracted may be based outside NYC but may still qualify as a small business.

With respect to the first aspect, the US Small Business Administration defines standards in alignment with North American Industry Classification System (NAICS) codes to qualify businesses as SMBs based on size.²³ Based on that, Rethink restaurant partners with an annual revenue less than \$11.5 million are considered SMBs. All the seven restaurants interviewed fall

²³ Size standards. (2019). U.S. Small Business Administration. <https://www.sba.gov/federal-contracting/contracting-guide/size-standards>

within that category, indicating that a 100% of Rethink funding goes towards supporting small businesses as the primary organizations of impact. On the other hand, only caterers with annual revenues less than \$9 million qualify as SMBs. Based on this, none of the caterers studied qualified as SMBs (one organization is a non-profit).

To analyze the percentage of spend that is shared with SMB vendors across both models, interviews were utilized to estimate the overall percentage of vendors that are SMBs.²⁴ This percentage split was applied to the total share of spend across relevant cost categories to determine an overall aggregated number. Relevant cost categories included cost of materials, delivery, packaging (and other costs), and overheads. Results indicate that ~40% of overall spend goes to SMBs in the Rethink Model, while ~20% of spend is funneled to SMBs in the Centralized Model, depicted in Exhibit 2.3. Several Rethink restaurant partners describe their relationships with SMB vendors as long-standing and mutually supportive. One restaurant owner quoted “We as a small business have grown alongside our SMB vendors – our relationships with most of them date back to when we started ourselves.”

4. Hours of employment

The objective here was to understand employment hours utilized in meal preparation across both models per unit of funding or contract value. Interviews conducted with Rethink restaurant partners and catering companies were used to determine an average number of meals prepared weekly as mandated by contracts, as well as the total weekly hours spent on preparing the contracted number of meals. The latter is based

on three factors: the number of employees staffed on preparing these meals; the average daily hours spent per employee from preparing the meals to packaging and delivering them; and the number of days in a week devoted to preparing meals as part of the contract. In the case of Rethink restaurants, these inputs varied – the number of employees staffed on preparing meals for Rethink contracts range from three to 12 employees averaging at about six employees.²⁵ The number of hours spent daily on meals for Rethink also varied between two and seven hours daily. These variations could be attributed to the differences in the way each restaurant operates, often in a less standardized or structured manner, given that these businesses are small. The number of days spent on preparing Rethink meals was drawn from the number of delivery days per week based on Rethink internal data. This too varied widely – some restaurants were preparing meals to be delivered seven days a week, while some worked two-three days a week to deliver Rethink meals.

50% more
jobs in the Rethink
Model than the
Centralized Model



On the other hand, as catering companies are organized such that they prepare meals only for specific contracts, all employees staffed on preparing the weekly contracted number of meals were all working 40-hour weeks (five days a week, eight hours daily).

After determining the total weekly hours spent in preparing the contracted number of meals, the weekly hours spent in preparing a standardized number of meals was calculated across all

²⁴ SMB vendors are defined as those with annual revenue between \$2-4 million according to the United States Small Business Administration’s Table of Small Business Size Standards. Though restaurants were not aware of their vendors’ revenue, restaurants were able to qualitatively answer whether vendors were small/medium or large businesses.

²⁵ In 2022, Rethink partnered with 53 community restaurants and invested on average \$132,040 per partner. Overall, Rethink partnered with 71 restaurants (incl. collaborative for profit and non-profit restaurants) investing ~\$149,005 per partner on an overall average. This data was pulled from 2022 Rethink Partner Kitchen internal data.

Exhibit 2.3
Share of spend with SMBs

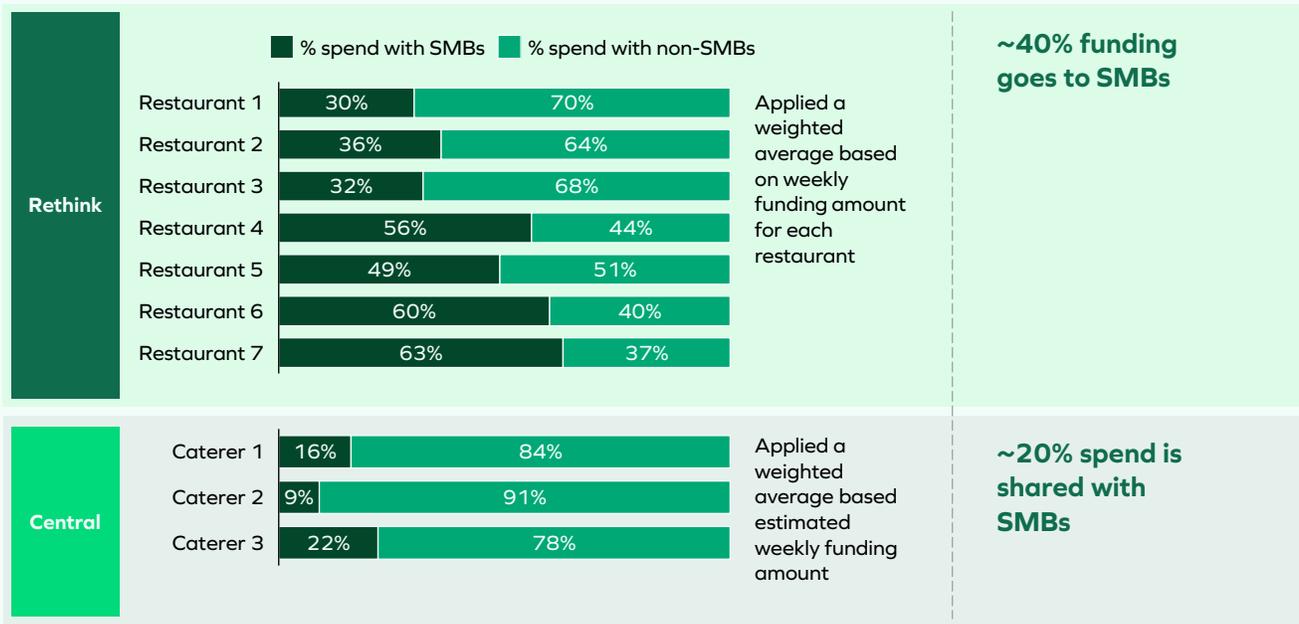


Exhibit 2.4
Employment hours

	Rethink	Central
Step 1: Gather inputs		
A Average weekly hours for 500 meals ¹	57 hours	32 hours
Average CPM	\$5	\$4.2
B Calculate the value of 500 meals	~\$2500	~\$2100
Step 2: Understand hours related to funding		
Calculate weekly hours per dollar (A / B)	0.0229	0.0155
C Scale weekly hours to \$10K	229 hours	155 hours
Step 3: Convert weekly employment hours to FTE and wages per \$10K		
FTE created (C / 40 hours)	~6 FTE	~4 FTE
D Wages generated (C * Avg wage, \$19 for Rethink vs \$23 for Central)	~\$4,200	~\$3,500
Step 4: Annualize per \$10K estimates		
Total annual employment hours (C * 50 weeks)	11,5K hours	7,700 hours
Total annual employment wages (D * 50 weeks)	\$213K	\$174K

Findings for every \$10K of funding:

- Rethink model: **229 weekly hours (i.e., 6 jobs)** and **~\$4300 in wages** are generated
- Centralized model: **155 weekly hours (i.e., 4 jobs)** and **~\$3500 in wages** are generated

businesses. 500 weekly meals was used as the standard number to allow for a direct comparison across models, since ~510 meals were served on average by Rethink’s restaurants weekly in the year 2022.²⁶ It was found that, on average, 57 employment hours are spent by Rethink restaurants to prepare 500 meals in a week, while companies characteristic of the Centralized Model spent 32 hours for the same number of meals.

For Rethink, 500 weekly meals would imply ~\$2500 in weekly funding (at an average cost per meal of \$5 as reported by restaurants). This means, ~\$2500 of funding generated 57 employment hours weekly and could be further extrapolated to conclude that 229 weekly hours of employment (equivalent to six jobs) and ~\$4300 in wages (at an average hourly reported wage of \$19) could be generated for every \$10,000 in contract value. Similarly, for the Centralized Model, \$10,000 in contract value would generate 155 weekly employment hours (the equivalent of four jobs) and ~\$3500 in wages (at an average hourly reported wage of \$23), as shown in Exhibit 2.4. The Rethink Model generates 50% more jobs compared to the Centralized Model, for every \$10,000 in funding per week.

Insights From Qualitative Benefits Compared Across Models

5. Quality of employment

The quality of the jobs created under the two models examined can be measured through total compensation, which includes both wages and benefits. Minimum wage in NYC is determined by

State law to be \$15 / hour while the definition of a “living wage” – what might be considered a “quality job” varies based on a number of standards that have been developed. For this analysis, a living wage has been defined as \$22 / hour and the wage averages analyzed here will refer to kitchen workers, not managerial staff. Out of seven Rethink restaurants sampled, six paid slightly above minimum wage and one paid a living wage, resulting in an average wage of \$19 / hour. Comprehensive benefits, defined as those providing health insurance and / or 401K support, were rarely offered by Rethink restaurants. However, benefits like sick leave and “family meals” (food provided at no cost to employees by the restaurant) were commonly offered. Out of the three caterers, one company reported paying below the living wage rate with the rest at or above this rate, resulting in an average wage of \$22.50 / hour. Central catering models more often offer comprehensive benefits for full time employees including health insurance, retirement account options, and PTO or sick leave.

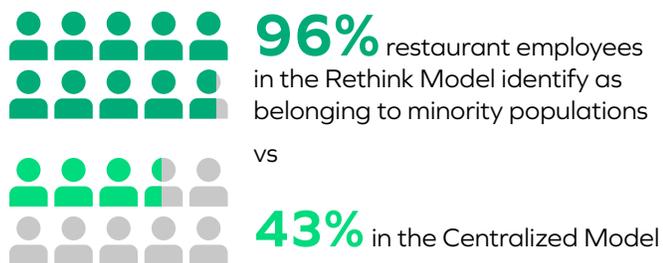
The higher wages and more comprehensive benefits offered by central catering models compared to Rethink restaurants may occur for two reasons: higher profits or larger company size (measured by the number of FTEs). Private, larger catering companies may have higher profit margins than the small, locally-owned restaurants contracted by Rethink, suggesting better chances of paying higher wages. Most of the Rethink restaurants sampled stated having a greater focus on keeping doors open, indicating there may be a smaller profit pool and thus less flexibility in raising wages. All Rethink restaurants sampled have under 50 employees, while catering companies all have over 50. Under the Affordable Care Act, any business with over 50 employees is required to offer health

²⁶ Averaging the number of meals prepared weekly by the 53 restaurants partnered with Rethink yields about ~510. This data was pulled from 2022 Rethink Partner Kitchen internal data.

insurance.²⁷ This may also contribute to the higher rates of comprehensive benefits offered for central catering jobs versus Rethink restaurants.

6. Diversity of business owners and workers

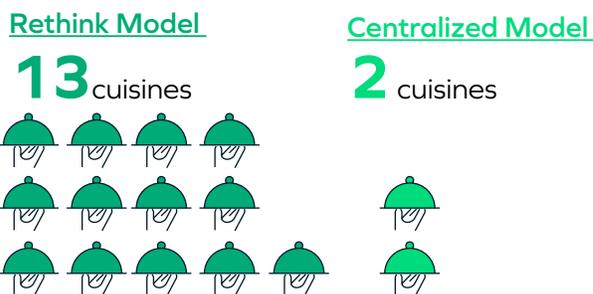
The diversity of owners and workers under the two models can be quantified by surveying the percentage of people – within the pool of owners / leaders and the pool of staff – that identify as minorities. Out of the seven Rethink restaurants sampled, six reported themselves as minority- or women-owned business entities (MWBEs). The average percentage of staff belonging to minority populations is 96% for Rethink restaurants. Out of the three caterers, one reports as an MWBE. The average percentage of staff belonging to minority populations is 43% for catering companies, about 50% lower than Rethink restaurants. These numbers reflect industry standards: African Americans and Latinos make up a large portion of kitchen staff.²⁸



7. Meal desirability

Meal desirability can be defined in two ways: the nutritional levels of the food and the cultural relevance of the meals. Given New York City government standards for prepared food served, nutrition levels do not vary significantly across meals

funded through City contracts.²⁹ Many catering companies also have nutrition standards published on their own websites, as does Rethink. A second measure is the cultural relevance of the meals to the communities being served. One observable indicator for cultural relevance is the number of cuisines offered by each model. The Rethink restaurant network includes at least 13 different cuisines. The Centralized Model, across a sample of seven caterers (who have had city contracts since 2020) on average offer just two different cuisines.³⁰ This metric does not capture who prepared the meals (e.g., if Chinese food was prepared by a chef trained in Chinese cuisines). However, due to the Rethink Model’s reliance on restaurants, there is a higher chance of chefs having specialized expertise across different food cultures.



Rethink’s model often creates a relationship and feedback loop between restaurants / partner kitchens and the CBOs they work with. CBOs often relay feedback from the end-recipients of the meals to the restaurants to tailor menus and ensure that the meals being served are culturally relevant. A CBO manager who distributes Rethink Partner meals reported that Rethink’s meals “are of a different caliber and our recipients love that it’s from local restaurants – it’s very close to the quality of a home-cooked meal.” According to

²⁷ Small Businesses - OCHIA. (n.d.). Wwww.nyc.gov. Retrieved June 13, 2023, from <https://www.nyc.gov/site/ochia/find-what-fits/small-businesses.page#:~:text=There%20are%20many%20reasons%20you>

²⁸ Benner, C. (n.d.). Racial and Gender Occupational Segregation in the Restaurant Industry ENDING JIM CROW IN AMERICA’S RESTAURANTS BY RESTAURANT OPPORTUNITIES CENTERS UNITED WITH RESEARCH SUPPORT FROM. <https://laborcenter.berkeley.edu/pdf/2015/racial-gender-occupational-segregation.pdf>

²⁹ NYC agencies will mandate standards for meals (e.g., 10-35% of calories from protein, 45-65% from carbohydrates, etc.). Meals and Snacks Purchased and Served. (n.d.). Retrieved June 13, 2023, from <https://www.nyc.gov/assets/doh/downloads/pdf/cardio/cardio-meals-snacks-standards.pdf>

³⁰ Based off a June 2023 Checkbook NYC data pull of meal prep vendors

interviews, Rethink’s model amplifies the voice of the end-recipient and empowers restaurants with agency and flexibility to adapt to varying needs across communities in New York City. Central caterers report using just one set of menus during the contracted period, indicating that changes to menus may be limited and not standard practice.

8. Environmental impact

The two components of environmental impact examined were food recovery and distance in transit. Food recovery is the practice of using wholesome, edible food that would otherwise go to waste.³¹ Rethink partner kitchens report an average of 80 pounds of recovered food per week. However, some restaurants reported no food recovery because sourcing ingredients for Rethink meals are planned and integrated into standard kitchen procurement efforts. Limited information is available on central caterer food recovery practices though some catering company websites state food waste reduction plays a key role in decision making.³² Catering businesses report all contracts undergoing standard kitchen and ingredient planning.



Distance in transit refers to the distance between the kitchen preparing meals and the end destination, such as the distributing CBO. Rethink partner kitchens are intentionally partnered with CBOs located within the same neighborhood or borough; 100% of sampled restaurants are under three miles away from the CBO being served. 50% of sampled Centralized catering kitchens were under three miles away from end drop off point,

with the remaining 50% traveling over three miles. Central catering kitchens are usually located in the outskirts of the city and distances can vary based on drop-off locations across the city.³³

Summary of Findings

Based on the analyses conducted, the core findings are as follows:

1. **Impact per dollar:** Rethink (CPM range \$4-6; average \$5) is likely to often be more expensive than the alternate Centralized Model. The latter can afford greater flexibility within its range of CPM (\$4-9; average ~\$4) driven by the economies of scale characteristic to the business, often providing an edge especially when contracting success is determined by price.
2. **Locality of spend:** The Rethink Model supports hyperlocal communities by channeling funding within the same borough as the local businesses and enabling an interdependent ecosystem of food stakeholders. Of the 75% of funding that stays with NYC, 50% stays within the borough. Further, a higher percentage of wage spend (an incremental ~7%) was determined to stay local (within NYC) with Rethink.
3. **Share with Small and Medium Sized Businesses:** The Rethink Model creates a nearly 20% higher share of spend with SMBs than the Centralized Model. Additionally, the Rethink Model would likely enable funders and governments to support businesses that are mostly SMBs themselves.

³¹ Food Recovery Program / Nutrition Programs / Food & Nutrition / Home - Florida Department of Agriculture & Consumer Services. (n.d.). [www.fdacs.gov](https://www.fdacs.gov/Food-Nutrition/Nutrition-Programs/Food-Recovery-Program). <https://www.fdacs.gov/Food-Nutrition/Nutrition-Programs/Food-Recovery-Program>

³² About Us. (n.d.). Great Performances. Retrieved June 14, 2023, from <https://www.greatperformances.com/about-us/>

³³ Former employees from three catering companies interviewed all stated their catering kitchens were located on the outskirts of the city because there is typically more commercial space available.

4. **Hours of employment:** The Rethink Model was found to generate about two additional jobs weekly for every \$10,000 in funding compared to the Central model, or 50% more.
5. **Quality of employment:** Employment generated by Rethink is likely to be lower in quality due to lower hourly wages (~\$19) as compared to an average hourly wage of ~\$23 on the Centralized Model. Additionally, the Centralized Model potentially offers more comprehensive benefits.
6. **Diversity of owners and workers:** The Rethink Model drives a higher share of funding to minority- or women-owned businesses. The proportion of staff belonging to minority populations is over 95% for Rethink restaurants and 43% for catering companies.
7. **Meal desirability:** Both models uphold NYC prepared food standards. However, the Rethink Model offers over 13 cuisines while caterers on average offer two cuisines, making them less likely to reflect community preferences.
8. **Environmental impact:** Both models were found to be planning upfront for meals to be serviced as part of these contracts and thus excess food was none to minimal. Rethink restaurants are likely to deliver to CBOs within a three-mile radius, while ~50-60% of deliveries across all catering businesses are expected to be outside three-mile radius.

instance, based on the assessment of employment hours, ~\$214K and ~\$174K in annual wages are generated for every \$10,000 / week (\$500,000 / year) of funding respectively by the Rethink Model and the Centralized Model.

To examine the economic impact of the employment hours generated by both models, recognized economic multipliers were used. This method reflects how a dollar spent locally circulates within an area and generates additional economic activity. The local multiplier effect highlights the importance of local spending to promote economic and community development. Exhibit 2.5 demonstrates how the earnings (wages from employment hours) and economic output (GDP impact plus intermediate expenditures using multipliers) of the Rethink Model are 24% higher than the Centralized Model. When examining tax impacts, the Rethink Model generates 30% more local taxes and 25% more in taxes overall. This helps build the local economy, fostering economic stability and resilience across New York City.

To understand Rethink's current impact, the findings were then scaled to the total amount invested in Rethink's Partner Kitchen Program in 2022. When applying this model of economic impact to Rethink's \$11 million total spending in 2022, the equivalent of ~125 FTE jobs were generated, which contributed to \$4.5 million in wages. Exhibit 2.6 demonstrates how 75% of Rethink's investment (or \$8 million) went to local vendors within New York City and 40% was spent with SMBs. This analysis helps contextualize Rethink's current local impact and potential to be a driver of economic impact across New York City.

Analyzing Local Multiplier Effect and Implications at Scale

The findings thus far have been based on the initial impact, i.e., the contribution made by both models through their direct spending on meals. For

Exhibit 2.5
Local multiplier

	Earnings ¹ (Wages \$000s)		Value added ² (\$000s)		Output ³ (\$000s)	
	Rethink	Central	Rethink	Central	Rethink	Central
Initial impact	\$214	\$174	\$256	\$170	\$475	\$385
Direct impact	\$75	\$59	\$109	\$81	\$180	\$142
Indirect impact	\$75	\$59	\$109	\$81	\$180	\$142
Induced impact	\$76	\$61	\$130	\$103	\$208	\$168
Total impact	\$365	\$294	\$495	\$354	\$863	\$695
	Δ 24%		Δ 40%		Δ 24%	

Tax Impact Breakdown

In \$000s

Rethink generates 30% more local taxes and ~25% more taxes overall compared to the Central model



Exhibit 2.6
Scaling impact

Scenario estimates: Assumes funding for 1 year period

	Benefit	Analysis findings for \$10K per week	Current Rethink case
Benefits examined	Annual Funding	\$500K	\$11M
	Annual # of meals prepared	~90K meals (\$5.5 CPM)	~2M meals
	Total annual hours of employment	<ul style="list-style-type: none"> ~11.5K hours ~\$220K wages 	<ul style="list-style-type: none"> 250K hours \$4.5M wages
	Locality of spend ¹	75% is local	\$8M
	Share of spend with SMBs ²	40% of CPM	\$4M

1. Spend that stays local with other vendors (i.e., within NYC) and includes COGS, delivery & packaging costs, and overheads
 2. Mainly refers to spend with other vendors and includes COGS, delivery & packaging costs, and overheads

Section 3:

Local Spending Case Studies and Lessons



Introduction

This section of the report focuses on case studies of other programs across the region and nation that use local rather than centralized providers to offer food and other services to those in need. These examples provide more context around opportunity to scale the Rethink Model.

Four case studies were examined across two types: food-focused cases and cases in other sectors that offer implications for food distribution. The latter include cases of goods and services being procured from local vendors by anchor institutions in communities (e.g., hospitals, universities, etc.).

Food-focused cases of local spending can offer lessons from other restaurant networks and how they are activated to support communities in need. In these cases, the funding provided has a dual purpose of supporting local restaurants and addressing food insecurity.

Examples of Food-Focused Cases

SUSTAIN AND SERVE NEW JERSEY

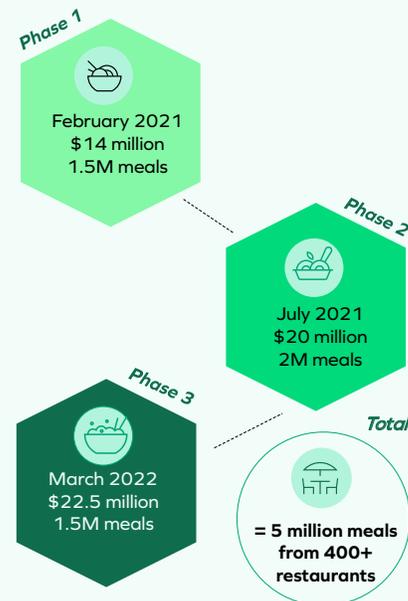
At the start of the COVID-19 pandemic, restaurants across the globe endured extensive financial distress. A portion was able to survive due to delivery orders. Smaller, independent restaurants struggled to make ends meet and retain employees.³⁴ New Jersey Economic Development

Authority (NJEDA) decided to tackle this problem by channeling funding into the restaurant sector. Thus, the “Sustain and Serve New Jersey” (SSNJ) program was launched.

SSNJ wanted to provide eligible entities, usually CBOs such as food banks and shelters, with state-funded grants. In turn, CBOs distributed funds to local, New Jersey restaurants heavily impacted by COVID-19. CBOs and restaurants then partnered to distribute meals to populations experiencing food insecurity. This was either through delivering meals to other CBOs, or CBOs distributing funds would receive meals from restaurants and serve to their own members. The average cost per meal was \$11.20 (which included ingredients, labor, packaging, delivery, etc.).

Three phases of funding were announced, beginning in February 2021, and continuing through March 2022, detailed in Exhibit 3.1.³⁵

Exhibit 3.1
Depiction of SSNJ funding



³⁴ National Restaurant Association Unveils Findings from Latest COVID-19 Operator Survey. (n.d.). NRA. <https://restaurant.org/research-and-media/media/press-releases/national-restaurant-association-unveils-findings-from-latest-covid-19-operator-survey/>

³⁵ This chart was put together using sources from: (1) Goemaat, R. (2021, August 24). NJEDA to Award \$20 Million in Grants to 29 Entities Statewide Through Phase 2 of Sustain & Serve NJ. NJEDA. <https://www.njeda.gov/njeda-to-award-20-million-in-grants-to-29-entities-statewide-through-phase-2-of-sustain-serve-nj/> (2) Sustain and Serve NJ. (n.d.). NJEDA. Retrieved June 13, 2023, from <https://www.njeda.gov/sustain-and-serve/> and (3) Office of the Governor | ICYMI: NJEDA Announces Additional \$5 Million for Sustain & Serve NJ Program. (n.d.). Nj.gov. Retrieved June 13, 2023, from <https://nj.gov/governor/news/news/562022/approved/20221220a.shtml>

SSNJ involved a network of over 400 local restaurants distributed over the entire state of New Jersey, showcasing the scalability of such a model. Participating restaurants reported that SSNJ funding was effective in sustaining employees and maintaining operations, like Trentini's, shown in the vignette.³⁶ This \$2 million pilot program grew to distribute over \$56 million in funding and five million meals across all three phases.



During the early days of the pandemic, Jenny Leon, 41, ran a restaurant by herself.

"[Working] In the front, the back, taking calls, cleaning, doing all this stuff because I couldn't pay anyone. My kids came and helped me."

Sustain and Serve New Jersey funds were allocated to Trentini's.

Jenny was able to bring back 12 employees with these funds, "I am so grateful for that, most of my employees were waiting for that call."

WORLD CENTRAL KITCHEN'S RESPONSE TO STORM URI

Winter Storm Uri was a severe weather calamity in February 2021 that created more than \$195 billion in damage, making it the costliest natural disaster in Texas' history. Millions of Texans experienced a boil water notice and blackouts, and many businesses were inoperable.³⁷ World Central Kitchen (WCK) was founded by chef Jose Andres and responds to humanitarian and community crises by activating a network of local restaurants,

food trucks, or emergency kitchens and partnering with local organizations to prepare meals for local survivors. In the aftermath of Storm Uri, WCK partnered with Good Work Austin, a small business network, to deliver meals across Austin.

This partnership mobilized culinary resources and capacity across restaurants to prepare meals for people in distress. WCK's flexible model, rooted in mobilizing local restaurants supported Austin's regional economy by prioritizing the purchase of local ingredients, enabling food recovery, and directly supporting food insecure communities.³⁸ Over 2,000 meals were served over five days and many of these meals were culturally relevant from local businesses with representation of various cuisine types.³⁹

Another type of local spend model occurs when anchor institutions' demand is connected to local suppliers, with a focus on MWBEs, and sustained, long-term partnerships are built. As a result, synergies can develop between suppliers and businesses in need, and the wider networks help share wealth across entire neighborhoods or districts.

Examples from Other Sectors

MEMPHIS MEDICAL DISTRICT COLLABORATIVE

The Memphis Medical District Collaborative is an example of a consortium of anchor institutions, ranging from medical education centers to large

³⁶ Fondren, P. (2021, November 15). How to Feed the Hungry While Helping Struggling Restaurants Survive. The New York Times. <https://www.nytimes.com/2021/11/15/nyregion/new-jersey-meals-program.html>

³⁷ Year in Review - Winter Storm Uri. (n.d.). Data.austintexas.gov. Retrieved June 13, 2023, from <https://data.austintexas.gov/stories/s/Year-in-Review-Winter-Storm-Uri>

³⁸ World Central Kitchen | Mission, Vision, Values. (n.d.). World Central Kitchen. <https://wck.org/mission-vision-values>

³⁹ McCarthy, A. (2021, February 18). Chef José Andrés's World Central Kitchen Partners With Local Restaurants to Feed Houstonians Impacted by Power Outages. Eater Houston. https://houston.eater.com/2021/2/18/22288883/jose-andres-world-central-kitchen-partners-houston-restaurants-winter-storm-2021?_gl=1

hospital systems, that sought a local approach to procuring goods and services while driving community impact. The Hyde Family Foundation (local non-profit) in partnership with U3 (a local consultancy firm) decided to examine the economic impact of university medical institutions and discovered that less than 3% of institutional employees were from the community and total investment in local businesses was 4%.⁴⁰



“When we heard [through MMDC] that Southern College of Optometry (SCO) was looking for a new food vendor, we jumped at the chance to pitch them our business model,” shared Laquonta Clark, co-owner.

Teaming up with another chef, A Square Meal Café and Catering won the bid and launched at SCO.

“We love serving our customers good quality food as well as giving back to the community. That’s the whole plan, and we’re very grateful for the opportunity to grow our business.”

Hyde Family Foundation and U3 worked with the CEOs of eight university medical institutions, showcased in Exhibit 3.3, to launch the Memphis Medical District Collaborative (MMDC). The goal was to make Memphis a “more vibrant, clean, and safe place to live, work and play.” MMDC launched the “Buy Local” program to increase the number of contracts with local businesses for goods and services with headquarters in Memphis and / or MWBEs. The Buy Local program created resources and forums to support small businesses during the procurement process and increase their chances of winning bids, like A Square Meal on Wheels reports in the vignette.⁴¹

One of these resources was a marketplace with a database where businesses register and upload any relevant certifications, then receive notifications for potential RFP opportunities and invitations to procurement events. There was also a District Purchasing Council which matched supplier needs across the consortium with local MWBEs and shared resources to support expansion efforts of small businesses. Through these efforts, MMDC increased local spend by over \$45M, increasing at a rate of ~6% each year. Local MWBE spend increased by over \$10M and grew ~8% each year.⁴²

MMDC demonstrates how anchor institutions can act as catalysts of equity and economic development. Implementing such practices for small business partnerships fosters more equitable distribution of wealth across communities.

Exhibit 3.2



UNIVERSITY OF PENNSYLVANIA SUPPLIER DIVERSITY AND INCLUSION

The University of Pennsylvania (Penn) is a prestigious institution with a \$20B endowment

⁴⁰ Creating Vital Connections. (n.d.). U3 Advisors. Retrieved June 13, 2023, from <https://www.u3advisors.com/projects/memphis-medical-district-collaborative/>

⁴¹ Created using information from A Square Meal on Wheels + Aspiring School Meals Dining Services Trio article, found here: <https://www.mdcollaborative.org/business-features-1/2020/8/19/chefs-derrick-and-laquonta-clark-a-square-meal-on-wheels> and the MMDC Five Year Report: 2016-2020, found here: <https://www.mdcollaborative.org/impact>

⁴² Sourced from MMDC Buy Local Program Management Team in the MMDC 2022 Buy Local Cumulative Spend Report

(as of June 2023) located within the low-income neighborhood of West Philadelphia.⁴³ Despite the privilege and capital concentrated in Penn, the reality is that Philadelphia's poverty rate is double the nation's average (22% versus 11%). Philadelphia is also a diverse city with 40% of its residents identifying as Black or African American, 15% as Hispanic or Latino, and 7% as Asian.⁴⁴



"You have to be realistic...getting into the room where everything happens is hard," states Tracy Levesque.

YIKES is a web design and development agency founded in 1996 by Tracy and Mia Levesque.

University of Pennsylvania was one of YIKES' first clients and "they really helped us get our start," reports Tracy.

As a preferred vendor for Penn, MWBEs are able to get into that room where everything happens.

In 1986 Penn introduced "Buy West Philadelphia Program" and a Supplier Diversity and Inclusion Program to connect Penn supplier needs with local small businesses in the Philadelphia community. In 2021, after the COVID-19 pandemic, Penn decided to reinvigorate local procurement efforts and launched a campaign called "Fueling Business Growth".⁴⁵ This program sought to expand community outreach efforts, deepen relationships with local suppliers and remove financial barriers to promote equity and economic development across

Philadelphia. The Fueling Business Growth program increased spending on Black-owned businesses by \$5M and overall spending with diverse partners increased by 6% by 2022.⁴⁶

Penn's supplier diversity initiatives have been in place since 1986. Businesses report contracts were helpful due to their size and the reputation that comes with being known as a vendor for Penn, like YIKES shared in the vignette.⁴⁷ Many businesses have been contracted with Penn since the early days of the program, and these businesses report being able to grow and incite positive change due to their long-term relationships.

Local Spend Model Themes and Takeaways

Across the many case studies investigated, including those showcased above, four main themes for local spend models were identified:

- **A focus on seeking partners with complementary goals:** Organizations are deliberate about choosing partners that are aligned with their mission and commitment to driving local impact. Whether the focus was on supporting a sector or a community, these case studies exemplify intentionality around aligning goals and outcomes across stakeholders involved.
- **Networks focused on ensuring and promoting diversity:** Developing local networks with independent businesses can increase the diversity of entrepreneurial backgrounds, cultural offerings, and skill sets that can be

⁴³ About Us | Penn Office of Investments. (n.d.). Investments.upenn.edu. Retrieved June 13, 2023, from <https://investments.upenn.edu/about>

⁴⁴ U.S. Census Bureau QuickFacts: Philadelphia city, Pennsylvania. (n.d.). [www.census.gov. https://www.census.gov/quickfacts/philadelphiacitypennsylvania](https://www.census.gov/quickfacts/philadelphiacitypennsylvania)

⁴⁵ Home | Penn Supplier Diversity. (n.d.). [Supplier-Diversity.business-Services.upenn.edu. Retrieved June 13, 2023, from https://supplier-diversity.business-services.upenn.edu/](https://supplier-diversity.business-services.upenn.edu)

⁴⁶ Moving the Needle. (n.d.). [Supplier-Diversity.business-Services.upenn.edu. Retrieved June 13, 2023, from https://supplier-diversity.business-services.upenn.edu/moving-the-needle](https://supplier-diversity.business-services.upenn.edu/moving-the-needle)

⁴⁷ SBN. (2022, June 16). SBN Member Spotlight: Tracy and Mia Levesque of YIKES, Inc. Sustainable Business Network of Greater Philadelphia. https://www.sbnphiladelphia.org/member_stories/sbn-member-spotlight-tracy-and-mia-levesque-of-yikes-inc/

leveraged to serve a community. Building inclusive networks with resources for small businesses and restaurants serve as catalysts of social and economic development.

- **Long-term commitment and program continuity:** Allocating reliable and predictable sources of local funding can drive meaningful change given the resource constraints (e.g., labor, materials, working capital) that small businesses often face, especially for MWBEs. Organizations driving local impact are also creating forums and developing processes that reinforce accountability and commitment across stakeholders.
- **Flexible and scalable operating models focused on end user needs:** Building agile and

distributed networks with local businesses allow for tailored responses to community needs. The food sector case studies highlight small business owners who are embedded in the social fabric of their respective communities and created culturally relevant response efforts that were scalable and impactful.

These lessons present sources of inspiration for how Rethink can grow. SSNJ proves that the Rethink Model can work at a large scale. 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.



Section 4:

Conclusion and future implications



Considerations Going Forward

Whether for emergency or routine meal distribution situations, the need to provide meals to those in need by government and non-profit funders is likely to remain. As new models emerge and scale up, funders and organizations will adapt according to their respective restraints and priorities. Government funders will have to adhere to their contracting and procurement processes to ensure transparency and accountability to taxpayers. Philanthropic funders will seek to further their own goals. Both public and non-profit funders will seek to maximize their impact in terms of people being reached and explore a variety of models and partnerships to reduce food insecurity.

The COVID-19 pandemic brought increased attention to the area of food insecurity as food systems and supply chains were disrupted globally and in New York City. However, the expiration of pandemic-emergency benefits in 2023 (e.g., the expanded access to SNAP programs) combined with increased inflation for food prices could mean that low-income households may encounter increased hunger and food insecurity. As government funding for food programs transition to pre-COVID levels, there could be increased demand for local safety-net resources and programs.⁴⁸ Scaling alternative models, that allow for increased community and private-public sector engagement (like Rethink Food's Partner Kitchen Program), could offer a way forward for funders and policymakers.

When examining strategies to provide food more effectively and to do so in ways that benefit communities, there are five potential adjustments to its model that Rethink may wish to further evaluate:

- **Creating and increasing the number of stand-by contracts with City government agencies.** Having stand-by contracts put in place to be activated during times of stress will position alternative models and organizations like Rethink Food to create agile and tailored meal preparation efforts for emergency scenarios. Rethink's model of meal preparation can be scaled with modest incremental overhead costs and can contribute to increased employment across communities while addressing urgent needs.
- **Increasing mutually beneficial programs between restaurants and CBOs.** The Rethink Model mainly directs prepared meals provided by local restaurants to CBOs who distribute them to local communities. However, there is an opportunity to strengthen this relationship and grow community impact with the exchange of other opportunities that are mutually beneficial. An example of this is exploring the expansion of culinary workforce and training programs that create access to jobs in the restaurant and hospitality sector for food insecure individuals. These workforce programs can help small businesses grow and mitigate employee turnover while increasing community ties.
- **Introducing guidance and resources to restaurant partners.** As Rethink Food grows its network and purchasing power, it could play a role in improving the quality of jobs and employment hours of restaurant partners.

⁴⁸ Mackey, R., Mar. 13, Z. S., & 2023. (n.d.). Pandemic-era SNAP benefits expire. NACo. <https://www.naco.org/blog/pandemic-era-snap-benefits-expire>

Given the constraints of small business owners, Rethink could encourage partners to introduce a living wage rate for employees and invest in offering supplemental programs / benefits for restaurant employees across the Rethink network. Creating low-cost health insurance models for the Rethink food network of restaurants may be worth exploring. Working with partners to improve the quality of jobs will grow the local impact of Rethink's funding across New York City.

- **Building out hubs to reinforce hyper-locality.** Given the size of New York City, introducing Rethink Restaurant Hubs could further amplify local impact. By establishing a geographic criterion (e.g., borough-specific or three-mile radius specific) focused on low-income communities throughout NYC, Rethink's model could grow CBO and restaurants partnerships and accelerate efforts to reduce hunger. Increasing hyper-locality and involving local vendors beyond CBOs and restaurants (e.g., delivery and food providers), could make food systems within low-income communities more sustainable and resilient.
- **Enhancing tracking and assessment capabilities.** Rethink Food has introduced baseline tracking and assessment capabilities. However, there is an opportunity to enhance these data collection mechanisms going forward to track local impact more holistically. Creating a common framework to define, track, and report on the impact of funding could help shape conversations with funders and policymakers and draw awareness to alternative / more decentralized models. Introducing periodic surveys to Rethink restaurants or automating data feeds on partner kitchen spend and / or meal inputs could allow for deeper analysis and tracking of financial metrics (e.g., incremental employment

hours, cost drivers, locality of spend, SMB spend, etc.). This data could also be leveraged to understand the sustainability impacts and secondary impacts within the community (e.g., multiplier analyses of wages, taxes, and overall economic output).

Areas for Further Analysis

This paper has begun to examine the impact of Rethink Food's Partner Kitchen Program on New York City; however, there are areas for further research. A full impact assessment could develop common standards and systems to share information about Rethink's impact. Continuing this research with increased rigor, long-term tracking, and surveying could yield more nuanced insights and comparisons across the Centralized Model and Rethink Model. Other interactive data collection methods rooted in ethnography and design thinking could be used to test and validate hypotheses with restaurant and CBO partners.

Further studies could also be explored regarding other topics pertaining to Rethink's Partner Kitchen Program. While these topics could be more complex to analyze and / or dependent on qualitative inputs (e.g., personal stories and perspectives), with proper data collection methods, these studies could yield high impact findings to a variety of stakeholders. These focused studies could assess topics such as: nutrition, health, and well-being of individuals and communities receiving Rethink meals, environmental sustainability / reduction of food waste, influence of socioeconomic and demographic factors by neighborhood, and innovations / best practices that could be scaled across partner restaurants.

Access to adequate food is a fundamental human right and the issue of food insecurity is a global concern that has far-reaching implications for human development, social stability, and economic growth. Rethink's model offers an approach rooted in food equity and dignity and demonstrates how restaurant partnerships can be a way to strengthen local communities and economies while serving those in need. While the Centralized Model has its benefits to operate at scale and offer higher quality jobs, this report's findings demonstrate how there are opportunities to draw learnings from Rethink's

model and strengthen ties to local communities and CBOs. As innovation continues to transform our society and food systems, stakeholders have a responsibility to explore and support new models that mitigate widening socioeconomic disparities. This will require new methods of assessing local impact holistically and this report offers perspectives to inform this new paradigm. Hopefully, this report's insights contribute to intentional policy focused on food dignity and increased partnerships with community-minded small businesses.



Appendix

Economic impact multiplier analysis using input-output framework

The findings drawn for the Rethink Model from the data collected through interviews and other public / internal sources describe the initial effects, i.e., the impact made through direct operations (i.e., direct spending on meals). To further understand the impact of the Rethink Model on local communities, economic multipliers were used. This method reflects how a dollar spent locally circulates within an area and generates additional economic activity and monetary contributions. Economic multipliers utilize an input-output framework, the fundamental purpose of which is to analyze the interdependence of industries in an economy. This method can be used to analyze several impact levels in addition to the initial impact, including:

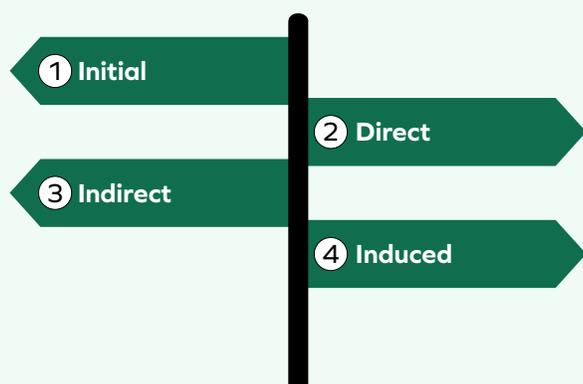
- **Direct effects:** referring to the impacts generated in the tier-1 direct suppliers of the impacted sector.
- **Indirect effects:** referring to the impacts generated in tier-2 to tier-nth impacts, that is, suppliers of suppliers.

- **Induced effects:** referring to the impacts generated due to increased household spending by the employees in the supply chain.

Using the World Input-Output tables offered by OECD for the year 2022, results were analyzed (detailed below). Sectors relevant to determine multipliers are based on 2022 NAICS industry codes. Food Service Contractor code was used for the Rethink Model and Caterers code was used for the Centralized Model.

- Output for relevant sectors in the economy, i.e., the value of all goods and services produced.
- Value Added for relevant sectors, i.e., the equivalent of the gap between the gross output and raw material (intermediate) consumption.
- Labor compensation structure, i.e., annualized employee compensation.

The impacts on Output, Value Added, and Earnings are drawn from four main levels of supply chains



1 + 2 + 3 = Total of non-induced impacts
(limited to supply chain linkages); also known as type 1 multiplier

1 + 2 + 3 + 4 = Total induced impacts
(supply chain + household spending impacts); also known as type 2 multiplier

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This report was supported by McKinsey & Company, in close collaboration with Rethink Food stakeholders. The methodology adopted by McKinsey in developing the analyses has been explained in detail in section two and three (including details on assumptions made, sources for data collection, etc.) as well as in the footnotes. To reiterate, this report is intended to be a preliminary assessment of Rethink’s Model in comparison with the Centralized Model to facilitate conversations between sector stakeholders and reduce food insecurity.

We are grateful to all the people who supported us in developing this report by engaging through interviews as well as other modes of discussion. Some may differ with aspects of the paper or have stressed other matters of focus. However, all insights gleaned from our exchanges were useful in contributing to this report. Inputs have been voiced with the greatest sense of shared purpose, and we are deeply appreciative of the contributions. Shared below are the organizations represented through these exchanges.

Rethink Partner Organizations

Partner Kitchens

Beatstro
Brain Food
Gyro King
Kabooz’s Bar and Grille
Manna’s Restaurant
Tacombi
Zaab Zaab Talay

Partner CBOs

APNA Brooklyn
Congregations Sons of Israel
Covenant House
Rap4Bronx

Rethink Leadership

Jacqueline Gottuso,
Senior Director of
Strategy & Analytics
(Alumnus)

Yalda Nikoomanesh,
Executive Director of
Institutional Giving

Other organizations

AlphaSights
Aspen Institute
City University of New York
Catering companies⁴⁹
(incl. non-profit and for-profit organizations)
Mayor’s Office of Food Policy

⁴⁹ Three organizations were interviewed and are kept anonymous as per obligation



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Rethink Food

