

Revolution Foods: Healthy Meals in U.S. Schools

Contributed by the Shared Value Initiative



COMPANY DESCRIPTION

Revolution Foods is a mission-driven company providing fresh and nutritionally sound lunches for school cafeterias and healthy prepackaged lunch meals for supermarket sale. Founded in Oakland, California in 2006, the company grew its annual revenue by more than 577% from 2009 to 2012. In 2012, Revolution Foods generated \$70 million in revenue and employed more than 1,000 people nationwide.



Credit: Revolution Foods website

THE OPPORTUNITY

Proper nutrition is critical for youth to grow, learn, and maintain health—yet the United States faces a well-documented youth nutrition and obesity crisis. Many schools contribute to this problem by serving nutritionally sub-par food at school lunches. In conversations with Bay Area school teachers, principals, parents, and students, Revolution Foods co-founders discovered that students in schools attempting to improve their offerings would elect to forgo lunch rather than eat the “weird” and “unappetizing” healthier options. The co-founders launched Revolution Foods in 2006 with the aim to provide a solution to the school lunch challenge, which would need to:

- Provide meal options high in nutritional content and low in unhealthy sugars and empty calories
- Please the taste preferences of students
- Be compliant with the National School Lunch Program, costing schools less than the standard amount budgeted for lunches (determined by the federal reimbursement rate for free lunches, which ranged from \$2.93-\$3.16 for the 2013-2014 school year)

THE STRATEGY

Revolution Foods evolved from a concept note that outlined existing efforts to improve school meals and developed a vision to prepare fresh, low-cost, nutritious, and tasty school lunches. The startup immediately focused on securing \$500,000 in financing from an impact investor to cover the sizeable capital investments required for a culinary center, delivery truck, and staff. Initially, the company partnered with Whole Foods in a pilot program where Revolution Foods delivered Whole Foods-prepared fresh meals to local schools. The company then launched programming in a number of Bay Area schools, serving about 1,000 meals per day in the first year of operations. Schools reimbursed Revolution Foods \$2.74 per meal. Recognizing that the revenue from school lunches alone would not sustain the business, Revolution Foods joined forces with Nest Collective to

develop a retail product, Meal Kits, a prepackaged lunch option sold as individual units in retail stores. The Meal Kits product, launched in August 2013, presents an additional opportunity to generate revenue while improving nutritional offerings for school-aged youth.

- **Reconceiving products and markets:** Revolution Foods creates customized menus from locally-sourced, fresh food. Revolution Foods encourages youth participation in the menu design process, sourcing menu ideas from students and relying on them for product tasting and feedback. By operating from a central regional kitchen, rather than from individual school or district facilities as in the past, Revolution Foods consolidates production and keeps costs low. Meal Kits represent a new product model meeting the needs of retail consumers seeking healthy prepackaged products
- **Improving the local operating environment:** The company educates students about nutrition. Along with classroom education, Revolution Foods educates children in the lunch line itself. Posters around the school advertise and normalize once-unpopular menu options

RESULTS – VALUE FOR BUSINESS AND SOCIETY

Revolution Foods have been extraordinarily successful in creating both business and social impact.

Business results:

- Revolution Foods generated \$70 million in 2012 revenue, and has more than 1,000 employees
- The company has expanded to create 7 regional distribution centers, with some regions fully sustainable (covering costs)
- Store-ready Meal Kits products are available nationwide at 400 retail outlets, including Target, Safeway, Whole Foods, and regional grocers
- While Revolution Foods is not yet profitable, the company has made a decision to continue to reinvest in developing new locations and reach to both increase volume and meet its social mission

Social results:

- Revolution Foods serves 1 million healthy meals each week in nearly 1,000 American schools (mostly public); since 2006, the company has served over 60 million healthy meals
- At one school in Harlem, the proportion of students accepting free meals increased from less than half to over 85% with the introduction of Revolution Foods meals, which were not only healthier, but more appealing
- Revolution Foods is registered as a certified B Corp, with social outcomes contributing to its bottom line results

LESSONS LEARNED, CHALLENGES AND OUTLOOK

Revolution Foods has achieved demonstrable success in both business and social outcomes, but faces key challenges as it moves forward:

- Even accounting for its already rapid growth, the company will have to find ways to operate at a pace and scale that will meet existing demand in existing and new regions
- The approximately \$3 reimbursement ceiling that schools face as part of the National School Lunch Program presents a continual challenge for sourcing low-cost, high-quality foods
- The introduction of the Meal Kits retail product is recent and not yet proven to be a viable business model for the company, with competition from established players like Kraft Foods (Lunchables) and other healthy meal kit options (GoPicnic)