



How to Mine School Lunch for Gold

Revolution Foods was founded by two women with the mission of making school meals better. Students and investors have eaten it up. So what's not to love?

By Rebecca Flint Marx Photograph by Aubrey Pick



Kristin Groos Richmond and Kirsten Saenz Tobey aren't twins—they're not even related—but you could be forgiven for thinking otherwise. They have blond hair and blue eyes, activity trackers on their wrists, and almost matching names. Both are relentlessly upbeat and deeply pragmatic, though Richmond is more assertive than Tobey, who tends to sit

back and nod while Richmond does the talking. And Richmond is very, very good at talking—about corporate values, about compound annual growth rates, and about how their almost-10-year-old company, Revolution Foods, is upgrading lunch for the nation's schoolchildren.

"It's a work of passion for us," Richmond says one morning, seated next to Tobey at a conference table in the company's Oakland headquarters. "Not only as entrepreneurs but also as moms who are building and growing our own families and making sure that our kids are set up on a path for success from a health perspective."

The "revolution" in Revolution Foods refers to the company's charter mandate—indeed a revolutionary concept back in 2006—to replace the much-maligned typical school lunch with a healthy meal for less than the \$3.13 that school districts receive per lunch from the federal government. Out went artificial ingredients, preservatives, high-fructose corn syrup, deep frying, mystery meats, added sugar, and growth hormone-enhanced milk; in came fresh fruits and vegetables, whole grains, and so-called natural meats. Ten years later, Revolution Foods delivers approximately 1.5 million freshly packaged "kid-inspired, chef-crafted" breakfasts, lunches, snacks, and after-school "suppers" to schools in 15 states and Washington, D.C., every week. Richmond and Tobey are proud to state that the schools served by Revolution are overwhelmingly public, which dovetails neatly with their company's trademarked tagline: "Real food for all."

Over the past nine and a half years, this cri de coeur has found an incredibly receptive audience. Since its inception, Revolution Foods has claimed an average compound annual growth rate of 50 percent. Today, Richmond says, its revenue is over \$100 million, and the company is "on track to be much larger than that for this fiscal year." It has attracted money from firms and foundations that invest in companies with a change-the-world agenda: the Westly Group, DBL Investors, the NewSchools Venture Fund, and the W.K. Kellogg Foundation.

DBL became one of Revolution's seed investors in 2006 to act on its "very firmly held view that the country needs to do something about the obesity and diabetes epidemic that is gripping our children," says Nancy Pfund, DBL's founder and a managing partner. "When we met Kirsten and Kristin, it was like a lightbulb went on—we realized that this could be a great growing business and address an extremely critical social problem. We always have our radar out for that combination: the ability to address significant social needs with an entrepreneurial formula."

While that blend of social responsibility and moneymaking savvy has made Revolution Foods very attractive to investors, it has also made the company susceptible to criticism from skeptics weary of for-profit enterprises that wallpaper their capitalist ambitions with feel-good rhetoric. Few dispute the quality of Revolution's meals, but some school-lunch advocates question whether its biggest client, the San Francisco Unified School District, can really afford them. Others

denigrate Revolution Foods as just one more private company trying to make a profit from public schools: The food may be healthier, but the business model is unapologetically capitalist. This perception isn't mitigated by the growing presence in grocery stores of the company's line of packaged foods. Though the products are billed as healthy alternatives to the usual junk, they come with a long list of processed ingredients—not to mention a fair amount of mom-baiting advertising. Richmond and Tobey, who bill themselves as “moms on a mission,” have employed the language of wholesome transparency to great success. But as their company continues to grow, they are facing something of an existential challenge: how to square the goal of making healthier school food with the goal of making lots and lots of money.

Last year, Revolution received a \$30 million cash infusion from AOL cofounder Steve Case, who invested in the company through his venture capital firm, Revolution Growth (which, despite its name, has no relation to Revolution Foods). Case, who has invested in several companies that he believes have the potential to disrupt the food industry (including the salad chain Sweetgreen), also joined the Revolution Foods board of directors. His place among the company's leadership signals that this is no mere nutritional advocacy group, and in fact, Revolution Foods has always been unabashedly entrepreneurial. Tobey and Richmond met as classmates at Berkeley's Haas School of Business: During a product development class, Richmond recalls with a laugh, “Kir and I came forth with the same idea. It was like, OK, we need to join forces.” Though neither woman has a teaching credential, both had experience with educational settings: Richmond had founded a special-education school in Kenya while employed as a Citigroup investment banker; Tobey had led experiential-education programs in the United States and Ecuador and evaluated school food programs with the United Nations Hunger Task Force in Ghana.

The pair, who developed the Oakland pilot program for Revolution Foods while still at Berkeley, used the DBL investment and funds from family and friends to set up their first kitchen, in a catering facility in Emeryville. Shortly thereafter they moved to a defunct McDonald's in Alameda; they've been at their current location, an office park near the Oakland airport, since 2009.

In the early days, Tobey and Richmond, with the help of a few friends, cooked, packed, and delivered the meals themselves. Minh Tsai, founder and CEO of Oakland-based Hodo Soy, remembers meeting the pair when they were still based in Emeryville. “I thought, what an amazing idea,” says Tsai (who eventually helped the company define a protein standard that garnered its



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tofu USDA approval as a reimbursable protein). “They just went out and raised money again and again and again.” They also cut deals with local suppliers, like Whole Foods and Diestel Family Turkey Ranch, to lower costs.

A year after Revolution Foods started, Nancy Wei was hired as its director of nutrition and compliance; with her background in nutrition and public health, she was brought on to help define what she calls the company's “nutrition and wellness pillar.” Tobey and Richmond, she says, had a “three-pronged goal” for their food: “It had to be kid-friendly; it had to be fresh and natural and chef-inspired; and it had to meet the minimum federal and state guidelines for reimbursement.” That last prong was particularly crucial, because a company can make all the creative, delectable food it wants, but the world of federal school-lunch reimbursement guidelines is such that, as Wei puts it, “the sodium in one bread roll could throw off your whole week of menus.”

Tackling those guidelines in the earliest stages of product development allowed Revolution Foods to get “way ahead of the game,” says Wei. The company was also remarkable, Wei feels, for its strong commitment to customer service and its focus on “new innovation and variety for the kids, much more than you'd expect from a traditional school district program.” It's challenging enough to develop one menu that meets federal guidelines, which is why they tend to be

repeated throughout the year. “Keeping things exciting,” says Wei, who left the company in 2012, “is constant work.”

That work soon began collecting accolades: spots on fastest-growing-companies lists; inclusion in the 2013 *Fortune* “40 Under 40” roster; an appointment for Richmond to the White House Council for Community Solutions. Richmond and Tobey earned further plaudits for certifying the company as a B Corp, or benefit corporation: a company with a well-defined social or environmental mission that publishes independently verified reports on its altruistic impact in concert with its financial results. And the company has steadily increased its labor force: Today, Revolution Foods numbers 1,500 employees and has nine production centers throughout the country.

Timing has also worked in Revolution Foods' favor. Three years after its inception, Michelle Obama moved in to the White House and put the topic of children and nutrition in the national spotlight. In 2010, ABC broadcast *Jamie Oliver's Food Revolution*, which detailed the British celebrity chef's attempts to improve American school food. While the show came in for its share of criticism—some took exception to the idea of a spotlight-hogging Brit coming to America to save it from itself—it did bring attention to the fact that school cafeterias had become dumping grounds for fast-food products and subsidized agricultural commodities dressed up with salt, fat, and sugar. Meanwhile, the Berkeley-based

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Edible Schoolyard Project was breaking ground on school gardens throughout the country, and school-food advocates like Ann Cooper—better known as Berkeley’s Renegade Lunch Lady—were lobbying Washington for better school-lunch programs. In 2012, the 2010 Healthy Hunger-Free Kids Act went into effect: Written by the USDA, it required schools to offer more fruits and vegetables; provide reduced-fat or fat-free milk; limit saturated fats, sodium, and calories in student meals; and allow tofu as a meat alternative. All these developments played to Revolution Foods’ strengths as not only a purveyor of purportedly wholesome food but also a nimble political player.

More and more school leaders, Tobey says, “are looking for solutions and partners. So that’s where we’ve really tried to come in, as a partner in the movement.” In December 2012, Revolution Foods scored one of its biggest victories to date when it won a \$9 million annual contract to provide meals to the San Francisco Unified School District. Comprising 140 schools (127 of which use Revolution Foods) and 53,000 students, SFUSD is the company’s biggest client, requiring breakfast, lunch, dinner, and snacks for students from elementary through high school. Revolution’s food is served under the auspices of the district’s Student Nutrition Services, which operates SFUSD’s food programs and has lobbied for years for better nutrition standards. Among other things, SNS has installed salad bars in almost all of the district’s middle and high schools.

What made Revolution Foods attractive to SFUSD—aside from the fact that it submitted the lowest bid—was its emphasis on fresh food. The district’s prior vendor, Illinois-based Preferred Meals, had precooked all its food, shipping it frozen to a facility in Brisbane. “There was a lot of negative comment from the community” about Preferred Meals, says Zetta Reicker, director of SNS. Revolution makes its food fresh every morning and delivers it within a few hours to cafeterias, where it is reheated. “There are still improvements to be made,” Reicker says, “but the students really like the food, and I hear a lot more about the adults trying it, too.”

Reicker echoes Wei in her praise of Tobey and Richmond: “They’re very innovative in their approach, different from what I call the old-school vendors. They’re very mission-driven. They’re two moms, they’re a local Bay Area company” (though one assumes that at least a few of those old-school vendors were parents too). Part of what has made them successful within SFUSD, Reicker continues, is how thoroughly they test their meals on students. Recipes are adjusted based on feedback from regular taste-testing panels; if students want, say, more Asian- or Mexican-inspired dishes, then the company tries to accommodate them with healthy versions. At the elementary level, for example, SNS wanted the kids to eat more salad, but the kids wanted to eat more pizza. Those divergent desires resulted in the Chicken Pizza Party Salad, a creation featuring mozzarella cheese, croutons, chicken, and a pizza sauce-flavored dressing.

“We’re a pretty high-need client,” Reicker adds, then stops to correct herself: “I hate to even use the word ‘client,’ because we really are partners. We’re learning together. They have a team that supports us; whatever the community is wanting, they’ll adjust to our needs.”

While there’s an awful lot of goodwill toward Revolution Foods within the SFUSD administration—Superintendent Richard Carranza gushes that working with the company has been “nothing but a very positive experience”—Revolution isn’t immune to criticism. One of its most vocal critics is Dana Woldow, a longtime school-food advocate based in San Francisco. She was actually among those who lobbied hard to bring Revolution Foods to SFUSD, although, she says, “we knew it was going to be ruinously expensive and that SNS was already running an enormous deficit.” When Revolution signed on as the new food provider, the price of an elementary school lunch, for example, jumped 15 cents. Woldow is unequivocal in her

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praise for the company's meals, noting that "any school district that's not in a position to cook its own meals can't do better than Revolution Foods; it's the best thing going if you're on the national school-lunch program." And if the company's success forces big providers like Sodexo and Aramark to compete with better ingredients, she says, "then I think it is benefiting the country, and certainly the kids."

Woldow's problem with Revolution Foods is the sometimes hyperbolic claims made by the company itself, chief among them that the cost of its meals (typically \$3) is no more than that of a regular reimbursable school lunch. That money, she says, "only gets the lunch brought to the back door. It doesn't take into account what happens in the cafeteria"—namely, the costs of labor and running kitchen appliances. Woldow has written at length on the blog *Beyond Chron* of her concerns about the impact of Revolution Foods on the SNS budget, which was around \$1.9 million when the contract began and jumped to \$3 million during the first full year of the Revolution Foods contract. Both Reicker and Carranza, however, maintain that the SNS deficit is decreasing, in part because more students are eating more meals from both Revolution Foods and SNS's own programs, which in turn allows the district to claim more government reimbursements. (According to SFUSD's website, however, the SNS deficit for the current school year is projected to rise to over \$3 million.) Richmond, meanwhile, claims that the cost of each meal is "less than \$3" and "varies wildly with volumes." The company "knows our schools cannot be put into financial hardship to invest in their kids' health," she says. "Our goal is to be well within the limits of financial sustainability and even go a bit further and make sure that schools can feel financially successful with the program."

Still, the cost of Revolution Foods reportedly proved challenging enough for both the Mill Valley and the Santa Cruz school districts to sever their contract with the company. Santa Cruz bailed in 2010 after less than a year, citing prohibitive costs: Its nutrition director reportedly claimed that the district would have had to cut the food service staff by half to cover them. The Mill Valley contract, which began in 2008, was terminated in 2011 in favor of another vendor whose free and reduced-price lunches were 35 cents cheaper.

But what rankles critics most is what they perceive as the misleading nature of Revolution Foods' self-promotion. Jill Wynns, a long-serving member of the San Francisco school board, is a fan of the company's food but skeptical of its eagerness, as she sees it, to take credit for SFUSD's nutritional advances. Revolution Foods, Wynns says, is only one part of the district's efforts to improve the cafeteria experience: "It's in support of what we're doing, but it's not the core of what we're doing." SFUSD, she points out, has long been ahead of the curve on student nutrition. When the new federal nutritional guidelines came out in 2010, she recalls, "everyone else was like, 'Oh, this is terrible,' and we were like, 'We're already on top of it.'"

There was also the matter of a blog post Richmond wrote on the Revolution site in 2012 (since removed) claiming that schools using the company's services reported "improved productivity [and] higher test scores." After lunch, Woldow points out, kids "probably are going to be more focused, but that's not exactly the same thing as 'We make your kids smarter or score higher.'" "They're only really advocates when it comes to their own company," says Woldow. "I'm advocating for an idea that children need to eat better. They're advocates for Revolution Foods."

Indeed, Richmond describes Revolution's work with schools to me in language decidedly more humble than that employed in some of the company's press releases, which have credited it with "igniting a healthy food movement in schools nationwide." "We exist to be a complement to the school food-service director's program," she says. In other words, the company tailors its approach to a district's needs, rather than dictating them. In talking about their work, Richmond and Tobey, who have five kids between them, repeatedly mention the health of the nation's children as their *raison d'être*. It's a subject they view through "the lens of the taxpayer and the mom" in addition to that of the CEO, Richmond says. It's also an issue they emphasize when discussing their decision two years ago to take Revolution Foods into grocery store aisles.

Designed as a healthier version of Oscar Mayer's nutritionally nefarious Lunchables, the Revolution Foods Meal Kit, since discontinued, included whole-grain crackers, antibiotic-free cold cuts, cheese, and a "100-percent fruit snack." While the company's press releases touted the Meal Kit's "real" and "natural, high-quality" ingredients, some observers were less convinced of its merits. Margo Wootan, director of nutrition policy for the Center for Science in the Public Interest, told the *New York Times*, "I wouldn't call a Meal Kit healthy, though it is nutritionally improved."

Revolution Foods has since expanded its product line to include Dynamos, "protein power bites" that look like cookies; Jet Pack snack trays, which include crackers, cheese, and cold cuts; and Lunch Bundles, which are essentially rebranded Meal Kits. All are found, Richmond says, "at really mainstream grocery stores at a price point that allows mass access." And all of them are decorated with copy that proclaims they're the work of "moms on a mission" who believe in "Real Food for All!"

Tobey and Richmond frame this mass access almost as a kind of philanthropic duty, but it is, of course, also a duty to the company's bottom line. While Revolution Foods' school-lunch side is growing, it's not yet profitable. "We have invested in growth in a very calculated way," Richmond says, pointing to recent outlays on new culinary centers and supply chain development. The company can exploit the same supply chain for both its school lunches and its packaged goods—as well as the reputation of the former enterprise, whose success, says Richmond, is "tightly linked" to that of the grocery store endeavors: "People buy our Jet Packs and Lunch Bundles, turn over the package, and think, 'Oh, this is a mission-driven company! I want to support this overall vision of making healthy, high-quality food accessible to all.'"

Whether the average consumer takes all that away from a Superfood Energizer Lunch Bundle (500 calories, 30 grams of sugar) is open to debate; what's more certain is that this strategy is attractive to the company's investors. "It's a very different kind of business, selling into school districts," says DBL's Pfund. "That's not to say it can't be an extremely attractive business—it can. But if you have the ability to take that brand into the supermarket for Mom and Dad, then that adds a huge diversification of revenue, with a whole different cost structure and a fluidity to the revenue stream and margins that make sense any day of the week." In simpler terms, Pfund says, "They want to be America's foremost brand for developing healthy eating habits among our kids." What that will likely translate to is more retail and more products to sell to children and their parents. Potentially, says Tobey, "you'll see us branching into other parts of the day, solving families' challenges with regard to feeding kids and families healthy food in an efficient, affordable way that takes our current lifestyles into account."

Tobey is not, by the way, reading from a press release. She, like Richmond, is just extremely practiced in articulating the company's goals in a way that appeals to investors and families alike. It's a tricky balance to pull off, but Tobey and Richmond do it with remarkable ease. It's perhaps not a coincidence that their approach is resolutely nonpolitical: If you want them to sound off, say, on whether the government should be coughing up more money for school-lunch reimbursements, you will be disappointed; on that topic, Tobey will only say, "We have built our model around what the current reimbursement is, and not what we hope it will be someday." Bright futures, the service of underprivileged children, and, as Richmond likes to say, "setting kids and families up for success and health" are more on message. As the company extends its reach in the packaged-food world, that message may become a little harder to convey. But for now, it's clear and precise: This is a revolution, and it will be advertised.