&pizza: Balancing Expansion with Social Responsibility

OVERVIEW
&pizza, founded in 2012, has a stated goal to become “the most progressive fast-food employer in the U.S.” &pizza’s founder and CEO, Michael Lastoria, centers this commitment in employee satisfaction, including but not limited to wages and benefits. The mean hourly wage for an &pizza employee is $14 an hour, compared with an industry wide average of $9.84. &pizza employees, referred to as members of “The Tribe,” are eligible for health care benefits after 60 days of employment, including a company contribution to their annual deductible. Employees have significant input into store operations, including recommendations to pay additional wages for late night and holiday shifts, store music, and uniforms. According to CEO Michael Lastoria, “Activism is in &pizza’s DNA. We’re part of a community, and members of a community should look out for one another. That’s what good people do, and that’s how brands and public companies should behave: like people.” (Inc. This Morning, February 11, 2019).

CHALLENGES & OPPORTUNITIES
Despite these efforts, &pizza still struggles with employee retention, with turnover rates only slightly lower than the industry average. &pizza seeks to expand greatly, holding on to their values as a progressive fast-food chain by eschewing the franchise model that “would require ceding control of such things as pay and hiring practices.” According to Forbes Magazine, in 2018 the company had 35 locations with a plan to double the number of locations. Expansion is fueled by investors, as of September, 2019 &pizza had raised over $50 million dollars. This includes a 2016 investment of over $25 million in capital, led by AVALT, in 2016.

&pizza expansion is fueled, in part, by their data driven approach to opening in new markets. In Miami, &pizza utilized food trucks and commissaries to cook and deliver pizza, in partnership with Uber Eats’. Data from Uber Eats will drive decision making regarding the location of brick and mortar locations. Even the definition of a brick and mortar location is flexible for &pizza, which utilizes ventless 300 square foot pop up structures to allow locations to move and evolve based on market forces. &pizza trucks turn both the food truck and pizza delivery models on their heads, by bringing the &pizza truck closer to the customer in order to deliver hot, fresh pizza. CEO Michael Lastoria, “We have gone into neighborhoods where you can’t find a restaurant chain—or any chain for that matter...You can’t even find a Starbucks within a mile and we’ve set up shop there and had overwhelming success by the folks that have lived in that community for a long time, just thanking us for providing the value and taking a chance on a neighborhood others haven’t taken a chance on.” (Pizza Marketplace.com, December 16, 2015).
What’s new for us is we’ve built out these trucks that act as a commissary. Customers don’t know their pizza is being made out of a pizza truck. They don’t care. And it allows us to have the flexibility to test out sub markets within markets to understand how we perform and use that as a real estate strategy.” (Forbes, December 2018)

KEY QUESTIONS FOR EXPANSION
As &pizza expands, their new Executive Team seeks to balance rapid expansion and new models of fast food delivery with what grounds the &pizza business model, a commitment to fair wages and benefits for employees.
With this in mind, three central questions emerge as &pizza seeks to double the number of stores and automated food trucks that deliver pizza on the East coast, while maintaining a strong commitment to Corporate Social Responsibility.

1) Without resorting to a franchise model, utilized by many in the fast-casual food industry, how can &pizza meet its rapid expansion goals?
2) With an emphasis on automation of core duties such as making pizza dough and receiving orders, how can &pizza continue to center the employee experience? AND
3) How can &pizza increase their employee retention rate, given that it is currently not much above industry standard, despite, on average $2 hour more in hourly wages, strong benefits packages, and employee input into operations.

YOUR CHALLENGE
Your team is charged with developing a plan for employee retention that is in line with &pizza’s core values and commitment to social responsibility, allows for company expansion, and takes into account automation needs and costs. Consider the risks involved in your recommendations as well as the potential market for future growth.
You have the next 72 hours to develop your presentation for the panel of judges who will assess the viability of your plan and its consistency with the core values of &pizza. A few notes as you embark on preparing your case.

- Please email this presentation to clsr@uw.edu no later than 8:00 am on Monday, January 27th.
- Late submissions WILL NOT be accepted.
- While you may (and should) practice your presentation between Monday, January 27th and the Case Competition on Friday, January 31st, you may not make any changes to the content of your PPT nor add any research or conclusions after 8 am on 01/27.
- You will have 15 minutes to make your presentation in a compelling way, to convince the panel that your team’s recommendations represent the best course of action at this time in the company’s growth and development.
- The judges will then have 10 minutes to ask you questions about your recommendations.
- Be prepared to defend your position in a professional manner that is grounded in your own research about the company, the market, and its competitors.

You may use any publicly available information about &Pizza, the fast-casual food industry, and trends in corporate social responsibility (particularly those focused on worker wages, benefits, and agency). You may not contact any other organizations for information nor consult anyone outside of your team. This case provides the opportunity for you to use your knowledge, research, and analytic skills to explore the issues related to corporate social responsibility, social impact, environmental and social sustainability, and other related topics.