

McDonald's beefs up sustainability in Latin America

Every day, more than 4.5 million people eat at McDonald's in Latin America and the Caribbean, more than the entire population of Panama. That means good business for Arcos Dorados, the master franchisee for the region, but a challenge at a time when companies are facing mounting pressure to be environmentally and socially responsible.

Arcos Dorados is an easy target for scrutiny. It is the biggest restaurant chain in the region and the largest McDonald's franchisee in the world, with more than 2,200 establishments.

Woods Staton, Arcos Dorados' executive chairman, sees the size of the company as an advantage for promoting sustainability. "We are using our muscle for good," he told *Latin Trade* in an interview at corporate headquarters in Olivos, a suburb of Buenos Aires. "If the leader can get rid of plastic straws, others say, 'We can do it too.'"

This makes sense. When McDonald's began buying only cage-free eggs a year ago, producers had to change their practices to supply their largest buyer and, as a result, others. The same has happened with beef, coffee, packaging, and other goods. When McDonald's demands sustainably-sourced products, the entire supply chain and other restaurants tend to follow suit, Staton said.

Arcos Dorados' sustainability drive began some four years ago. It set milestones and deadlines, helping to keep it on track and accountable both to customers and investors. Having a plan is vital, Staton said. Without one, many companies "get stuck" trying to make the overwhelming amount of changes needed to cut carbon emissions, water use, waste, and much more to become sustainable, he said.

MAJOR CHALLENGE

Staton has witnessed the need to embrace sustainability. On a trip to the Pacific northwest of Colombia, his native country, he was saddened to see how the surf had swept plastic waste onto a remote beach where few people live and there is no industry. He returned convinced that helping the environment "is an issue for all of us," he said.

It's not been easy for McDonald's. Its restaurant operators have balked at getting rid of plastic straws and lids as ordered by Arcos Dorados, for example, and in-store recycling can come to nothing and even mar the company's image if a city dumps it all in the same landfill. "We don't want to pretend to separate trash," Staton said.

Instead of getting set back, Arcos Dorados' strategy is to prioritize progress over perfection. "You can't wait for everything to be just right to make a change," Staton said.

Arcos Dorados is doing a lot. It sources coffee, fish, palm oil, and paper packaging from sustainable suppliers, buys chickens that aren't administered antibiotics during the fattening stage, and is starting to purchase beef from ranchers who haven't deforested their land.

It no longer buys bleached paper products, uses paper-based dishes for salads instead of plastic, recycles vegetable oil to make biofuels, and is beginning to convert its waste into a plastic substitute to make trays and other goods to use in restaurants. LED lighting and low-consumption equipment has been installed to reduce power use, and rooftop solar panels are being installed at restaurants. All of this has a cost that can hit returns, but only in the short term, Staton said.

"Sustainability is a long-term proposition," he said. "It adds a lot of value to the company, but you need a longer view." It can save money, too. By using the runoff from air conditioners to flush toilets and to water restaurant gardens, the chain is reducing water consumption. Cows also fatten quicker on land with shade trees, cutting carbon emissions in the process, said Staton.

HAPPY EMPLOYEES

A key in all this is employee motivation. The company offers training so workers can advance their careers as chefs or refrigeration technicians, for example, and allows employees to come as they are to the job, whether with long hair, tattoos or nose rings, doing away with a tradition of uniformity and seemingly robotic speech. The result is a happier workforce, lower turnover rates and better customer service, Staton said.

While sustainability has gained in importance, returns are still the main priority. "Being in business is like being at a poker table," Staton said. "You have to have money to stay in the game." But instead of pleasing just shareholders, the focus is on benefiting society as a whole, a strategy that Staton said can pay off in sales and brand image.



Woods Staton, Chairman, Arcos Dorados.

"If you have a choice of restaurants, and one of those restaurants takes care of the environment, takes care of its people, and does the right things, you will probably choose it over one that doesn't," he said.

WILL CUSTOMERS BELIEVE IT?

Staton said he understands that McDonald's massive size means it can face more scrutiny than other companies, often negative. To change this perception, he said, the first step is "to do it ourselves," such as by recycling its own kitchen waste before asking customers to separate their trash. The next step is to share the message of its progress.

"We need to work assiduously to have proof points that we are going in the right direction and that we do care about the environment,"

Staton said. "As long as we are honest and transparent and we are making progress, the customer is going to keep visiting us even if our prices went up because it costs more to get cage-free eggs." **LT**

SUSTAINABILITY GAINS



ELECTRICITY ARCOS DORADOS CUT ELECTRICITY CONSUMPTION AT ITS LATIN AMERICAN RESTAURANTS BY 150 MILLION KWH IN 2018.



WATER THE COMPANY SAVES ABOUT 1.320 GALLONS A DAY, EQUIVALENT TO 137 MILLION CUBIC FEET PER YEAR. IT ALSO REUSES WATER PRODUCED THROUGH AIR CONDITIONING CONDENSATION IN ITS RESTAURANTS TO CLEAN SIDEWALKS AND WATER GARDENS, SAVING AN ADDITIONAL 3.2 MILLION CUBIC FEET PER YEAR.



PLASTIC STRAWS AVAILABLE 'ON DEMAND' ONLY RESULTED IN AN ANNUAL 200-TON REDUCTION IN PLASTIC USAGE ACROSS THE REGION. THE GOAL IS TO SAVE 500 TONS PER YEAR.



MORE PAPER SALAD BOWLS, PLATES, AND CUPS PROVIDED IN ARGENTINA ARE MADE OF FSC CERTIFIED PAPER.



WASTE AT RESTAURANTS IN 10 LATIN AMERICAN COUNTRIES, WASTE IS COLLECTED BY SOCIALLY ORIENTED ENTERPRISES THAT SEPARATE DIFFERENT MATERIALS AND THEN SELL RECYCLABLE ITEMS.



MEAT IN 2016, ARCOS DORADOS STARTED TO BUY SUSTAINABLE MEAT IN BRAZIL, ITS BIGGEST MARKET. SUPPLIERS ARE REQUIRED TO PROVIDE ORIGIN CERTIFICATION PROVING THAT LIVESTOCK WAS RAISED IN NON-DEFORESTED AREAS.



COOKING OIL IN BRAZIL, OIL THAT HAS BEEN USED IN RESTAURANTS IS RECYCLED TO PRODUCE BIO-DIESEL.