



Limited-Service, Unlimited Possibilities

Published on *QSR magazine* (<https://www.qsrmagazine.com>)

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If sweetgreen is going to be the next great American brand, then Karen Kelley might be its secret weapon.

Walk into a sweetgreen and you see the restaurant of the future. You see a brightly lit dining room with modern wood finishes. You see a beverage station with house-made juices, teas, and sodas. You see a chalk-scrawled menuboard boasting of seasonal and local ingredients like beets, lentils, and bok choy, and a wall lined with crates that are packed to the brim with fresh greens.

And you see Millennials. Lots and lots of Millennials, squeezing in a healthy lunch before they head back to work, thumbing away at their smartphones, bobbing their heads to the latest alternative pop song careening through the dining room.

It's easy to see why investors and media alike are rushing to christen sweetgreen the next great fast casual to redefine American dining. With demand for fresh, premium food at an all-time high—and with a certain burrito slinger out of Denver licking its wounds after a food-borne illness nightmare—the stage is set for sweetgreen to capture that “it factor” that could help it expand from its 40 units in major foodie hubs and become a national favorite of the younger generations (and generations to come).

While the story of how sweetgreen got here is well known—Georgetown buddies Nicolas Jammet, Nathaniel Ru, and Jonathan Neman founded the farm-to-table brand in Washington, D.C., upon

graduation in 2007—the story of where it goes from here is unfolding in significant ways in 2016. The company is in the midst of positioning itself operationally and geographically to better serve its customers, both those already loyal to sweetgreen and those across the U.S. who hunger for a farm-fresh fast casual in their own neighborhood.

At the center of this positioning is Karen Kelley, the industry veteran and startup whisperer who joined sweetgreen as president and chief operating officer in late 2013 after successful stints with fro-yo concept Pinkberry and salon chain Drybar. Kelley has been tasked with helping Jammet, Ru, and Neman scale their vision for sweetgreen while protecting the brand values at its foundation.

“It has been like a rocket ship ride, I can tell you—and, let me just say, in a very positive way,” Kelley says of her time at sweetgreen. “I think that my goal when I came into this company was to honor the brand ... and really ensure that we can figure out how to grow and protect

the brand, the food ethos, the values—all the important elements that were built here by our three brilliant founders—and figure out how to do that while we're growing, while we're scaling, while we're introducing multiple new members to the team.”

Challenging the status quo

Kelley, 50, already has three decades of business experience under her belt, many of those years spent in the quick-service restaurant industry.

The executive didn't plan for a career in foodservice—she received a political science degree from the University of Colorado Boulder—but a college job at Taco Bell led to an area director role with that brand and later to various gigs with both Boston Market and Jamba Juice. At the latter brand, she climbed to the position of senior vice president of operations, which she held until 2008.

It was her two stints before sweetgreen, though, that paved the way for Kelley to become one of the most powerful people at one of the most exciting foodservice brands in the country. First was her three years as senior vice president of operations and people at Pinkberry, the Southern California chain that drew celebrity cred and positioned itself as a lifestyle brand in the golden age of frozen yogurt. Then, in an interesting twist, Kelley left foodservice to become the president of startup salon chain Drybar, where she helped the founders raise capital and grow the company from seven locations to more than 40.

“I think I've had the great pleasure in my career to work with many different founders with vision and purpose and passion that see the world a little differently and challenge the status quo,” she says. “That benefits me very greatly here.”

Indeed, in Jammet, Ru, and Neman, sweetgreen has three founders who are passionate about the values underscoring the brand and who are committed to connecting those values with the Millennial lifestyle—after all, they're Millennials themselves. The company promotes healthy eating and lifestyles, as well as positive relationships with customers, communities, and vendors. The corporate offices are called “Treehouses”; the staff has regular meditation sessions; the whole company read chef Dan Barber's book *The Third Plate* about farmers and the food system.

“I learned very early on that they wanted to build a different type of company,” Kelley says of the founders. “Every year, we set intentions both as a company and as individuals, and last year my intention was to bring energy to every interaction, to create that kind of mindset for the organization that we're creating a different kind of company that is committed to a broader purpose.”

While Kelley brings a new perspective to sweetgreen as a veteran of three other foodservice brands, she also brings her leadership style that she says “focuses on capturing momentum, harnessing people's capability, and challenging people to grow beyond what they see as their own potential.”

She adds that she spends her days developing and coaching people to grow into their leadership potential—a useful resource for a company that could grow to hundreds of locations, and especially one that has no plans to franchise.

“It challenges my creative thinking every day. You come into a company where you have all these experiences, and you have all these things you've learned before, but you have to kind

of connect that with the brand you're working on and the type of company and the type of vision and mission the company has here," she says. "I would say it's challenged my creativity in a very positive way. It has helped me become a better leader, a better innovator. And I think we're seeing the results as a brand."

Disrupting fast food

Kelley arrived at sweetgreen just as the murmurs of the brand being the heir apparent to fast-casual titans like Chipotle and Panera Bread turned into a cacophony.

Shortly after she joined the team, AOL cofounder Steve Case and his Revolution Growth firm invested \$22 million toward sweetgreen's growth. A rush of investors followed suit; by mid-2015, a group of investors (including Shake Shack founder Danny Meyer) had contributed nearly \$100 million to the company, which had by then expanded into New York, Philadelphia, and Boston.

"With sweetgreen, there are really two, maybe three, big trends that were driving them," Case told *QSR* last year when explaining his firm's decision to back the company. "One was the whole fast-casual segment starting to disrupt the fast-food segment, which we thought would continue over the next 10–20 years. The second was a push for healthier options that some have called 'real food.' And the third is the convenience that's made possible by technology, including smartphones."

The investments helped sweetgreen develop its systems and spark new store growth. Last summer, the company took the leap across the country and opened its first West Coast locations in Los Angeles. Then, in February, it doubled down on its West Coast commitment when it announced it would relocate its corporate office to L.A.

The move is a major foot forward for sweetgreen as it seeks to become a national brand. The company moved 30 employees from its original D.C. headquarters to the West Coast, leaving a regional office in the nation's capital and another office in New York. Kelley, who was one of the employees to relocate, says a single corporate headquarters didn't make sense for sweetgreen because the company wants to remain "flexible and mobile from market to market."

"We really feel like this is important to our future growth, as part of our success is that our people operate close to the field and where the consumer is, so decisions can be more fluid," she says.

Now that sweetgreen has a presence on both coasts, the goal is to fill out all of the white space in between, Kelley says. That will start this year, when the fast casual opens its first Midwest location in Chicago. In addition, sweetgreen plans to beef up its Southern California footprint while also opening new locations in the Bay Area.

Overall, the company hopes to open around 20 new stores in 2016.

"What's really important to us is to grow in the markets more in the middle of the country, where we can really establish the brand [and] create access to healthier options with food, and then our real estate strategy is to get pulled into markets after we penetrate a certain market," Kelley says, noting that, for example, a presence in San Francisco could hypothetically help sweetgreen expand to Portland, Oregon, and Seattle.

Standing for something bigger

As a salad brand dishing bowls of fresh produce, sweetgreen inherently carries the mantle as a healthy-eating concept. But the company isn't interested in letting its wholesome menu be all that represents what it considers to be a broader food ethos.

Kelley says the concept of being a "healthy" brand extends beyond serving nutritious food and into the ways in which sweetgreen can "be a catalyst to building healthier communities." That includes educating customers and providing access to locally sourced foods.

"I think sweetgreen's responsibility, first and foremost, is to be an incredibly transparent and authentic brand and to ensure that the consumer has as much information available to them as they can about the food they're eating," she says. "I also think our responsibility is to constantly look at what's going on in the food space and make sure that we are evaluating our product."

In this way, sweetgreen's food ethos extends to its sourcing practices. The company is committed to local sourcing, obtaining as much as 70 percent of its ingredients at peak season from local food partners. Its partnerships with farmers across the country have become integral to its success, and as the company grows into new markets, Kelley says, the relationships with local farmers have become as important as the real estate decisions.

On top of this, sweetgreen changes its seasonal menu five times a year so that it can ensure a fresh, sustainable lineup. Kelley says sweetgreen is going against the fast-casual grain in this way, noting that other fast casuals have standardized their sourcing practices. "We are about regionality, seasonality, authentic relationships with our farmers," she says. "So when we talk about being a different kind of company, I would really point first to our food ethos and how we lead the brand [toward] that food ethos."

Recently, questions have been raised about how successful a chain can be serving fresh, locally sourced foods. Chipotle's E. coli scare, in which hundreds of customers across the country became sick from contaminated food (the origination of which is still unknown), have led many to claim that scaling local sourcing practices—in which companies are forced to manage not just a handful of supply chain relationships but rather dozens if not hundreds—could be impossible.

But Kelley doesn't buy into those claims. She says sweetgreen can continue to reject sourcing standardization so long as it maintains solid quality assurance (QA) practices across the system.

"I think the discipline is around execution, training at the store level, and brilliant QA practices, meaning ensuring that from the farm through the distributor through to our stores, there are implemented and evolving quality control check points that ensure that the right QA practices are in place," she says. She adds that sweetgreen's culinary director, Michael Stebner, works closely with stores not just on new menu launches, but also on food-safety and kitchen practices to eliminate any potential risks.

Of course, healthy and locally sourced foods have become incredibly popular with Millennials, the important generation of younger consumers that sweetgreen is banking much of its future on. But Kelley says sweetgreen's food ethos isn't something that connects with customers at the demographic level; it's something that connects instead at the

psychographic level.

“We describe our customer as a conscious achiever,” she says. “It’s really about ... individuals that are about making better choices for themselves and making better choices that are about their lifestyle.”

Creating value in the community

While moving into the Midwest for the first time and splitting the brand’s leadership team into a more bicoastal model are both major strategies for 2016, one of sweetgreen’s most significant moves this year had nothing to do with growth and geography, but rather operations.

In January, the fast casual rolled out its new and improved smartphone app, which allows customers to order on the go and then pick up at a specially designated station in the store. The app also serves as sweetgreen’s loyalty program, providing rewards for devoted fans (earn \$9 off for every \$99 spent) and even lets guests order an Uber to take them to their nearest location. The company believes it could soon see a day when more than 50 percent of sales are conducted through the app.

Kelley says it’s important for brands to understand their consumers’ needs and their needs for the future, then innovate and execute against those things in order to stay relevant. That’s a major reason why sweetgreen has poured so much time and attention into its mobile-ordering platform. “That was really to meet the consumer where they lived,” she says. “We have a very on-the-go consumer. How do we create that access to our food and our product? With technology, there’s that solution, as well as getting our back of the house right to make it frictionless and seamless for the consumer.”

The mobile platform comes back around to a title that has been attached to sweetgreen since its early days: lifestyle brand. It’s a popular term for other fast casuals and many retail brands, describing a company that doesn’t just serve a product, but also connects with consumers’ lives and values through multiple touch points.

Kelley says sweetgreen uses a different term: impact brand. Rather than simply be a company that fits into a customer’s lifestyle, she says, sweetgreen strives to be one that makes an impact in communities and in customers’ lives.

“We look at an impact brand through many different lenses, but it’s through how we source our food and our food ethos and our connection with the farmers,” she says. “It’s how we impact the people that work for us and how we build future leaders and our people pipeline and provide them experiences, then [how they] grow and have impact.”

Two other programs reflect sweetgreen’s status as an impact brand: the annual Sweetlife music festival and the Sweetgreen in Schools program. The former is a festival that started as a simple live music event in the parking lot behind an early sweetgreen location, but has since grown into a \$100-a-ticket concert with thousands of attendees, several premium food vendors, and a roster of hip music acts (which this year includes The 1975, Grimes, and Halsey).

And through sweetgreen in schools, the fast casual hosts a series of wellness workshops in local schools, using hands-on activities to teach kids about healthy eating, fitness, and sustainability. Since the program’s launch in 2010, sweetgreen in schools has reached more

than 5,000 students in sweetgreen communities.

The two programs, along with the brand's mobile app, are intertwined; sweetlife attendees have the option to donate \$5 to sweetgreen in schools when they purchase their tickets, while on the app, 1 percent of sales from Green Status members (those who have spent more than \$100) is donated to the program.

One industry observer says sweetgreen's position as a lifestyle or impact brand is reinforced by the fact that it strives to create social change at the core of its business, rather than simply through cause-marketing initiatives.

"What we know is that Millennial consumers care a lot more about the values of the companies they do business with," says Denise Lee Yohn, marketing consultant and author of the book *What Great Brands Do* (and former QSR columnist). "Having a company like sweetgreen that is so committed to creating value in the community and helping people live healthier lives and educating young people about eating right and how food is grown—all of that really resonates with Millennial consumers."

Yohn adds that while many upstart companies in the retail space are attempting to become lifestyle brands, it's neither simple nor right for every company. But in sweetgreen's case, it's become essential to the concept's success.

Building intimacy at scale

The last year has been an interesting season for the fast-casual industry. As competition has intensified and access to premium food has evolved from customization-friendly fast casuals to more chef-driven Fast Casual 2.0 concepts, the pressure has built for brands to perform at a high level to impress both investors and younger customers.

And then, of course, the last year has witnessed Chipotle's startling slide. Long the standard-bearer for the fast-casual industry, Chipotle has taken some serious blows after its food-safety scare, watching sales and customer enthusiasm both plummet. It's been a cautionary tale for all the fast casuals founded and developed in Chipotle's wake—especially those brands, like sweetgreen, that have been ushered forward as "the next Chipotle."

Kelley says she and the sweetgreen team empathize with Chipotle for what it's been going through, adding that if anything, other fast casuals should learn from how the fast-casual Mexican leader navigates through the turmoil.

"It's hard to be compared to Chipotle because I think as a business leader you can't just step back and look at the challenges they face and look at the many great things they did and say, 'We've got it all figured out and they just didn't,'" she says. "I think it's important for us to say that, if anything, when you're in the space, we all learn from each other, and I think this should be a lesson for every person who has a responsibility in the foodservice space to learn faster, innovate faster, and really make quality assurance a critical discipline and celebrated function within the organization."

Yohn, the industry consultant, says sweetgreen has enormous potential to revolutionize the fast-casual industry, but she adds that it has challenges yet to come. For example, now that sweetgreen is building its presence in California, it's facing off against dozens of other fast-casual chains that have staked a claim in the fresh, healthy food space.

“They’re going to go head to head a lot more than they’ve had to in the past,” Yohn says. “I think that’s where sweetgreen is going to have to continue to really build their brand around all of their values and their community involvement and the social value they’re creating.”

There are plans to do just that. Kelley says she has two major goals for sweetgreen in the coming years, the first of which is to train and empower the future company leaders so they can understand the impact they can have on the brand and the communities in which it operates.

It’s her second goal that might be the hardest to accomplish, but the one that could determine exactly what kind of legacy she develops as the leader of the most exciting foodservice brand in America.

“It’s this idea of building intimacy at scale and building a company that’s based on personal and authentic connections with our farmers and our growers and our customers,” Kelley says. “I think that’s hard to do when you’re growing and scaling, and presents some unique challenges. But I think we have the team and the capability to figure it out.”

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