Panera bread company case study

1. Panera Bread's strategy is to make great bread broadly available to consumers across the US. The vision was to provide consumers with a high quality, authentic, fresh-dough artisan bakery and upscale quick-service dining experience. The following key elements comprise the Panera Bread strategy:

a. Capitalize on market potential by opening both company-owned and franchised Panera Bread locations as quickly as possible. Management planned to expand the number of Panera Bread locations by 17% annually through 2010 and to achieve EPS growth of 25% annually. The addition of the franchising option to the strategy has proven to be key in acquiring desired market penetration.

b. Offer a more nutritious fast food dining option. Panera Bread's signature product is fresh-baked artisan bread made with limited ingredients and no preservatives or chemicals. The rest of the Panera menu offerings are built upon this bakery expertise. The menu groups were fresh baked goods, made-to-order sandwiches and salads, soups, light entrees, and cafe beverages.

c. Compete successfully in five submarkets of the food-away-from-home industry.

Panera Bread utilizes its distinctive menu, signature cafe design, inviting ambience, operating systems, and unit location strategy to compete successfully. The submarkets that Panera competes in are: breakfast, lunch, daytime " chill out", light evening fare for take-out or dine-in, and take-home bread. Panera's goal was to increase dining at multiple meal times: breakfast, lunch, daytime " chill out", and dinner.

d. Enhance menu in order to become a nationally recognized brand name and to be the dominant restaurant operator in the specialty bakery-cafe segment.

The menu enhancements focused on attracting customers during the evening meal hours and customer interests. Panera added light entrees such as a crispani in order to bolster appeal to evening diners. The menu offerings are regularly reviewed and revised in order to maintain customer satisfaction and interest. Many of the menu items, such as the soup lineup, are seasonally responsive. Product development's main concern is to create food that customers crave and trust to be consistently tasty. This was achieved through the use of test kitchens and limited release in test markets.

2. Creating an appealing gathering place for urban workers and suburban dwellers to enjoy a quick-service meal and an aesthetically pleasing dining experience. Locations are typically located in suburban, strip mall, and regional mall locations and are chosen after a thorough analysis of the area. Each location focused on creating " Panera Warmth" by using fixtures and materials complementary to the neighborhood location. Panera also utilizes a new G2 cafe design to further refine and enhance the appeal.

The G2 design incorporated higher-quality furniture and fixtures, modified seating and gathering layouts, and many other additional features. Of the five generic competitive strategies discussed in Chapter 5, Panera Bread's competitive approach most closely resembles the broad differentiation strategy. They are trying to increase unit sales, gain buyer loyalty and brand recognition. Panera is trying to achieve differentiation and expertise competitive advantages. Panera offers a premium product and strives to be better than their competitors. .

A SWOT analysis of Panera bread reveals that the overall attractiveness of its position is high. Panera has a strong and loyal customer base and has established a strong presence in the bakery-cafe franchising business segment. Panera's innovative abilities and financial performance also help to boost the company's position attractiveness. Panera has an opportunity to have strong growth even in the highly competitive industry. The company has the following core competencies:

* A diverse menu with lots of variety backed by constant reviews and revisions. * High quality food that is reasonably priced Superior customer service showcased by multiple awards. * Strong relationships with existing franchise partners. * Strong brand reputation and customer loyalty. The company has a distinctive competency in its method of locating new store locations. Panera uses studies of the area in addition to proprietary software in order to analyze the attractiveness of new locations. Panera also has a distinctive competency in its execution of its bakery-cafe supply chain. Panera has invested heavily in its network to ensure proper distribution of the fresh bread dough and other ingredients.

3. Overall, Panera Bread is growing quickly and is performing well but has had some slight decline recently. According to data collected and analyzed by Morningstar, Panera Bread's Gross Profit Margin, which shows the

percentage of revenue available to cover operating expenses and still make profit, was 26. 54% in 2002, 55. 69% in 2003, 54. 4% in 2004, 55. 06% in 2005, and 54. 77% in 2006. Beginning in 2003, Panera Bread had a large jump in gross profit earnings and has remained fairly consistent at their current level. The operating profit margin for Panera has been on a steady decline.

In 2002 it was 12. 52, 14. 02 in 2003, 12. 91 in 2004, 12. 67 in 2005, and 10. 95 in 2006. This decline indicates that profitability is slowing. The current ratio for 2002 was 1. 83, 1. 53 in 2003, 1. 05 in 2004, 1. 18 in 2005, and 1. 16 in 2006. While still at a good level, the ratio is showing some decline indicating that liabilities are becoming greater than assets. Panera Bread Company is still performing well financially despite the slight declines in ratios. Panera is still a fairly new company and with the right business plan and management, they could gain vast amounts of profitability.

4. Based on the information in Exhibit 9, Panera's closest rival restaurant chains are: Atlanta Bread Company, Au Bon Pain, Bruegger's, California Pizza Kitchen, Corner Bakery Cafe, Fazoli's, Jason's Deli, McAlister's Deli, and Starbucks.

5. Panera Bread's management needs to address the following strategic issues and problems:

* Find ways to reduce expenses in order to control declining profit margins.

* Increase sales of company-owned locations to equal those of franchised locations.

* Increase consumer patronage at all locations, especially during dinner hours . In order to strengthen its competitive position and business prospects, Panera Bread needs to continue to stay at the front of the pack with its innovative product offerings. Panera also needs to acquire prime locations in order to increase its market penetration. They also might consider branching out into different types of locations. Panera needs to find innovative ways to control their rapidly rising expenses as well as create new menu offerings.