

# Panda express franchise cost and opportunities essay sample

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Panda Express is everywhere. The lightning fast-growing chain of American Chinese cuisine has outlets in casinos, shopping malls, supermarkets, airports, train stations, theme parks, stadiums, college campuses, even the Pentagon. It has quickly become the largest chain of Chinese fast food restaurants in the country, with 1, 321 locations in 38 states and Puerto Rico, and in 2004 the company began opening stand-alone restaurants, too, with drive-through windows. With delectable dishes like Orange Chicken, Beijing Beef, Kung Pao Chicken and a rule of no added MSG, Panda Express is a brand that sells easy.

Industry: Fast Food Franchises.

Panda Express Info

Panda Express Stats

Panda Express Franchise Opportunities - Information

Business people interested in owning and operating a fast-paced, friendly restaurant with dependably scrumptious Chinese food would do well to consider a Panda Express franchise. Panda Restaurant Group also owns Panda Inn restaurants, and Hibachi-San.

Panda Express Franchise Opportunities - History

The Panda Restaurant Group, which owns Panda Express, was founded by Andrew and Peggy Cherng, and Andrew's father, Master Chef Ming Tsai Cherng, who opened their first Panda Inn restaurant in 1973 in Pasadena, California. When they were invited to open a fast-food version of Panda Inn for the Glendale Galleria, Panda Express was born and has steadily spread across the United States since, and even opened two restaurants in Japan, <https://assignbuster.com/panda-express-franchise-cost-opportunities-essay-sample/>

which have since closed. Among its three restaurants, the Panda Restaurant Group, for which Andrew Cherng still serves as co-CEO, brings in annual sales of more than \$1 billion and has more than 13, 000 employees company-wide.

### Panda Express Franchise Cost / Initial Investment / Panda Express Franchise Income

An investment of \$125, 000 is required to open a Panda Express franchise. Training and support is available through the parent company, the Panda Restaurant Group.

### Panda Express Business Opportunities: Other Information

Andrew and Peggy Cherng are well known for their philanthropy in and around the Los Angeles area. In 2008, the couple received the City of Angels Award. The Panda Express chain was featured on ABC News Nightline in 2011, discussing Andrew Cherng's approach to life and encouragement of his employees partake in motivational programs.

### Corporate Overview

The privately-held Panda Restaurant Group, Inc. (PRG) is the largest and fastest growing Asian restaurant company in the nation. Today, under the leadership of Founder and Chairman Andrew Cherng and his wife, Co-Chair Peggy Cherng, PhD, PRG operates three concepts - Panda Inn, Panda Express and Hibachi-San - totaling over 1, 500 units, with close to 20, 000 associates in 42 states and Puerto Rico. Same store sales, the industry's

benchmark measurement of growth, have increased consecutively for 13 years from 1996 to 2008 with revenue exceeding \$1.5 Billion in 2011.

Andrew and his father, Master Chef Ming-Tsai Cherng, established the first Panda Inn restaurant in 1973 in Pasadena, CA to serve gourmet Mandarin and Szechwan cuisine in an upscale, casual-dining atmosphere. They quickly won a loyal following with such original dishes as Tea Smoked Duck, Honey Walnut Shrimp and Lotus Leaf Rice. That provided the springboard and the inspiration for the launch of Panda Express in 1983, fulfilling Andrew's vision of a unique restaurant that combined the gourmet cuisine of Panda Inn with a fast-casual format. The first Panda Express opened in the Glendale Galleria in Glendale, CA.

Panda Express is the growth engine of PRG, designed for people who welcome the exciting tastes of Chinese food. Each Panda Express is designed with its full-service roots in mind. From granite table tops, to vibrant colors and cultural décor, Panda Express restaurants reflect the company's uncompromising passion for bringing quality Chinese food to neighborhoods across the United States.

At the core of Panda Express' values is its commitment to Guest satisfaction. Panda Express and its associates promise to energize guests with signature dishes such as Orange Chicken and Honey Walnut Shrimp, to enlightening Guests through cultural celebrations such as Chinese New Year and to care for its Guests through gracious hospitality and community involvement.

Leveraging its operations expertise and wealth of knowledge about Asian cuisine, PRG introduced Hibachi-San in 1992, a mall-based quick-service restaurant featuring a variety of Japanese grill and bowl entrees.

Panda's mission is to deliver exceptional Asian dining experiences by building an organization where people are inspired to better their lives. The company has put people at the forefront of its success, investing in countless tools for professional advancement as well as personal growth. The company's significant expansion plans mean unparalleled opportunities for those with a passion for Panda.

While versatile in non-traditional venues such as malls, airports and amusement parks, the majority of Panda's portfolio consists of street locations. Panda continues to aggressively accelerate its development focusing on end-caps, free standing buildings and drive-thru concepts. In 1997, Panda opened its first drive-thru restaurant in Hesperia, Calif., paving the way to over 400 drive-thru units today.

PRG is deeply committed to the communities it serves with donations to countless non-profit organizations. Panda Cares is the company's community involvement initiative, providing food, funding and volunteer services to organizations benefiting children and disaster relief efforts.

PRG's company values are being proactive, respect/win-win, growth, great operations and giving. Panda is committed to delivering on this commitment to each Guest, Associate and partner. Company Perspectives:

Every year, Panda makes it a mission to focus on one very important aspect of our recipe for success. Whether the spotlight is on food excellence, outstanding service or enhanced teamwork, each Panda employee becomes dedicated in a special way to making that focus a priority during the year. ... We at Panda truly believe that the quality of service that we provide to our customers each and every day forms the links that hold our business together. We are dedicated to doing everything in our power to deliver no less than exceptional customer service to every customer every day.

#### Company History:

Panda Management Company, Inc. (PMC), based in Southern California, has grown dynamically ever since 1983 when it opened its first Panda Express, its most successful operation. As that name suggests, Panda Express units are fast-service Chinese restaurants, now found in over 34 states, the District of Columbia, Puerto Rico, and Japan. Altogether, PMC manages over 300 Panda Express Restaurants, six Panda Inn Restaurants, eight Hibachi-San Restaurants, and seven Panda Panda locations. Panda Inns, the first of which opened in 1973, are all located in Southern California, as are the Panda Pandas, upscale, gourmet Chinese food restaurants. The Hibachi-San Restaurants, featuring Japanese cuisine, are located in shopping mall food courts, about half of which are at select sites outside California. The much more ubiquitous Panda Express Restaurants are located in five basic operating environments: mall food courts; supermarkets and retail chains; shopping centers and key intersections; university and college campuses; and airports, casinos, and sports arenas.

Their key market focus is the customer in the 18 to 34 age bracket, the upwardly-mobile segment of the working population most likely to adapt to a nouveau, fast-food cuisine. In contrast to the Panda Express units, Panda Inn, Panda Panda, and Hibachi-San restaurants are full-service restaurants. In association with EATertainment International, the company has also ventured into quick service Cajun food with Orleans Express. However, it is the tremendous success of the Panda Express chain that fuels PMC's accelerating expansion. Its aggressive plans called for the opening of from 70 to 80 new units in 2000 alone, including an increasing number of street-level, stand-alone, drive-in units, making them more competitive in a market dominated by hamburger, fried chicken, and Mexican food chains. None of the restaurants operated by Panda Management is franchised; all are owned by founder Andrew Cherng and his wife, Peggy.

#### 1973-82: Founding and Development of Panda's Full-Service Restaurants

Andrew J. C. Cherng and his father, master Chinese chef Ming-Tsai Cherng, founded what would evolve into Panda Management when, in 1973, they opened the first of seven Panda Inns, full-service restaurants located in Southern California. The initial site was in Pasadena, a suburb of Los Angeles, one of America's great ethnic melting pots. The Cherngs had migrated to the United States from Japan in the 1960s after first getting there from their native China by way of Hong Kong and Taipei, and their establishment was one of the first in the area to modify authentic Mandarin and Szechwan dishes to complement the area's Oriental cuisine.

Initially, the Cherngs were determined to expand in the full-service Chinese restaurant market, a tough business in California, thanks to its large Asian-American population. Although the new company was able to open additional full service restaurants, the younger Cherng soon saw that fast food, drive-thru restaurants were a national craze in the United States. He also realized that Southern California offered an excellent market for experimenting with an Oriental food version of that kind of operation. Accordingly, he set out to expand into the quick service restaurant field.

### 1983-91: Company Steadily Expands with Its Panda Express Chain

In 1983, Cherng launched Panda Express, opening the first unit in a mall in Glendale, California. It proved to be a very successful beginning for what would become PMC's chief chain. Because the Panda Express was one of the few quick-service restaurants to evolve from a full-service concept and because it introduced a new food to that market, it found a good market niche, close to a wide-open field, in fact. It joined authentic Mandarin cuisine to a sector historically dominated by hamburgers and fried chicken. Panda Express sent the company into a growth cycle that by the year 2000 had not abated.

The Panda Express outlets, depending on location, varied in size, assuring some flexibility. Like the first, the early units were usually located in shopping malls, but eventually they spread into other spots where potential customers were to be found, sites where people were on the move: into strip centers, airports, and universities, for example. Starting in 1988, they were



also placed in grocery stores when the Cherngs placed a Panda Express in a Vons supermarket.

The dishes featured at the various Panda restaurants originated in three regions of China: Canton, Beijing, and Szechwan. Although less inclusive, the dishes at the Panda Expresses were the same as those served at the original Panda Inns and were prepared on the site of each unit, even the smallest ones. Because few concessions were made to expediency, the food quality remained high and quickly won the new chain a loyal customer base.

Their success led to the company's concentration on expanding its new chain, first in its home base of Southern California, then eastwardly, to the Western states of Nevada, Arizona, Colorado, and Utah and eventually to the East Coast, where it would meet stiffer competition from a rival chain, Toronto-based Manchu Wok, which was already well established East of the Mississippi River.

#### 1992-2000: Accelerated Expansion and New Directions

By the end of 1992, the Panda Express chain numbered just over 50 units. Market indicators were very strong, encouraging rapid expansion. Notably, the National Restaurant Association issued a report indicating that between 1987 and 1990 there was a 31.5 percent gain in the Asian segment of the fast-food business. Overall, Asian restaurant sales in the United States rose from \$7.5 billion in 1990 to \$8.3 billion by August of 1995.

Panda Management responded the market surge with very quick growth. By April of 1994, it was operating 125 units in 21 states, Washington, D. C., and <https://assignbuster.com/panda-express-franchise-cost-opportunities-essay-sample/>

Japan. Sixty of these were financed by money generated internally from sales that in 1993 had reached \$100 million and \$112 million by May of the next year. By that time, Panda Express was running neck and neck with Manchu Wok, which, with far more units, was just keeping even in sales. By 1993 it had even fallen far behind Panda Express in the number of its new openings, though it was still the dominate express Chinese food chain in the eastern part of the United States.

One thing contributing to the rapid increase in the number of Panda Express units was the chain's versatility. Its five different footprints, ranging from 400 to 2, 000 square feet, allowed it to find unit sites in a wide variety of places and to adjust size to sales that in 1994 ranged from \$350, 000 to more than \$1. 5 million per unit.

In 1994, in part to help make its expansion and diversification plans go smoothly, Panda revamped its upper management team. In January of that year, it recruited and hired Joseph Micatrotto as president and chief operating officer. Although Andrew Cherng remained chairman and CEO, he gave Micatrotto considerable latitude in mapping out new directions for the company. Micatrotto, who grew up in a ' little Italy neighborhood' of Cleveland, came to Panda from a 14-year career at Chi-Chi's, a Louisville, Kentucky-based chain of Mexican restaurants. The company also hired Russell Bendel as senior vice-president of operations. He joined Panda after resigning his post as COO at El Torito, another chain of Mexican restaurants based in Irvine, California. Although neither Micatrotto nor Bendel had

knowledge of Oriental cuisine, they had the managerial, organizational, and leadership skills that PMC needed.

At the time Micatrotto took the reins as president, PMC already had an enviable history of minority employment. About 45 percent of the workers were Hispanic and 40 percent Asian. As part of his program, Micatrotto scheduled 'cultural diversity' lunches, sensitivity training experiences through which workers developed their awareness of their diverse cultures. Considering that the vast majority of Panda Express customers were non-Asian in their heritage, that program had a solid basis.

Although Micatrotto resigned the presidency of Panda Management in 1996, relinquishing it to Peggy Cherng, one of the things that he had recommended was an increase in the number of street-level, freestanding stores offering dine-in, drive-through, and carry-out services. By the end of 1998 these accounted for only about 80 Panda Express units, most of which were located in malls and other, less traditional places. By adding more stand-alone units, the company sought to offer stiffer competition to such fast-food giants as MacDonald's and Taco Bell as well as traditional Chinese restaurants.

In the 1990s, Panda Management also took steps to increase the percentage of takeout orders. In 1995, its 173 Panda Express units were averaging only a 30 percent volume in take-out sales, considered rather low for limited service Chinese food restaurants. In addition to a 'Flavors of China' campaign, stressing Panda's authentic regional foods, it promoted a home

meal replacement family dinner featuring two entrees, rice or chow mein, and appetizers for \$12. 99. Also, to improve its efficiency,

1973: Company is established by Andrew and Ming-Tsai Cherng with opening of first Panda Inn.

1983: First Panda Express is opened.

1988: PMC puts first outlet in Vons supermarket.

1994: Company hires Joseph Micatrotto as president and chief operating officer.

1995: Micatrotto becomes CEO.

1996: Micatrotto resigns, and Peggy Cherng assumes presidency.

1999: Company opens 300th Panda Express.

By the mid 1990s, Panda Management had begun committing more of its revenue to its advertising budget, which, until then, had been very small. Although it continued to use direct mailings, as it did in its 1995 'Flavors of China' campaign, it began running ads in print and on radio, with the latter as its main media strategy. It also started conducting focus group sessions, using questionnaires and evaluations of the quality of its foods, but it was not until 1999 that it produced its first block of television ads. These were initially limited to the Las Vegas area, where, in a relatively new market for the company, it had 19 Panda Express units. At that time, Peggy Cherng said

that the campaign was a test of the medium's ability to bolster sales and 'the commercials' ability to deliver the brand message.'

Authenticity in Chinese cooking has not been easy for PMC to maintain, especially since some concessions had to be made to American tastes and preference for quick service. Simply put, the fast-food format required a kind of juggling act between quality and speed. Among other things, reflecting health conscious trends in the United States, Panda Express restaurants used no MSG in any of their foods. Basically, in order to preserve the authenticity of their dishes, they also kept recipe modifications to a minimum, using only minor adjustments to suit the American palette. For example, they cut back on the spice levels in their array of Szechwan dishes, making them much milder than they would be in Asia. Most importantly, even as the chain entered its period of explosive growth in the 1990s, its restaurants continued to prepare their foods from scratch, maintaining what Micatrotto called 'a quick service environment with a full-service kitchen.'

In 1998, celebrating its 25th anniversary, Panda Management redesigned and reopened its flagship Pasadena Panda Inn, the first of its restaurants. The renovation was in a way symbolic, reflecting the company's desire to preserve tradition even as it ventured into new culinary and geographic areas. Although the restaurant was one of the first to serve foods from diverse Chinese provinces, its kitchen also produced several original dishes, including Tea Smoked Duck, Creamy Mustard Shrimp, Lotus Leaf, and Sizzling Crispy Garlic Chicken.

Throughout its history, Panda Management has worked diligently to play a significant, good neighbor role in its host communities. Under the rubric 'Panda Cares,' it has been involved in many initiatives undertaken to improve the quality of life for children in those communities. In addition to contributions of money, the company has urged its employees to volunteer their time and labor, allowing them to initiate their own Panda Cares events that include meals donated by Panda Express. The program has both enhanced Panda's image, creating solid good will, and bolstered the morale of its employees. An example of PMC's commitment occurred in February, 1999, when, in Las Vegas, it opened its 300th restaurant with a gala celebration. PMC donated 20 percent of its opening day profit to the Candlelighters for Childhood Cancer of Southern Nevada.

Prospects for continued growth for PMC's Panda Express chain remained very good at the century's close. The chain was firmly established, had an excellent reputation, and enjoyed a growing brand awareness. It also had barely begun to saturate its markets outside Southern California.