

# Pane bread company case study

Business



This case involves the study of the Pane Bread company, which is a highly successful company competing for customers in the casual fast food - quick service industry. Pane Bread is more of a "niche" player, offering a different type of menu fare designed to give the public a better dining experience, with higher quality food at slightly higher prices. Pane Bread's marquee menu products are their freshly baked specialty breads available in 22 different varieties.

Furthermore, Pane Bread's other menu items such as: signature sandwiches, cafe© sandwiches, baked egg soufflé©s, pups, hand crafted salads, kid choices, and a wide variety of beverages (Donnelly, Peter 2013) allows Pane Bread to differentiate itself from other industry peers such as: KEF, McDonald's, Struck, Yum! Brands, and Tim Hortons (Value Line 2013), to name a few.

Lastly, "Pane Bread's distinctive menu, signature cafe© design, inviting ambiance, operating systems, and unit location strategy allowed it to compete successfully in five supermarkets of the food-away-from-home industry: breakfast, lunch, daytime, "chill out time" and dinner" (Donnelly and Peter, p. 299). The Pane Bread Company had its origins as far back as 1981. At the time, Louis Kane and Ron Tonnage a Takers-cater enterprise named Au Bon Pain Company Inc.

At the time the primary markets for the Au Bon Pain Company were malls, shopping centers, and airports.

As the years went by, Kane and Isaiah had benefited from great success with Au Bon Pain Company, and because of their great success in 1993, Kane and

Isaiah decided to expand their business by the acquisition of a 20 chain bakery-cafe© located in SST. Louis, Missouri, known by the name of “ The SST. Louis Bread Company’. Between the years 1994-1995, Isaiah with a team of his managers traveled around the United States researching the fast food industry.

Isaiah concluded that there was a market for fast food customers whom desired a better dining experience, and a higher quality meal.

With this understanding, Isaiah changed the look and feel of his newly acquired SST. Louis Bread Company cafes so customers could enjoy a more comfortable dining atmosphere. “ Chassis vision was to create a specialty cafe© anchored by an authentic, fresh-dough artisan bakery, and upscale quick service menu selections” (Donnelly and Peter, 2013 up. 98-299). Once again, Isaiah found himself with another successful, expanding business. In 1998 the SST.

Louis Bread Company had grown to 100 stores, and shortly after the decision was made to sell the Au Bon Pain Company, and pursue a national company presence with the SST. Louis Bread Company. The bakery-cafes still located in SST. Louis are still know today as the SST. Louis Bread Company, but everything outside of SST. Louis is known today as Pane Bread (PANDA).

One of the key people Isaiah depended on to create Pane Bread’s unique restaurant look was Scott Davis. Davis currently is Pane Bread’s Executive Vice President, Chief Concept and Innovation Officer. And Davis has been with the company since 1998.

He was a critical asset in creating the look and inviting feel of the Pane brand, and in addition, Davis is also responsible for the sourcing, quality assurance, contract manufacturing, and logistics teams. Davit’s mantra is “being better than the guy across the street” (Donnelly, Peter, 2013 p.

301) this mind set has served the company well if one views the historical stock income statements, and balance sheets. Pane Bread differentiates itself from its competitors with its unique menu. And he menu is updated from time to time based on consumer tastes, and market trends.

Currently (as of 2013), Pane Bread’s menu contains the following items: 12 varieties types of bagels 9 varieties breakfast sandwiches 5 varieties egg souffle©s 12 varieties lunch-dinner sandwiches 4 varieties pasta dishes 10 types of soup 6 varieties Panic’s 14 varieties salads 26 varieties beverages 22 varieties freshly baked bread 31 pastries and sweets (Pane Bread, 2013). Pane Bread also NAS an excellent market Image. Since 2 alone, Pane Bread has earned over 14 national awards in categories such as:

Culinary/Operations,

National Chain Winner Dining Brand of the Year: Harris Poll Quit Trend Pane Bread ranked #2 among Excellent Large Fast-Food Chains (500 or more units) Pane Bread Executive Vice President and Chief Concept Officer Scott Davis honored for innovation by Nation’s Restaurant News

Pane[[email protected](#)]named to Businessman’s 2010 list of top 25 “

Customer Service Champs” Pane[[email protected](#)]Named to FORTUNE

Magazine’s 2010 List of 100 Fastest-Growing Companies Top 50 Quick

Service Brands (USSR) Pane[[email protected](#)]named #1 Fast Casual Tom

Jumped of Pane[[email protected](#)]named among Top Ten Bread Bakers in America by Desert Professional Magazine.

Pane

Bread is named to AdAge's list of Hottest Brands, November 2009 Pane Bread wins Platinum Award, Sandwich category Health Magazine: Pane[[email protected](#)]Named #1 Healthiest for Eating on the Go (Pane Bread, 2013). Furthermore, Pane bread's image is enhanced by the charity work it does. All bread not consumed by the end of the day is given to charitable organizations to feed the less fortunate. In addition, Pane Bread also has a unique charitable organization called " Pane Cares" (Pane Bread Foundation, a separate Section 501 (c) (3) nonprofit entity), at certain Pane locations, Pane Bread will feed a person whether they can pay, or not.

Pane Bread's menu and dining experience has been tremendously successful: The SST. Louis-based company opens a new bakery-cafe© every five days.

Sales rose 16. 2% in 2008. Profits were up 33% in the first half of this year. PANDA is the best-performing major-restaurant stock of the last decade, with annual growth of 31. 5%. Pane is proof that, in suburbia, there's a hunger for real food unfussy ingredients moved from farm to plate quickly and affordable.

And the company has combined that menu with an unpretentious atmosphere there's no table service, but also no time limit.

As a result, it has become as much community gathering space as a bustling lunch spot (Rockford, 2009). (Pane Bread, 2012) current company goals are the following: Excel delivering a differentiated experience to millions of customers each week across our store base of almost 1, 700 cafe@s. To that end, our focus in 2012 continued to be improving the overall quality of the Pane experience by investing in these four key areas: the quality of our food, the evolution of our marketing, the growth of our catering business and the quality of our operations...

ND to both deepen our relationship with he customers who use Pane frequently, but also increase our reach to those who are not regular users of Pane (Pane Bread, 2012). Pane Bread employees the use of current communication technology to track its sales, transaction counts, product mix, and customer counts per store. With this data, Pane Bread can anticipate the amount of raw materials, and supplies used in each store (Pane Bread, 2012). But Pane Bread, through the use of free internet access for customers in most of its stores, was able to increase company sales and profits as well.

USA TODAY reported “ Restaurant giant Pane Bread made a big business bet eight years ago to offer free Wi-lf to customers as a way to boost sales, long before stardust’s l nee experiment worked, Ralston sales early on auto 1 (Grandma, 1 May 2012).

Of course in any new service there may be some unintended consequences: Pane Bread is also taking advantage of the technology of social media to

introduce customers to staffers, “ Pane is turning to social media, as are many companies, and it’s trying to keep people interested.

But unlike competitors, who tend to spend more time on discounts, coupons and deals, Pane uses social media to introduce customers to staffers” (Graham, 17 May 2012). With respect to the culture within Pane Bread, Ronald M. Isaiah, founder, chairman and co-chief executive of Pane Bread, had a great deal to say about this subject in a recent interview conducted by Adam Bryant, of the New York Times. The following are some excerpts from that interview: Q.

How has your leadership style evolved? A. When I started out, I think I was like many people in that I was focused on the profit as the end.

I spent a lot of time around the numbers, and that phase probably lasted for five or 10 years. From there, I began to realize that the numbers that came out the back end were a byproduct. So I entered a phase where the driving force of how I spent my time was on key initiatives.

I would sit down at the beginning of each year and I did this for my life, too and figure out what I’m going to get done in the next year. In the last 10 years, I have found myself spending more time on the people, because oftentimes people how they are organized and work together are what ultimately drive your ability to meet those key initiatives.

Q. What are some things you’ve done to maintain your culture as you’ve grown? A. We wrote our “ official” cultural values document long after the culture had already taken hold. And we wrote them not to put them up on

the wall in the back office, but to codify the ways we wanted to relate with each other.

Q. What are some examples? A. One of them is no Jerks. It started as something more precise, but it was sanitized by our human resources people along the way. I wanted to create the kind of organization that I would want my kids to work for.

It's a standard I use, and that means no Jerks. Another precept we spend a lot of time talking about is that we do the tough stuff with optimism and mastery. In our kind of industry, it's always easy to follow the conventional wisdom. But I like things that are difficult because when they are difficult, we can solve them. We can simplify them and come up with the right answer, creating a competitive advantage. If something is simple in my industry, then anybody can do it.

So I like things that are more difficult. That's where we play. Q. Other approaches to culture?

A. We have not fallen prey to what happens in so many large companies: they let their “ delivery muscle” in effect, how they get work done completely outweigh the “ discovery muscle” of trying to innovate and find new ways of doing things. The livery muscle, of course, feels rational, people feel much safer with it, and you can analyze it.

It's driven by market research that tells me what I can count on, and it's very good for incremental change. But when you are talking about companies that find new patterns, that have discovery, it's about leaps of faith.



It's about trusting yourself. It's about innovation. It's about believing you can figure out where the world is going. Ana Tanat you will get tenure, Ana teen sallying we are going to go let Ana not right. The decisions are not necessarily rational or easy to defend.

Even so, you need to take that approach. And, by the way, you've got to be right. It's not enough to just talk this way, because your credibility matters. I would say that the driving force of this company is that our discovery arm is every bit as strong as, or stronger than, our delivery arm.

Another problem with focusing on delivery is that people start seeing the business only through their functional perspective. Then you see what ends up happening: nobody owns the whole.

I am always blown away by the fact that in some organizations, everybody can say no and nobody can say yes. Saying yes takes a leap of faith. Q. What is some advice you would give to graduating business school dents? A. My general approach to most things in life is to approach them like body surfing.

You have to pick the wave you're going to go on, but you can't assume you can figure it all out.

You have to work with it. So it's somewhere between a much directed kind of existence and a very roll-with-it kind of existence. I'm pretty reflective, so I'm constantly asking about everything what works and what doesn't.

(Bryant, 2012) Collaborators Pane Bread has a supply-chain operation in which its regional fresh dough facilities supply on a daily basis dough for its

fresh bread along with tuna, cream Hess, and certain produce to substantially all of its Company-owned and franchise- operated bakery-cafes.

As of December 27, 2011, the Company had 24 fresh dough facilities, 22 of which were Company-owned, including a limited production facility that is co-located with one of its Company-owned bakery-cafes in Ontario, Canada to support the three Company-owned bakery-cafes located in that market. As of December 27, 2011, the Company's fresh dough and other product operations, which supply fresh dough, produce, tuna, and cream cheese items daily to Company-owned and franchise-operated bakery-cafes.

As of December 27, 2011, it leased 200 trucks. The Company uses independent distributors to distribute its sweet goods products, and other materials to bakery-cafes (Reuters, 2013). Customers Pane Bread has had continuous market capture and rapid growth since its inception. PANE BREAD GROWTH VS.

. COMPETITORS SINCE JANUARY 1999 The rapid revenue growth and high profitability of Pane Bread (PANDA), shows that making bread, bakery products and sandwiches is still a great business.

Last year, with fewer than 1, 600 locations, Pane was actually responsible for 13% of the \$31 billion made in the domestic fast-casual restaurant market. Campus, 2013). Pane Bread gives customers added benefits not just through better quality food, a better dining experience, or Pane Bread's free Wife service. In addition, Pane Bread also offers loyal customers extra bonuses through its Napery program.

When a customer signs up for this program, they are given a Napery program swipe card that the customer can use every time a purchase is made.

The customer from time to time will then receive the following perk:

Complimentary bakery-cafe items Exclusive previews Ana tasting Cooking and baking tips Invitations to special events Ideas for entertaining Recipe books And more! (Napery-rewards, 2013) Pane Bread customer's also value the company's attention to what their customers want. " Pane recognized in late 2004 that significantly more customers were conscious about eating " good" carbohydrates, prompting the introduction of whole grain breads" (Donnelly, Peter 2013 p. 305).

Also, in 2012 Pane Bread started sourcing, and use of antibiotic-free roasted turkey which customers feel better about eating, and serving their families.

(Pane Bread, 2012). And the New York Times noted what it found appealing about Pane Bread. Pane Bread has several things going for it: wholesome foods (organic or natural items) a place to get great soup, salads, sandwiches, generous portions and modest prices. Pane Bread was recently named the healthiest restaurant chain in America by Health magazine" (New York Times, 2009).

Pane Bread carefully chooses its new locations based upon the market segments it want to service.

Pane Bread's business model focused on the customer they wanted, not only the customer that walked in. Pane Bread carefully chose a class of customers

which would be more resistant to small price fluctuations, or downturns in the economy when deciding on future purchases. And with respect to the frequency of purchase; Pander's marketing research indicated that 57 percent of consumers who had "ever tried" dining at Pane Bread had been customers in the past 30 days.

This high proportion of trial customers to repeat customers had convinced management that getting more first-time diners into Pane Bread cafes was a potent way to boost store traffic and average weekly sales per store. "Pane Bread's target customers market are affluent suburbanites, and baby boomers, who are willing to spend more money for healthier food" (Rammers, 2009).

And the average Pane Bread customer's household income is \$75,000 (Raman, 2013). Because Pane Bread carefully chose its customer base, its profits did not suffer in the 2007-2009 recession.

Traditionally, companies like Pane have suffered in recessions, which decrease the frequency with which consumers eat out at restaurants. However, Pander's strategy during the recession has been "to stay consistent and not to react to the recession", and keeping costs constant and offering new salads and sandwiches. As a result, Pander's "fast casual" niche (between casual dining and fast food) contributes to its elating success; this positioning allowed it to avoid discounting wars and maintain its margins by attracting customers with a higher quality product perceived to be a good value for the money (Waistlines, 2012).

Customers who want Pane Bread products have to come to their restaurants, for the most part.

However, Pane Bread is starting to provide drive-through, and all-over services in some locations. Once again, Pane Bread is reacting to popular trends in the fast food industry. Pane Bread does have Pane Catering at most locations, and will deliver their products to large groups, such as “ a pharmaceutical, or sales representative, an administrative assistant in a corporate organization, a real estate agent, a teacher from the local school system, a church group leader, etc. ” (Pane Bread, 2013). In fact, since 2004 catering has become a money maker for Pane Bread, and continues to add more revenue year after year. An example of this growth was discussed in the following; Pane Bread’s CEO Discusses Q 2011 Results – Earnings Call Transcript “ Our catering business continues to make a strong contribution to our combined store sales, showing up in our check growth.

Our combined catering initiatives drove 31% year-over-year growth in the catering sales in the third quarter and that brings our year-to-date catering sales increased to 29%” (Shenanigan’s, 2013).

Pane Bread practices other methods to improve customer experience, and provides better service than other competitors by paying their employees more as mentioned in Article’s The workers are kept happy with a wage rate that is nearly 30 percent higher than the closest competitor. The service provided of these workers is crucial in keeping the customers happy. The service is very timely because enough staff is kept on hand. In the end the

experience is unlike any other. The combination of foods can be best compared to a French restaurant.

Most important, the attention to detail is not forgotten (Rammers, 2009). And lately, Pane Bread's website is quite extensive and full of consumer information as seen below: Competitors: Direct or Indirect Note: (The fast food restaurants industry is defined to be franchised restaurants that require pay before eating services, and is highly competitive with low-medium concentration. The top four players account to over 35% of total revenues, with McDonald's Corporation in lead with 12. % market share. Pane Bread Co.

Is categorized within the top 5 with an estimated market share of 2. %, according to IBIS World. Fishbowls is one of the world's leading publishers of business intelligence, specializing in Industry research and Procurement research. Since 1971, Fishbowls has provided thoroughly researched, accurate and current business information). With respect to direct and indirect competitors of Pane bread, it depends on what financial site, or stock reporting site one may look at. Here are some examples: Moreover, now does one compare one with another: one would say that McDonald's is a direct competitor to Pane, since they both serve breakfast, lunch and dinner.

However, as discussed earlier, the Pane customer is not necessarily the McDonald's customer. If one is in a hurry, even if they would like to go to Pane, one just may want the convenience McDonald's offers at the moment. Plus there are 34, 492 McDonald's restaurants around the world, vs.. 1, 650+1- Pane Bread locations. There are 20, 891 Struck locations around the

world, and consumers who want a coffee in the morning will most likely wind up at Struck, Dunking' Brands or some other saturate in the coffee venue market vs.

.

Pane Bread, just by probability alone. But, at lunch or dinner the story should be quite different due to the offerings at the aforementioned restaurants.

Look at Papa John's Pizza for example; a consumer is more likely to dine at Pane Bread in the morning, or for lunch than Papa John's. And one could go to the Texas Roadhouse for lunch or dinner, but it will take much longer, cost a great deal more, and they're not serving coffee at 5:30 am. So the Texas Roadhouse would be a good example of a restaurant which is an indirect competitor to Pane Bread.

I counted more than 60 different restaurant chains on the NASDAQ, and that's not counting tens of thousands of privately held restaurants, or looking at the other restaurant chains on other stock indexes. Thus it is difficult to compare all of these restaurants at any given time. Many people will be able to afford one of these at restaurants at one time or another, but there will be cross over. Would someone want to eat at the same place over and over again? So what is one to think?

A stock analyst will look at the above lists with a different point of view than a person wanting a hamburger vs..

A sandwich when hungry. But if one looks at Pane Bread and its growth rate year over year, they appeal to a large group of people, and taken customers

from other restaurants with their particular business model. Right now, Pane Bread has, 1, 650+/- locations, and has been about to find its 'sweet spot' within the price elasticity of demand curve where they are able to get customers to pay a little more for a better quality meal with a better dining experience.

However, there are people more sensitive to the price elasticity of demand curve that will not be able to dine at Pane, or many of the indirect competitor's (such as the Texas Road House) because they are too income constrained. Thus by choosing what customer Pane wanted in the first place (average household income \$75, 000, affluent suburbanites, and baby boomers) they have insulated themselves economically to changes in commodity prices and economic downturns to make a reasonable profit (which they have proven).

Indeed, Pane Bread has positioned itself well in the field of competition it operates in.

Pane Bread has also been successful because of its products and positioning. By using its 'Niche Market' strategy. "Pander's product online- artisan Taste T glee's It TTY In Ralston prices nice consumers' perceive Pander's high quality vs..

Traditional fast food restaurants. Pane Bread tries to associate it with the concept of fast casual dining - an alternative to traditional fast food (Waistlines, 2013). With respect to market share; Pane Bread has 2. 3% share of the fast food restaurant industry (Fishbowls), and its share continues to grow.

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Store Expansion: Pane Bread Company added 123 new stores in 2012, 64 of which are in the form of franchises.

2013 brings in a similar addition in the number of stores. The company has already committed to 195 new franchises that will open in the next four to five years (Raman, 2013). Climate (information from 2012 Pane Stockholder's Report) 0 Political & regulatory environment – governmental policies and regulations that affect the market: If we fail to comply with governmental laws or regulations or if these laws or regulations change, our business could suffer.

Regulatory changes in and customer focus on nutrition and advertising practices could adversely affect our business Environmental matters Regulatory changes in and customer focus on nutrition and advertising practices could adversely affect our business. Our federal, state, and local tax returns have been, and may in the future be, selected for audit by the tax authorities, which may result in tax assessments or penalties that could have a material adverse impact on our consolidated financial position and results of operations. Economic environment – business cycle, inflation rate, interest rates, and other macroeconomic issues.

Rising insurance costs could negatively impact our profitability. We are subject to complaints and litigation that could have an adverse effect on our business. Our failure or inability to protect our trademarks or other proprietary rights could adversely affect our business and competitive position. Although we have been able to successfully manage our growth to date, we may experience difficulties doing so in the future Economic

conditions in the United States and globally could adversely affect our business and financial results and have a material adverse effect on our liquidity and capital resources as well as that of our suppliers.

Our customers may not continue to be willing to pay our prices for higher-quality food. Changes in food and supply costs could adversely affect our consolidated results of operations A regional or global health pandemic could severely affect our business Seasonality including as a result of inclement weather.

Social/Cultural environment – society’s trends and fashions Damage to our brands or reputation could negatively impact our business.

Changes in demographics, consumer preferences, and discretionary spending 0 Technological environment – new knowledge that makes possible new ways of satisfying needs; the impact of technology on the demand for existing products We rely heavily on information technology and any material failure, interruption, or security breach in our systems could adversely affect our business. Returnees Peter, P. J. , & Donnelly, H.

J. (2013). Strategic Planning and the Marketing Management Process. Marketing Management: Knowledge and Skills, Eleventh Edition. New York, NY: McGraw-Hill.