Panera bread evaluation

Overview The food business is a broad range of businesses.

Food is a basic need of consumers like clothing, and shelter. For a company to enter into the food business it has to assess the various segments of this business. These ranges from production of food, processing, and marketing. The company prior to entering a market in this line of business should assess its capabilities and compare these to the kind of needs of the consumers – would the customer be a processor, or a consumer?

Is the product that the company can offer a raw material, processed food, or to serve a group of consumers who would like to eat and yet also need some little pleasure and not merely to satisfy their hunger? In the consumer segments of the market the company can classify these into consumers who eat at home, consumers who eat in restaurants, or they merely eat out say for camping. If they eat in restaurants would they prefer to eat in fastfoods because their concern is merely to eat something they don't eat at home, or do not want to spend so much time as eating?

Or would they want to experience once in while in a sit down restaurant where they eat, enjoy the view, or talk to friends while eating, or merely while away the time? Panera has assessed its capabilities and strengths and in the process has embarked to enter the food market on a very narrow segment of the market in terms of the uniqueness of its product – to serve customers who are looking for the fresh smell of home baked food, feel the joy of tasting fresh bread, enjoy the ambience of the restaurant and the view, or also to be able to work on their laptops and connect to the internet on a wifi.

It has further narrowed its market segment by selling at a price that is above the fastfood market and thereby identify itself as not being with the crowd or mass market, and yet offer prices that is much lower than in a sit down, exclusive type of restaurants, or clubs.

It is this understanding the marketing concept of Panera as a restaurant that sells not only fresh bread but also provides an ambience of leisure eating that we can appreciate its strengths and competitiveness with other restaurants that offer similar or nearly similar type of product.

Definitely it does not sell fast food where there is a queue, nor packaged food that is either eaten in the restaurant or as take-outs or “ to go”. Basically, other than the fresh smell of bread it also sells “ ambience” of pleasure. Strategy We need to understandthe nature and uniqueness of the product and the kind of consumers it serves that we can appreciate more fully the beauty and effectiveness of its strategy. It is also by this uniqueness that we begin to appreciate the importance of personal service, effective training of its personnel in handling customers, and maintaining the quality of the bread its offers.

The marketing concept of Panera is a differentiation of its product as a unique food and ambience, easily accessible, higher price to identify it as not being in the mass market. It is in a broad food basic commodity industry, and yet it is in narrow segment of that business as being not in mass fast food market, nor in an exclusive very expensive restaurant that is identify as being “ Frenchy”, or a black tie restaurant. It is simply a close to home-baked freshly baked bread business, with some added products on the side lie sandwiches.

I would describe its product as basically more of “ ambience and home-baked food.

” Lately, it advertises its product as organic to ride on the growing popularity of organic food and ecological concerns. The strategy of Panera to serve the market are of two types of restaurant outlets, namely: (1) restaurants that it owns, and (2) franchised restaurants. It is new in the latter outlets and it has to monitor their sales performance, quality of food served, and the support to provide the raw materials to ensure that only the ingredients are quality controlled by Panera.

Franchises are not single units but instead select franchise developers that are required to open a number of outlets in a given number of years. The processing in franchised outlets is left to the chefs that are not under the direct supervision of Panera personnel. Its pricing strategy is to be above the mass market, but casual, andyet below the sit-down exclusive and expensive restaurants.

The higher pricing strategy is to ensure that its image is a restaurant that is unique for its ambience and the freshness of its product.

It has a personal touch so to speak, unlike in a fastfood restaurant. Its location strategy is to be accessible and yet in a place that can offer an ambience of not a busy or crowded area, but have a chance for customers to stay longer for the view outside, or to work undisturbed on their laptops.

SWOT Analysis on Core Competitiveness Its major strength is of course the visionary ability of its founder who has almost single-handedly been responsible for Panera's growth and identify market segments for growth.

The uniqueness of its product is another of its major strength not only in their freshness but also on the emphasis on organic food. It has a strong information system that allows it to monitor the sales volume by type of order and the level of sales by customer. It is from this data that it is able to respond to consumer likes and request for other food preferences. It is also the information system that it is able to monitor control its cost, and price margin by type of product in its menu. It has an opportunity to expand in major cities where it is not yet known.

It has an opportunity within the mainland with the increasing food expenditure away-from-home dining its fresh baked food image.

There is of course the growing popularity on ecological concerns and organic food that Panerashould continue to explore for expansion. Its weakness is its main dependence on the U. S. mainland and in some areas in the mainland and in large cities. Perhaps it is because its product image is freshness.

Although Starbuck which is in the same market segment has expanded overseas.

Its dependence on the organic raw materials for its product is a threat to the expansion of its market. Assessment of Financial Performance Panera has strong financial condition and profitability. It has grown in its assets and its debt to equity ratio is has been reduced from 38% in 2006 from the preceding year. While its return on equity reduced in 2006 from 2005 its earnings per share increased from 1. 69 to 1.

88 over the same period. Its gross revenues continue to increase although its net profit rate and gross margin rates have gone down.

The reduction in gross margin is perhaps due to a lower pricing scheme which was compensated by increase in volume. The advantage of the restaurant is the low level of receivables. The restaurant business is mainly a cash business. Likewise, it has a low inventory level in relation to its revenues.

As shown above the inventory is only 5 days or a turnover rate of 71 times per year. The low current assets and current liabilities is shown by the lower working capital appears to be adequate. The current ratio tho decreased from a high of $3. 09:$1 to $1. 16:$1.

With the low debt to equity ratio Panera can still expand its outlets as owners by raising its capital through borrowing. It has still room for credit. The advantage of external borrowing is the lower cost of borrowing which means that by trading on the equity it has the opportunity to improve the return on equity and consequently increase its earnings per share. Through external sourcing by borrowing it is able to maintain its management control Rival restaurant chains that appear to be PB’s closest rival? There are two rivals of Paneraboth in locations in the U.

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mainland and in the fresh baked bread product line. In addition, Starbuck is also in the same market segment as Paneraalthough its uniqueness is in its coffee rather than on the baked bread. But Starbuck offers the ambience and the internet connections. A review of the table below shows certain restaurants that Panera may not consider as a competitor. These restaurants offer product that appear to be inconsistent to the image of ambience of Panera.

These are in restaurants that offer Mexican food and those that offer hamburgers and sea foods.

Panera should not expand into these markets so that it can maintain its uniqueness of ambience and baked bread. Market Competition Definitely Panerais not in the same competitive level as the bigger and nationally known food restaurants in the fast food market. This is not its setback. But it can compete with the other restaurants of its type in major cities by being located in suburbs that are as accessible to the larger cities.

It has to maintain its country-like ambience as opposed to the busyness of the larger cities.

While the large number of Italian pizzas are specialized in nature these are outlets that are still close rivals of Panera. It can draw from this market if Panera will offer the same Italian pizzas but with the ambience that it offers in the baked bread area. Pizzas and spaghetti. How would Panera further strengthen its competitiveness? Panera can strengthen its competitiveness with an effective and efficient cost control to increase its net profit rate despite possible price reductions.

Its information system is its strength.

It can improve its competitiveness and profitability if it can control the quality of food and personalized service in the franchised outlets. To ensure this competitive it has to have a continuing training of its personnel especially in their attitude and customer oriented awareness who are attracted to the restaurant for its ambience and fresh baked bread. There is still an area that it can strengthen. It can expand its product lines by offering Italian pizzas. This is in the sales of the various menu items in the franchised outlets.