

5 portal panera bread essay sample

[Food & Diet](#)



I. Rivalry Among Competitive Sellers

The restaurant industry is a very competitive industry. On a typical day US consumers spend a total of \$1 billion at eating establishments (Thompson). There are constantly new entrants to worry about as well as companies struggling to make a profit. Panera competes on many levels including fast casual dining and specialty foods (Panera). Panera's main competitors include McDonald's, Starbucks Coffee and Subway. However there are hundreds of restaurants that compete with Panera on a national, regional, and local level that has a negative impact on the company's revenue and market share (Panera). To stay profitable in the highly competitive restaurant industry, Panera regularly reviews and revises their menu " to sustain the interest of regular customers, satisfy changing customer preferences, and be responsive to various seasons of the year" (Thompson).

Panera develops an advantage in changing their menu over competitors such as McDonald's and Subway who do not change their menu frequently and customers often lose interest in their menu offerings. Starbucks Coffee however, does offer seasonal coffee beverages and a la carte food items to stay competitive for similar reasons as Panera. Starbucks and Panera have similar in-store atmospheres that make them rivals. Both companies offer an atmosphere that invites patrons to stay for awhile with comfortable chairs, calming music and Wi-Fi. In order to gain a competitive advantage over Starbucks in terms of the atmosphere, Panera introduced meeting rooms at many of its locations to attract large groups of patrons. Panera, in 2004, introduced its catering service Via Panera to further expand the business and gain an advantage over rivals (Thompson).

II. Threat of Substitutes

In the restaurant and food industry, there are not any substantial substitutes to food because people have to eat food every day. Food is a basic need and nothing can substitute that. Since there are no major substitutes the threat is relatively low in this category. However, there are substitutes to Panera's atmosphere and their coffee selections. Panera has developed an atmosphere that encourages people to hold meetings or get work done at the restaurant. A substitute to this could be to have the meeting in the office or just work from home. Panera has to offer people a reason to come into their restaurant as an alternative to the workplace or their home.

The company competes with this substitute by offering a professional calming environment to get their work done without any distractions that may hinder people from working. One of Panera's signature menu items is its coffee. Substitutes to coffee are caffeinated beverages and energy drinks. Instead of going into a Panera for a coffee, one could simply stop by the gas station and pick up an energy drink or a caffeinated beverage. Panera has the advantage with this substitute because many people either prefer coffee or prefer energy drinks and stick to their preference so the risk of customers switching to a substitute is low.

III. Threat of New Entrants

The threat of new entrants is high because barriers to entry are low and the pool of entry candidates is large (Thompson). People are always looking for a new and different place to eat and because of this demand new restaurants open daily. In addition many restaurants do not stay in business for very long due to bad menus, dining experience, food quality and service (Thompson).

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Barriers to entry are low because there are little regulations from the government, there are usually no patent or legal protection needed, and there are little technological drawbacks that other industries experience (Hudson). If a person raised enough capital they could easily open up their own restaurant without many restrictions. New eateries also have an advantage over established restaurants because consumers are more likely to give new restaurants a try (Thompson). Consumers are constantly looking for variety in their meals so this gives new restaurants an incentive to open as well as steady business in the beginning of their operations. Panera competes with these new entrants by constantly changing their menu to meet customers' diet and seasonal wants.

IV. Buyer Bargaining Power

Buyer bargaining power is relatively high for Panera. The restaurant must constantly be staying in tune to customer preferences or the customers will easily eat at another restaurant. The food industry is highly competitive and in addition there are low switching costs for consumers and consumers have access to quality and nutrition information. One item that makes the buyers bargaining power high is that there are relatively low switching costs to choose another restaurant over Panera. Consumers taste preferences change daily and eating at another restaurant other than Panera offers no additional costs other than the food prices. Panera recognizes this changing taste preference and offers a wide enough selection of menu items for customers to enjoy multiple times a week since the average American eats out four times a week (Nutrition).

Buyers also have a great amount of power because quality information of the restaurant industry is readily available. 83% of restaurant patrons like nutrition information on the food products (Nutrition). Many restaurants have seen this and are now posting nutrition information because customers are more likely to visit a restaurant that posts the information. Also, in many cities laws have been passed that requires restaurants to post inspection results in a visible spot. This now makes restaurants pay closer attention to the restaurant quality because they may lose business if they do not receive a good inspection.

V. Supplier Bargaining Power

Panera's suppliers have a relatively low bargaining power because they implement a lot of controls to keep their bargaining power low. Panera controls the quality of their main product by making the bread themselves daily. Also, the company contracts with numerous suppliers to keep an individual suppliers bargaining power low. Panera has an advantage in terms of suppliers because they make their own bread in 17 fresh dough facilities and own 140 trucks to deliver the dough anywhere from 300 to 500 miles to stores (Thompson). This vertical integration has made Panera capable of controlling the quality of its signature product, their bread. The bread is delivered daily so if for any reason the bread cannot make it to the store sales and brand reputation can suffer. Panera has numerous suppliers for each ingredient so that it can obtain ingredients from other suppliers when necessary (Thompson). This lowers the risk of a supplier driving up the price for Panera because if one does, Panera could simply switch to another supplier.

Panera also has contracts with suppliers and distributors to control the costs of their supplies. What decisions made by Panera in 2009 lead to its current financial success in 2010? Panera made many decisions in 2009 to contribute to the success of the brand. They made strategic decisions that still made them successful in a down market while competitors were struggling for profits. Panera decided to continue operations without downsizing and found a successful way to gradually expand while keeping costs low. Panera also found success by offering consumers more value for their money other than just lowering prices. In 2009, many businesses were considering downsizing to adapt to the slower market. Panera focused on expanding because of the lower real estate costs (Gregory). By doing this, Panera created a long term recipe for success.

The restaurant will have lower operating costs in 2010 so their margins will be higher. Panera took a risk with this strategy because of the unpredictable market, but Panera seems to have been immune to the recession because their sales continued to improve. During the recession, many restaurants started competing for the lowest prices because they thought that was the best strategy to continue to gain customers in a slower market. While most restaurants were going with this approach, Panera decided to go another way. Panera decided to give the customers more value for their money (Horovitz). The company decided to make some of their menu items, such as soup, slightly bigger and charge a bit more for them. Most customers did not realize the price increase because of the added size. This strategy has proven successful for Panera because their profits have continued to increase and their stock has been steadily increasing. Panera has also been

successful by introducing many new menu items to keep their customers interested, such as a cobb salad and other healthy menu choices (Horovitz). Recently in the United States there has been a strong push for healthier eating.

Panera has adapted to this trend by offering a wider variety of salads, healthier meats, and healthier bread options. Panera has a high enough brand quality and customer loyalty that customers could recognize the healthier options. Competitors like McDonald's who also tried a healthier image did not fare as well because McDonald's has a lower brand quality and is known for unhealthy fast food. What initiatives should Panera take now so that it may survive and thrive during the period of 2010 to 2012? Panera could take many initiatives to continue to survive and thrive in the coming years. Panera could increase their focus on catering to expand the restaurant's brand. The company could also continue to focus on a healthy menu to meet customer demands. Panera could increase the awareness of the use of all natural ingredients to attract new customers. Also, Panera could increase their dinner offerings to increase their sales and customers at off peak hours. One way Panera could continue to thrive is to expand their catering division, Via Panera, further. Catering offers a continuous source of revenue from a new market without changing the brand image.

In 2005, Panera's catering service provided an additional \$80 million in sales (Thompson). If Panera continues to expand their catering the company could essentially double the catering sales. Panera should also continue to the healthy brand image by offering a wider selection of fruit choices on the menu. Panera's CEO has said that they are working on a salad with chicken
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and grapes (Horovitz). However, Panera should expand their fruit selections further to gain more customers who do not have a taste for their mainly vegetable filled dishes. Panera uses all natural antibiotic-free chicken in their menu offerings, however there is not much awareness of this to the general public (Thompson). Panera should increase their marketing efforts to gain more awareness of the healthy chicken. The majority of people who want healthy chicken go to their local grocery store for the chicken.

If more people knew they could get it from Panera at a good value then the restaurant could increase their sales. The restaurant should also increase their dinner offerings, such as a healthy pasta or chicken dish. Panera establishments are often busy during lunch time, but can be slow during the dinner hours due to the lack of dinner options. To gain more patrons at dinnertime without conflicting with their brand image, pasta and chicken breast dishes could be profitable. Currently, evening-hour sales counted for just 20% of their business (Thompson). If they added more dinner options, Panera could expect the evening-hour sales to double.