Swot analysis of panera company

Panera distinguishes itself from its competitors by offering " Fast casual" dining experience. The target customers of Panera are those who want high quality food and services but also need to finish the meal fast. In Panera, customers will pay after order but still have chance to enjoy the meal in a cozy, special designed and decorated restaurant. By adopting the competitive advantages of fast food chain and casual eatery, Panera creates its own consumer culture and avoids the direct competition with both of these two business styles.

The characteristic of " fast casual" allows Panera to have more flexibility in changing prices, because customers are expecting the healthy food with good value, instead of the food that only affordable. By using this strategy, the performance of Panera remained stable during the recession of last two years and avoided reducing its transaction count, average check amount and profit margin.

Franchise

Like many fast food chain, Panera has its own Bakery-café while also uses franchise business style. Till the end of 2010, Panera has 791 franchise-operated bakery-cafes, which take about 54% of all 1, 453 stores. All Panera franchisees are required to spend 2. 0 percent of their net sales on advertising in their respective local markets. This requirement does help Panera improving its brand recognition and earning a bigger market share.

During the past three years, the revenue from franchise took about 15% of the total revenue of Panera.

Catering service

In addition to dine-in and take out services, Panera also offers nation-wide catering service that provides breakfast assortments, sandwiches, salads, or soups using the same high-quality, fresh ingredients enjoyed in its bakery-cafes.

The catering service allows Panera customers to enjoy high-quality food even without coming to the bakery-cafes. It also gives Panera more chances to promote its products and culture to potential customers. The catering service can be a meaningful growth opportunity for its business in future.

Supply chain

Panera has a unique supply chain operation in which its regional fresh dough facilities supply dough for fresh bread along with, tuna, cream cheese, and certain produce to all of its company-owned and franchise-operated bakery-cafes on a daily basis. Distribution is accomplished through a leased fleet of temperature controlled trucks operated by its associates, which guarantees the quality of food and the time it could be serviced. The daily basis delivery is an essential competitive advantage, since most of other fast food chain can only update their in-store inventory every 2 or 3 days.

Weaknesses:

High Price

The higher prices of Panera turn off some customers who are experiencing hard time during recession. Though Panera gains great success by convincing its customer that Panera’s food are made with higher-quality ingredient, its business will be influenced when competitors offer more discounts.

Not a global chain

Till the end of 2010, all 1, 453 Bakery-Cafes of Panera are in North America area (only 3 in Canada). Its brand has limited recognition in developing markets, like Asia and South America. Without extending the business to developing markets, Panera has to face to a lower growth rate in the following few years.

Opportunities:

Enhance the promotion of Panera culture

The “ fast casual” dining experience is the key to Panera success. The company should contribute more time and money to enrich this idea and establish a unique ding culture that distinguishes Panera from other fast casual competitors.

International expansion

International expansion could be an effective way to keep the growth rate, improve the brand recognition and reduce costs. It is also a good chance for Panera to adopt new recipes and promote new products, which would usually bring a higher profit margin.

Merger and acquisition

Panera should consider merging and acquiring the food chains that are struggling to survive. It’s an easy and cheaper way to earn business resources, distribution channels, and customer attention.

Threats:

Changes in food and supply costs

As introduced above, Panera has a unique supply chain operation in which its regional fresh dough facilities supply to its bakery-cafes on a daily basis. All the fresh dough facilities should be located in the area about 300 miles away from 5 Panera bakery-cafes. This strategy guarantees the quality of Panera’s food, but also raises the food and supply costs. First of all, it’s hard to find cheap facility location, raw material and labor around big cities, in which many bakery-cafes are. Secondly, the delivery cost could be more significant since the gas price is going higher nowadays.

Competitors who borrow the business strategy of Panera

The “ fast casual” idea is nothing new and has been proved valuable. It is possible that some big nation-wide or global food chains would start their “ fast casual” brands and adopt Panera’s business style. Since they have more mature supply chains and distribution channels, Panera will have to face to more fierce competition and potential price war.

Adverse economic conditions

Unemployment, bankruptcies, reduced access to credit, foreclosures and falling home prices will all lead to a fewer customer purchase, which would effect on Panera’s financial results. Since Panera has higher fixed costs in restaurant decoration, raw material purchase and supply chain than most of other fast food chains, it has less flexibility to offer discounts. Therefore, Panera has to convince customers to accept its higher prices even during the recession period.