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4/24/17

**Panera Bread Plan Outline**

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**Panera Bread**

**Company Overview**

**History**

Panera bread was stablished in 1981 as “Au Bon pain”… and it was founded by Kane and Ron Shaich. Throughout the 80’s and 90’s “Au Bon pain Co., Inc.” expanded along the east coast of the U.S and internationally. The store purchased Saint Louis Bread Company, a chain of 20 bakery-cafes located in the St. Louis area. Around the 1993’ and 1997, the average unit grew by 75%, and the name was changed to “Panera Bread”. By 1997” Panera bread was potentially recognized as one of the leading brand of the nation, and in 99” it was recognized as one of the Business week’s “100 Hot Growth Companies”, and named as the top performer in the restaurant category for one-five-and-ten years returns to shareholders. In 07” the company purchased a majority stake in paradise bakery and Café, a phoenix-based concept with over 70 locations in 10 states. In September 27, 2016, Panera bread has 2,024 Bakery-Cafes in 46 states and in Ontario, Canada operating under the name Panera bread, Saint Louis bread Co. and paradise bakery café.

**Board of Directors**

**Ronald M.** Shaich; Founder, Chairman & CEO of Panera Bread.

**William W. Moreton**; Executive vice chairman, and president and co-CEO from 12’ to 13’

**Domenic Colasacco;** Lead Independent Director since March 2007, Director since March 2000. **Diane Hessan**; Director since November 2012

**Fred Foulkes**; Director since June 2003

**Larry Franklin**; Director since June 2001

**Thomas E. Lynch**; Director since March 2010

### **March Stoever**; Director since January 2016

### **James White**; Director since January 2016

### **Mission Statement:**

### “**A loaf of bread in every arm”** Panera Bread’s mission statement is to provide fresh backed artisan breads made with a craftsman’s attention to qualify and detail, which brings the platform for the dining experience.

# **Vision Statement:**

### “Be the number 1 service in the world, while creating a specialty café anchored by an authentic, fresh dough, artisan bakery, and upscale quick-service menu selection.”

### **Executive Summary**

### **Target Market**

### Panera Bread targets everyone from the age of 8 to 70, but the highest consumer are the followings. Female consumers rank at 67.4% and male consumers at 32.6%. Hispanics rank at 12.3% and non-Hispanic consumers rank at 87.7%. On the race, white consumers rank at 88.4%, Asians rank at 6.09%, African-American and other race rank at 2.76% each according to the chart. So the highest Panera Bread consumer are white females from the age of 25 to 54 with a percentage of 67.4. The highest Panera bread’s consumers earn about $100,000 or more a year and the lowest consumers earns 25,000 or less a year.

### **Expansion Plan**

### Certainly, Panera Bread made a lot of progress, but they are also aware that they still have much work to do.

### For the next few years they will remain focused on

* **5-year vision plan**
  + **Panera 2.0**: Approximately 200 company cafes will be converted to Panera 2.0. 75% of franchise groups are expected to being 2.0 conversion for a total of 100 franchise café by end of the year.
  + **Operations**: Operational integrity approach to improving production and accuracy. Direct correlation between café health and comps. Building the capabilities to manage the increasing café volumes and complexity
  + **Food:** Remove artificial colors, flavors, sweetness and preservatives from more than 400 ingredients, covering more than 90% of their menu.
  + **Marketing** “Food as it should be” continues to be a powerful communications platform that is helping to further and strengthen their brand reputation and build relevance with their target customers.
  + **Delivery**: Panera plans to roll out delivery to more than 10% of their system, including both company and franchise café.
  + **Catering:** Panera catering sales grew 11%. Centralized customer management is engaging new and lapses customers, so Panera will continue to execute catering strategic plan.
  + **Panera at home:** Panera currently has 6 categories take home meals, soup, mac n cheese, salad & dressing, coffee, frozen bread and sliced bread. A 150M business at retail in 2015 with sales growth of more than 15% in the past year.
  + **High-ROI unit growth:** Panera is evolving traditional model to expand reach through new formats, including fill-in, institutional, urban residential, and creating remodel with lower investment cost.
  + **E-commerce:** This app is one of the highest-rated restaurant apps. It rates higher than Starbucks, Chipotle, Papa John’s, Taco Bell, Pizza Hut, Five Guys, Zoe’s and Dunkin’s Donuts. Digital utilization 17% of sales at the end of 2016 and 23% at Panera 2.0 cafes. This system-wide digital sales represents a 600 million-plus e-commerce business and could approach $1 billion in annual sales 2017.

### **Financial Ratios**

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**Internal Analysis**

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.

**Strengths**

* 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 ~ 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.

**Weakness**

* 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.

**External Analysis**

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.

**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 Cost ~ 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.

**Implementation Strategies**

**Expanding Strategy**

Panera Bread has been an innovator in the restaurant industry with technology, organic and natural food ingredients, as well as taking their products into the homes of their consumers. Since 2012, Panera Bread introduced the Panera 2.0 app. Panera 2.0 allows its customers to order and pay electronically, it also enhanced their stores capabilities making internal operating activities easier. The app created flexibility for its customers, it was perfect for the differentiated needs of the consumers. The Panera 2.0 innovative technology app created a new experience for the customers, thanks to the app and its technology Panera Bread was also able to introduce new marketing innovations reaching customers through its app more efficiently. With the renovation and transition to Panera 2.0, Panera Bread was able to achieve higher sales growth due to the efficiency of the app which speed up customer service and check out.

In 2013, Panera Bread made another groundbreaking business strategy introducing “Panera at Home”. Panera Bread began selling its soups (15 varieties), mac and cheese, salad dressings, packaged meats (roast pork, roast turkey, and roast beef), Panera coffee (7 varieties), and frozen breads through other retailers, mainly grocery chains. By 2015, “Panera at Home” had extended its products across grocery chains in 48 states. After only two years of the “Panera at Home” creation Panera Bread was able to create over $150 million in revenue and it continues to increase annually. By selling its products through grocery chains Panera Bread customers are able to take home and prepare their favorite Panera Bread meals in the comfort from their homes while using recipes from Panera Bread website. The recipes from the Panera Bread website are a perfect combination with the “Panera at Home”.

Another expansion project for Panera Bread that is creating the restaurant giant an immense revenue is the catering services. Panera Bread introduced the catering services only in 2004 but it has produced top revenues that executives have launched efforts to expand its catering services to an off-premise catering which they believe will create a much bigger revenue.

**Marketing Strategy**

Panera Bread most efficient and effective marketing strategy has been the loyalty and reward program introduced in 2010, MyPanera Loyalty Program. The loyalty program MyPanera card is presented at the time of ordering and customers are able to accumulate rewards such as complimentary bakery-café items, exclusive previews and tasting, ideas for entertaining, cooking and baking tips or recipe books. The use of card allows the Panera Bread technology to record items purchased for future visits and it also allows Panera Bread to track which products customers are responding well to which lets Panera focus on the menu. MyPanera rewards loyal customers therefore encouraging them to keep returning for more, MyPanera members are also able to track their own rewards thru Panera exclusive rewards member site. The reward program continues to enroll more members since its introduction helping with the marketing of the restaurant.

**Advertising**

Panera uses various advertising methods to promote the Panera brand and menu offerings. Panera franchise agreements are required to pay a specific percentage of their sales towards the national and local advertising of the chain. Panera advertise thru radio, billboards, social networking, the Internet, and periodic cable television advertising campaigns. In 2014 Panera launched the first-ever national television advertising campaign reaching consumers nationwide.

**Brand**

### Panera has been able to take its brand and it is recognized nationwide. Thru quality healthy food, clean and transparent, and thru much customer loyalty the Panera brand has placed itself as a leader of the “fast-casual” restaurant. Panera is loyal to its culture of producing and offering healthy choices of food to its consumers. Panera consumers have grown to respect its Brand due to the major programs Panera offers to the community it serves, with programs such as: Panera Cares Community Breadbox, Panera Cares Community Cafes, Bakers-In-Training, Fundraising Nights, Scrip Fundraising, Day End Dough-Nation and Panera Gives. Panera is able to reap rewards of its consumers because of the loyalty programs Panera offers to the community ensuring consumers keep coming back to Panera. Panera is a great example how a corporation can maintain exemplary revenues and brand without compromising the efforts to give back to the community.

**Conclusion**

Panera Bread will continue to expand its products thru the healthy food it provides to consumers. With technology, rewards, customer satisfaction and great menu it offers whether at their stores or thru their catering services Panera innovation will continue to grow because they are not afraid to explore new venues. It was one of the first “fast-casual” not afraid to display nutritional facts in their restaurants as well as using fast pay technology to offer its consumers faster services. Panera daring innovations will keep producing profitable revenues as well as reaching consumers nationwide while offering healthy food ingredients ready to be enjoyed at their stores or at the comfort of their homes. Innovation will keep Panera one step ahead of its competition.