
Panera Bread

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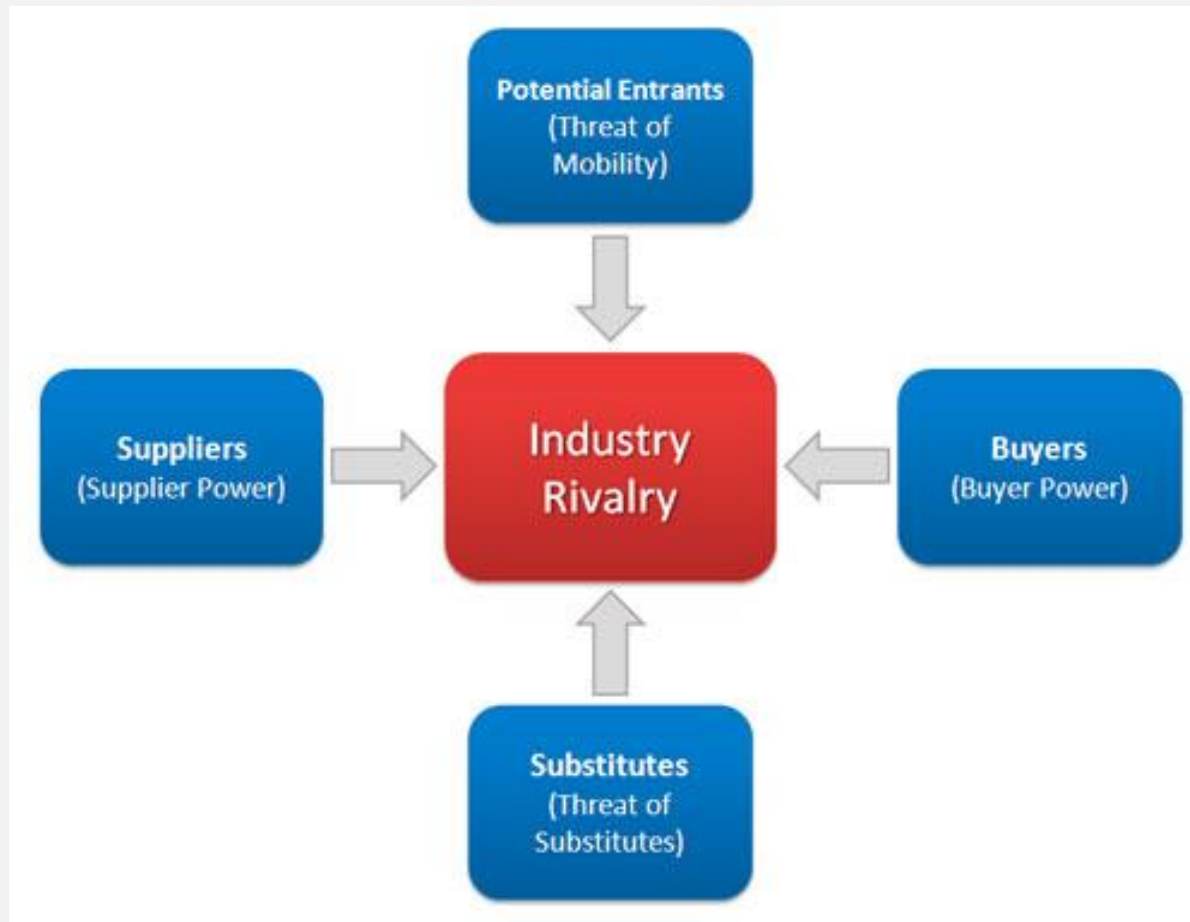


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Industry and Competitor Analysis

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- Founded in 1981 as Au Bon Pain -3 bakeries and cookie store
 - Grew and acquired St. Louis Bread Co -20 Bakery/Cafes
 - Realized that consumers wanted fast food but wanted a higher quality experience.
 - Fast Casual is born- company renamed to Panera Bread
 - Focus on artisan and specialty breads and baked goods
 - Added salads and sandwiches and soups in a bread bowl.
 - Now serves 6 million customers each week
 - 1450 Restaurants growth in range of 7-10% per year
 - Two words: positioning and execution

The Porter 5 Forces Model -predicts profitability

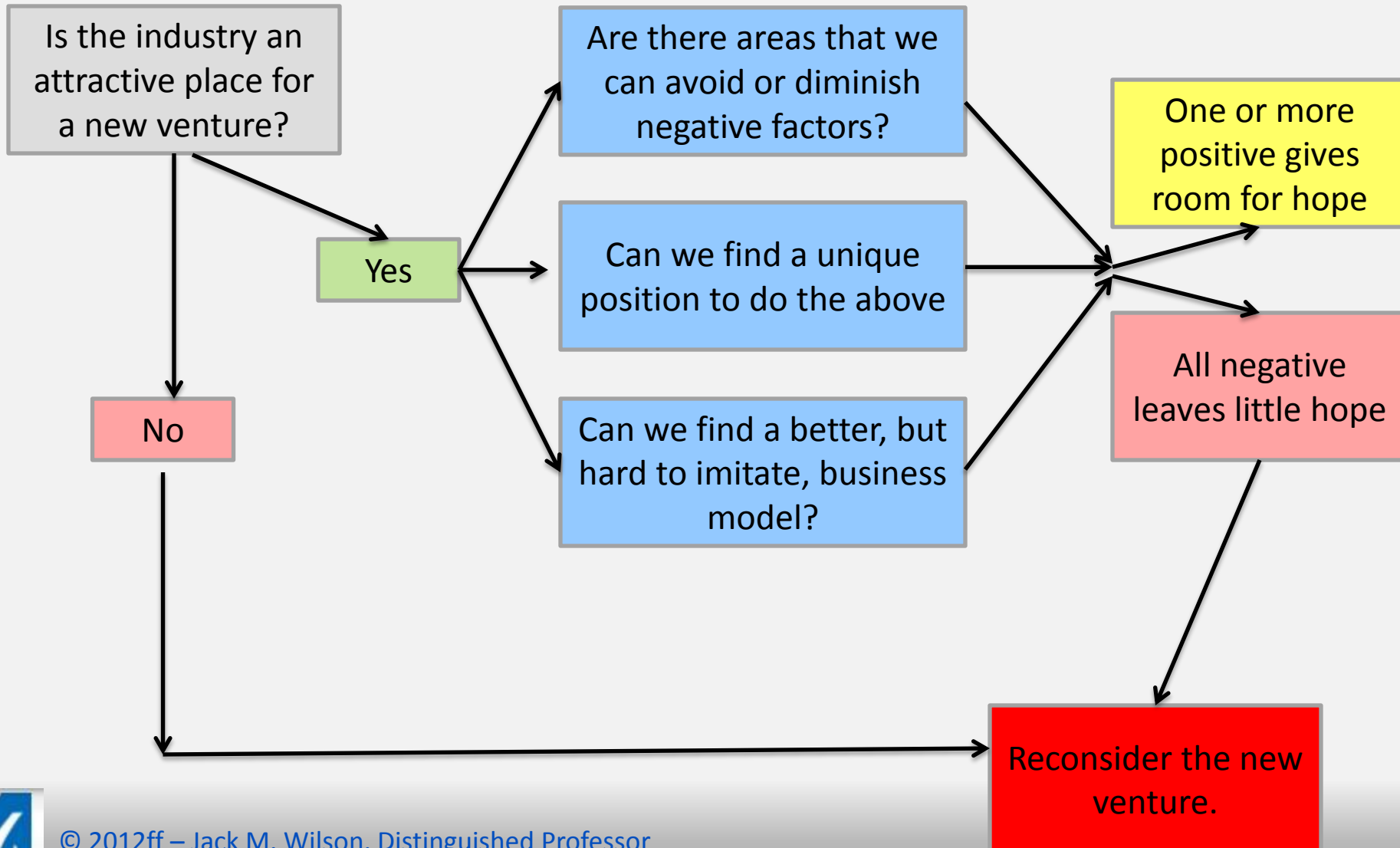


5 Forces Table

Competitive Force	Low	Medium	High
Threat: Substitutes			
Threat: New Entrants			
Rivalry among Existing Firms			
Bargaining Power of Suppliers			
Bargaining Power of Buyers			

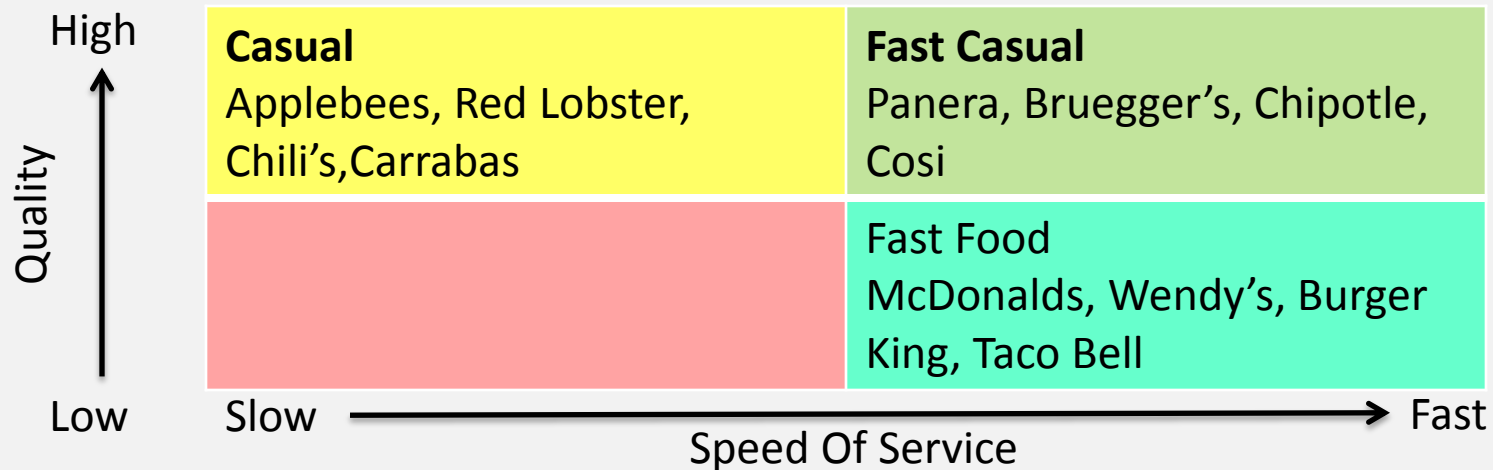
- Threat of substitutes—Panera has lessened the threat of substitutes by creating a pleasing atmosphere in its restaurants and by making its bakery second to none.
- Threat of new entrants—Panera has lessened the threat of new entrants by establishing a first-mover advantage (or a near first-mover advantage) in the fast-casual portion of the restaurant industry.
- Rivalry among existing firms—Panera has lessened the threat of rivalry among existing firms by creating a position that appeals to both fast-food consumers and casual dining consumers. The strength of its brand creates a barrier to entry.
- Bargaining power of suppliers—This is not a major threat to Panera.
- Bargaining power of buyers—This is not a major threat to Panera.

Flow chart for the 5 Forces Analysis



Panera Bread Team 2

- Positioning and Execution
- Fast-Casual and good food



Panera Bread

What are some of the entry barriers a firm would have to deal with and try to overcome if it tried to compete against Panera Bread in the casual dining segment of the restaurant industry?



Panera Bread

What are some of the entry barriers a firm would have to deal with and try to overcome if it tried to compete against Panera Bread in the casual dining segment of the restaurant industry?

Answer: There are several “barriers to entry” that a firm entering the casual dining segment of the restaurant industry would have to deal with or try to overcome if they wanted to compete against Panera Bread. The entry barriers include:

- Economies of scale. Panera Bread has 1,450 restaurants, which allows it to negotiate discounts when buying food and non-food products for its restaurants.
- Product differentiation. Panera Bread has a strong brand with food and bakery products people like.
- Capital requirements. Panera Bread restaurants are not large but are stylish and are often located in premier locations, suggesting that considerable capital would have to be accumulated to build even a handful of competing restaurants.
- Cost advantages independent of size. Panera Bread may have purchased some of the real estate it owns when real estate prices were lower and built some of the buildings that its restaurants are housed in when construction costs were lower.



Panera's Competitors

- Who are this firm's direct competitors, indirect competitors, and future competitors. How concerned should Panera Bread be about each category of competitors?

Panera's Competitors

- Who are this firm's direct competitors, indirect competitors, and future competitors. How concerned should Panera Bread be about each category of competitors?
- Answer:
- Direct Competitors: Chipotle, Einstein Bros. Bagel, Chipotle Mexican Grill, McAlister's Deli—3 on a scale of 1-5
- Indirect Competitors: McDonald's, Wendy's, Starbucks, Darden Restaurants—2 on a scale of 1-5
- Future Competitors: Independent restaurants that will open in the future, mainstream restaurants that opt to go more fast-casual—3 on a scale of 1-5.



Panera's Competitive Advantage

- What are Panera Bread's primary sources of competitive advantage?
- In your judgment, are these sources of advantage sustainable? Why or why not?

Panera's Competitive Advantage

- What are Panera Bread's primary sources of competitive advantage? In your judgment, are these sources of advantage sustainable? Why or why not?
-
- Answer: Panera's primary sources of competitive advantage are:
 - (1) its position in the restaurant industry,
 - (2) its brand strength,
 - (3) the atmosphere of its restaurants, and
 - (4) the distinctive nature of its bakery products.
- Most students will argue that these sources of competitive advantage are sustainable.

Panera Bread Growth Stops As Fundamentals Deteriorate And Differentiation Narrows

- Oct. 23, 2013 6:06 AM ET | About: [PNRA](#) by: Institutional Insider
 - **Disclosure:** I have no positions in any stocks mentioned, and no plans to initiate any positions within the next 72 hours. I wrote this article myself, and it expresses my own opinions. I am not receiving compensation for it (other than from Seeking Alpha). I have no business relationship with any company whose stock is mentioned in this article. **(More...)**
- **EPS and Revenue Results**
- On Tuesday, October 22nd, Panera Bread Co ([PNRA](#)) released disappointing results to the street. The bread making company previously known for its growth prospects managed to eek out EPS consensus numbers on share repurchases equivalent to \$0.02 and a one-time favorable tax benefit worth \$0.13. Absent of these benefits, Panera earned an EPS of \$1.33, missing the consensus of \$1.35.
- On the top-line, Panera missed expectations by \$12.1 million. Analysts were expecting \$584.6 million in revenue as management announced revenue of \$572.5 million.



Institutional Insider- continued

- We believe this increased deceleration in Q3 is due to deteriorating fundamentals that are in addition to cited throughput problems. We believe that:
 - 1. Panera differentiation has materially shrunk as offerings close to, if not identical to the fundamental Panera offering have started to take revenue share including but not limited to: Corner Bakery, new Boulange offerings from Starbucks, and Noodles Co.
 - 2. Consumer discretionary spending in the casual dining space has been diminished and displaced by large ticket items. We cite recently reported weak restaurant results at Ruby Tuesday (RT), McDonalds (MCD), and Yum (YUM) as evidence of a widespread restaurant sector slowdown.
 - 3. Cannibalization by new store openings and increasingly lower quality locations of new stores themselves.
- As a result of these fundamental issues, comp growth of company owned stores has hit a low of 1.7% and slowed further to 1.6% in the first 27 days of Q4. Average comp growth in the last 10 quarters has been approximately 6%.



Wiki-Invest link -October 24, 2013 6:43 AM

- **Panera** (NASDAQ: [PNRA](#) [[FREE Stock Trend Analysis](#)]) is a fast-casual restaurant chain with a problem. It isn't fast enough.
- The reasons are many. There are not enough employees. Equipment isn't adequate to handle the workload, and telephone and fax orders create disruption. According to [Bloomberg](#), after a long wait, customer orders are often wrong.
- The problems are showing up in Panera's bottom line. Comparable sales last quarter grew 1.7 percent at company-owned stores and just 0.9 percent at franchised restaurants. What little growth there was mostly came from increased menu prices.
- Competition is fierce. Panera Chief Executive Ronald Shaich, on an [earnings](#) call said, "You've got fast-food trying to beat Panera. You've got casual dining." The company is facing attacks from all sides.
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Read more: <http://www.benzinga.com/news/13/10/4018097/panera-attempting-to-speed-up-service-pnra#ixzz2t90EliwM>

