

Chief Elements of Panera Brand Strategy

Posted on September 19, 2018

Introduction

Panera Bread Company is an American bakery chain café in Canada and America. The main headquarters are in St. Louis, Missouri, Sunset Hills, and majorly operates as Saint Louis Bread Company in the St. Louis area. Major offerings from Panera Bread company include Salads, soup, pasta, sandwiches, bakery items and specialty drinks. At the time of beginning the business in 1981, Panera was founded as Au Bon Pain Co. and had three bakery-café and one cookie store. In the Saint Louis area, they acquired a St Louis bread company in 90's. The combined effort and analysis of the consumers revealed the "special" food with quality and speed in serving them. This is termed as "Fast Casual". Panera's unique strategies and positioning made it acquire a distinct place in the minds of the customers. And also an extra edge in their choice preferences by serving well in a cozy environment. They also added a meal time called "chill-out" that attracts many consumers. Thus, the company expanded in many regions by franchising and positioning.

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Business Strategies

The franchising strategy of Panera Bread was to enter into franchising agreements with different franchisers to open up at least 15 franchises in different locations in six years. The franchisee candidate must be well-capitalized and should have better know-how about the bakery industry. One can say that it's Panera's growth strategy. Essence is one of the concepts used by Panera management to attract and retain customers. To attract and retain, Panera offers products that are baked and handcrafted in a bakery on a regular basis. It serves products with high quality and reasonable prices. The customer services provided by Panera is so courteous that customers do not prefer going somewhere else to have the same bakery items that Panera offers. Another thing that Panera uses is the design of the café that appeals to the crowd and makes them curious about what's happening over there (Thompson, 2008).

The strategic intent of Panera was to become the dominant player in the bakery industry and to make Panera's bread recognized at the national level. For this, they have to make products that are more efficient in quality than the products that the guy across the street is making. In 2010, Panera was focused on opening up a café in the area that has a minimum of 160,000 people residing. Panera faced threats from low-cost and differentiated products as it was operating in an absolutely competitive environment. Panera employed the best cost provider to cater to this situation so that the

customers who want the best quality at a reasonable price can be retained.

Functional Strategies

Three distinct initiatives have been contained in Panera's marketing strategy. First, we focused on raising awareness about the products Panera is offering. The second was to increase the trials at different places for the Panera products, this was mainly due to increasing the awareness among the people. The third and last initiative was to attract more and more people to the cafe. In the entire marketing strategy, Panera did not focus on hard selling but rather advertising on the face. The financial performance of the company was good, which shows that the marketing strategy implemented was good.

Production and Distribution Strategy

Panera's product and distribution strategy revolves around economies of scale. The operations are centralized in the making process. This control of the process led Panera to ensure an efficient dough-making process. Better than the guy across the street is the slogan for product and distribution strategy; Panera does not want to lose its customers and let them walk away to the guy across the street providing the same products at low cost.

SWOT Analysis

Swot comprises strengths, weaknesses, opportunities, and threats.

Strengths

- The strong and attainable growth strategy is one of the key strengths of the company.
- The ability to build loyal clients by offering them quality, efficient products.
- Opening up new franchises along with its site selection.
- Product innovation, along with continuous research and development.
- Strong financial position in terms of lack of debt.

Weakness

- The ineffective promotional strategy used for the items.
- Main customers of the company only come at a meal for one time a day.
- One of the main weaknesses of the company is it's only located in regional areas.
- Other competitors may have different choices for dining at the best places.

Opportunities

- The lack of bargaining power of the buyers and the high number of small buyers in the industry is one of the key opportunities the company has.
- Buyers always want to try new things that are coming into the market.
- Low-cost substitutes are viewed as low-quality products.
- Since they are the leaders in five sub-regions, they can utilize this as an advantage.
- By lowering prices according to the market they can capture more market and pose high threats to other competitors as a big competition.

Threats

- Product Is a discretionary purchase.
- The wide breadth of competitive rivalry.
- Steep learning curve.
- Low switching cost.

Source of competitive advantage

- The position of the company in the restraint industry is one of its sources of competitive advantage.
- The brand strength of the company for many years.
- The unique and distinctive nature of the bakery products.

Financial Performance Analysis

Financial performance shows the operations run by the company, how much cost has been incurred, and how much profit the company made during a year. It shows how well the company is performing in the industry or market (Hunjra & Bashir, 2014). By looking at the financials provided in the case study, the following are some of the points that explain the company's performance. Capital expenditure increased in 2014 to \$224.2 million with 75% of company bakery café operations; in 2013, capital expenditure was \$192 million, which was 80% of company bakery café operations. Revenue from franchise operations was \$123.7 million, with an operating profit of \$117.8 million, which is equal to a terrific 95.2% operating profit margin. Hence, continuing to open more franchises is important for increasing the company's overall financial performance. The change in operating profit margin can be used to forecast the change in return on assets one year ahead (Fairfield & Yohn, 2001). Operating profit as a percentage of revenues were highest for franchise operations (95.2% in 2014, 94.5% in 2013, 93.5% in 2012, and 92.8% in 2011). The second highest for a company-owned bakery café was (17.9% in 2014, 19.6% in 2013, 20.2% in 2012 and 19.3% in 2011).

The third highest for a company-owned bakery café was (6.2% in 2014, 6.1% in 2013, 5.7% in 2012, and 7.3% in 2011). In order to calculate the operating profit margin, divide the operating profit by the revenue and multiply it by 100; one would get the answer as I did. In order to get the percentage of operating profit to revenues in different franchise operations, apply the same scenario again and get the percentages as I did. The form above all we can say that the company is making an astonishing performance in the market.

Strategic Problems associated with Panera bread management and Recommendation

Some of the strategic issues or problems faced by Panera Bread company are explained in common lines. The first strategic issue was Panera's potential to use its internal franchising capabilities so that it could take advantage of the fact that the industry life cycle remained in its growth phase. Another strategic issue Panera faced was that customers always wanted to try new things coming into the market, but due to the current promotional strategy, the company was not able to cater to it. The third strategic issue that Panera faced was related to low switching prices and low customer loyalty towards the bakery products. A final problem that Panera issues is how to use its internal research and development capabilities to cater to the presence of large buyers in the industry. The first and foremost recommendation for altering the promotional strategy is to use effective promotion related to bakery items to cater to the problem. The strategy should be in such a way that customers would come and try the product. It may not be successful in the market as Panera is already an established company in the market. The recommendation for catering to the issues related to the internal franchising capabilities is to find a franchisee who has in-depth knowledge about the industry and bakery items so that it will not impact the prestige of the company.

References

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