

READY-MEAL TIMES

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This problem situation was written by Ana Valeria Calvo Castro (avaleria.calvo@tec.mx), with the purpose of serving as discussion material in classes, it does not intend to illustrate good or bad administrative practices. This document was elaborated from secondary sources.

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A Humble Beginning

Panera Bread is a well-recognized chain of bakery-cafe fast casual restaurants that have spread across the United States and Canada under the ideology that "good food, the food you can feel good about, can bring out the best in all of us." (Panera, 2022). However, before Panera Bread's story began, Ron Shaich, Panera's founder, started in 1981 with a humble cookie shop called Cookie Jar in Boston, Massachusetts (Kolhatkar, 2018). Just a year later, he merged Cookie Jar with a French bakery named Au Bon Pain, and by 1987, Panera began as St. Louis Bread Company. This community bakery served freshly baked cookies, bagels, focaccia, baguettes, and various breads and pastries (Alexander, 2019). By then, the market was mainly dominated by sit-down restaurants and fast-food chains, while the food industry's champions were mass-market brands (Kolhatkar, 2018).

Shaich believed that a change was needed in the industry, and his vision contributed to the rise of a new type of business: the fast-casual, higher-end restaurant chains (Kolhatkar, 2018). Nevertheless, the change didn't come easy, and bumps around the road were part of Panera's story that led the company to its success today.

A New Way to Deliver Meals

The late 1990s were flourishing times for the newly adopted fast-casual food chains. Panera Bread and other companies, such as Panda Express and Chipotle, benefitted from the increasing trend of consumers looking for "better" fast food options. Fed by preoccupations regarding health and sustainability, people started to look for new eating experiences that moved from the personal disconnection of fast-food restaurants where speed and convenience mattered the most (Specter, 2015).

During the early 2000, Panera Bread Company continued the growing trend, reaching more than 73% growth and opening more points of sale, following rigorous standards for its franchises (Reference for Business, 2022). This positive trend was not exclusive to Panera; competitors within the fast-casual food industry started to benefit from another growing trend: the arrival of millennials at jobs. This generation surprised the world with concrete ideas about work, the environment, and health; the food industry didn't stay out. Millennials often eat out, and when doing so, they look for tasty and healthy food, decent prices, and nothing fancy (Specter, 2015). "Basically, they want to feel respected by their food. And what fast food has become is a commodity. It has become nutritional cocaine", Shaich said (Kolhatkar, 2018).

*"With a
sourdough starter
from San
Francisco and a
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loaf of bread in
every arm."*

*Ron Shaich,
founder of
Panera.*

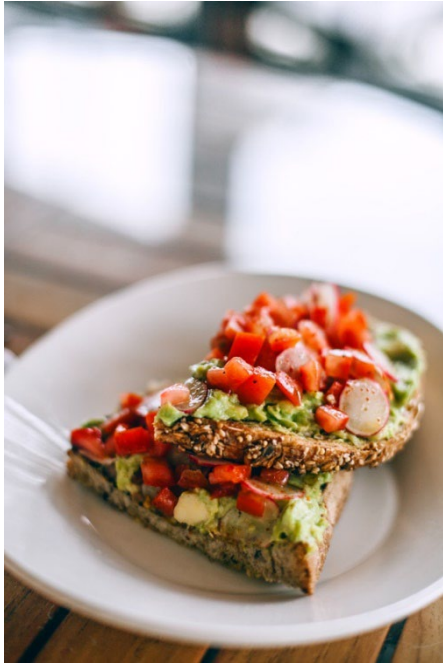


Image. Maria Orlova Shevtsova in Pexels, 2020.

By 2020, Panera Bread Company is positioned as the largest bakery café (Kelso, 2021) and one of the most successful restaurant chains in the United States (Kolhatkar, 2018), offering a wide range of products, including breakfast, soups, pizza, beverages, salads, bowls, and bakery products, among others.

Today, in 2023, Panera holds 1.6% of the chained consumer foodservice industry shares (© Euromonitor, 2024), and is preparing for a major change in its menu in 2024 to continue catering its customers.

The New Reality

The COVID-19 post-pandemic milieu has shifted old ways of doing basically everything, from daily routines to how we work and how and what we eat (Westbrook and Angus, 2021). Moreover, the business environment has changed dramatically in the last couple of years; only in the United States did more than 100,000 food establishments close their doors between 2020 and 2022, leading to a drop in options available for consumers (Saggese, 2022). In this post-pandemic scenario, businesses are facing new challenges. Mainly, for the food industry, two arise importantly: Consumers are looking for healthier eating options that nurture their health and well-being (Specter, 2015), and, on the other hand, the labor force has been compressed significantly (Lastoria and Bach, 2022).

As consumers start to return to their daily pre-pandemic routines and in-person dining, they are paying more attention to what they eat and the whole eating experience. An increasing interest in health and nutrition translates into the search for food providers that are more transparent about how they prepare food, the ingredients that they use, and the source of those ingredients (Saggese, 2022). Recently, Panera Bread was at the center of a social media scandal related to the sales promise of freshness that they promote. A TikTok video shared by a former employee showed how the food was not freshly made in each restaurant and was pre-processed and just heated in situ (CBS Philly, 2019).

Besides, service must excel as consumer experience plays an ever more critical role. However, for Panera, employee turnover has been a headache recently. Panera loses almost 100% of its employees yearly (Rosenbaum, 2019). With a turnover standard of 130% in the food industry, it didn't sound that bad as the demand for such positions was high enough to compensate for the losses. However, this scenario was shifted by the pandemic, and now the fast-food industry is facing a crisis, leading some companies to close their doors due to a lack of personnel (Meisenzahl, 2021).

However, employees' crises are not only related to the COVID-19 effects on the economy, but also to other factors such as poor compensation, employees' levels of stress and burnout, lack of talent development, and executive priorities (Forvis, 2024). Taking the latter, for instance, in 2023, [Panera](#) laid off 17% of their corporate staff due to the executive priority of going public: *when a company starts to sell shares in the stock market* (Littman, 2023). By cutting their executive staff, Panera is redirecting efforts to improve operations.

Alternatives

Panera must face the new reality for fast-casual food chains, where employees are rising against poverty-level wages, dangerous working conditions, and abuse from consumers (Lastoria and Bach, 2022). Plus, a slow recovery post-COVID-19 pandemic has led companies into a hiring crisis (Meisenzahl, 2021). Additionally, restaurants are facing consumers who seek new experiences, and there is a rise in the price of goods and a supply-chain shortage (Saggese, 2022).

Among the alternatives that Panera has to deal with these problems are:

1. Implementing strategies to reduce employee turnover.
2. Taking proper action to increase the brand's desirability for job candidates to work at Panera.
3. Aligning its brand efforts to meet the new needs of consumers as they are their main source of income.

Decisions

In this scenario, the company could implement strategies to reduce employee turnover by understanding the post-pandemic environment while aligning its brand efforts to meet the new needs of consumers.

From an internal marketing perspective,

- What strategies should be implemented in Panera to meet the needs of the new consumer?
- How can employees support the brand in times like this?
- What strategies can Panera implement to attract and keep its employees?
- How can the Panera brand remain relevant for its consumers and personnel?

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