

a big screen so a group of people can benefit from an evaluation or critique. Ubersense also includes a host of social features. Videos can easily be shared with others via e-mail and can be posted to Facebook, Twitter, YouTube, or Dropbox. An athlete can also create a profile, post videos of him or herself on the profile, and ask for feedback from the broader Ubersense community. In turn, an athlete can view videos posted by others and offer feedback, encouragement, and support.

The Ubersense app can be downloaded for free. The company has several ways of making money, including

selling drill videos and connecting athletes with coaches to get advanced help.

5-38. Based on the material covered in this chapter, what questions would you ask the firm's founders before making your funding decision? What answers would satisfy you?

5-39. If you had to make your decision on just the information provided in the pitch and on the company's website, would you fund this company? Why or why not?

CASE 5.1

Panera Bread: Occupying a Favorable Position in a Highly Competitive Industry

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Introduction

If you analyzed the restaurant industry using Porter's five forces model, you wouldn't be favorably impressed with the results. Three of the threats to profitability—the threat of substitutes, the threat of new entrants, and rivalry among existing firms—are high. Despite these threats to industry profitability, one restaurant chain is moving forward in a very positive direction. St. Louis-based Panera Bread, a chain of specialty bakery-cafés, has grown from 602 company-owned and franchised units in 2003 to 1,770 in early 2014. In 2013, system-wide sales reached \$2.4 billion, up 12 percent from the previous year. These numbers reflect a strong performance for a restaurant chain, particularly during a difficult economic period. So what's Panera's secret? How is it that this company flourishes while its industry as a whole is experiencing difficulty? As we'll see, Panera Bread's success can be explained in two words: positioning and execution.

Changing Consumer Tastes

Panera's roots go back to 1981, when it was founded under the name of Au Bon Pain Co. and consisted of three Au Bon Pain bakery-cafés and one cookie store. The company grew slowly until the mid-1990s, when it acquired Saint Louis Bread Company, a chain of 20 bakery-cafés located in the St. Louis area. About that time, the owners of the newly combined companies observed that people were increasingly looking for products that were "special"—meaning that they differed from run-of-the-mill restaurant food. Second, they noted

that although consumers were tiring of standard fast-food fare, they didn't want to give up the convenience of quick service. This trend led the company to conclude that consumers wanted the convenience of fast food combined with a higher-quality experience. In slightly different words, they wanted good food served quickly in an enjoyable environment.

The Emergence of Fast Casual

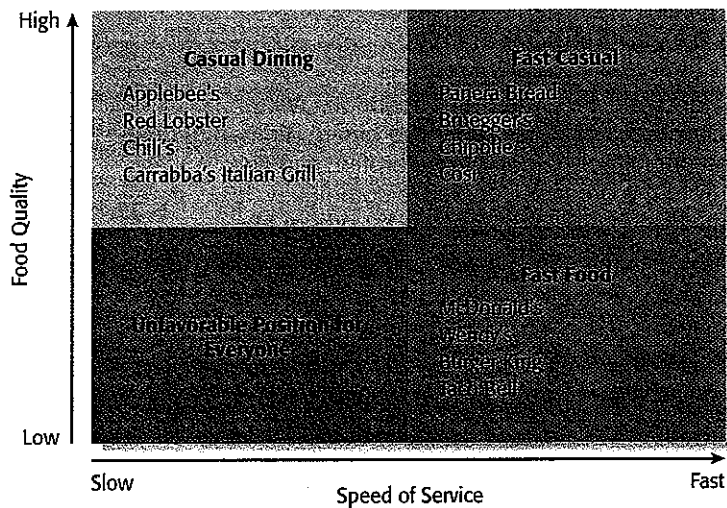
As a result of these changing consumer tastes, a new category in the restaurant industry, called "fast casual," emerged. This category provided consumers the alternative they wanted by capturing the advantage of both the fast-food category (speed) and the casual dining category (good food), with no significant disadvantages. The owners of Au Bon Pain and Saint Louis Bread Company felt that they could help pioneer this new category, so they repositioned their restaurants and named them Panera Bread. The position that Panera moved into is depicted in the graphic titled "Positioning Strategy of Various Restaurant Chains." A market positioning grid provides a visual representation of the positions of various companies in an industry. About Panera's category, industry expert T. J. Callahan said, "I don't think fast casual is a fad; I think it's a structural change starting to happen in the restaurant industry."

Panera's Version of Fast Casual

To establish itself as the leader in the fast-casual category and to distinguish itself from its rivals, Panera

(continued)

Positioning Strategy of Various Restaurant Chains



(which is Latin for “time for bread”) added a bonus to the mix—specialty food. The company has become known as the nation’s bread expert and offers a variety of artisan and other specialty breads, along with bagels, pastries, and baked goods. Panera Bread’s restaurants are open for breakfast, lunch, and dinner, and also offer hand-tossed salads, signature sandwiches, and hearty soups served in edible sourdough bread bowls, along with hot and cold coffee drinks and other beverages. The company also provides catering services. Its restaurants present customers with an inviting neighborly atmosphere and relaxing decor, adding to their appeal. Panera even suggests a new time of day to eat specialty foods, calling the time between lunch and dinner “chill-out” time.

With high hopes for future expansion, Panera Bread is an acknowledged leader in the fast-casual category. Its unique blend of fast-casual service and specialty foods also continues to gain momentum. This sentiment is captured in the following quote from Mark von Waaden, an investor and restaurateur who signed an agreement to open 20 Panera Bread restaurants in the Houston, Texas, area early in the company’s recent growth spurt. Commenting on why he was attracted to Panera Bread as opposed to other restaurant chains, von Waaden said, “My wife, Monica, and I fell in love with the fresh-baked breads and the beautiful bakery-café. We think the Panera Bread concept of outstanding bread coupled with a warm, inviting environment is a natural fit with the sophistication that the Houston market represents.”

The spirit of von Waaden’s statement captures the essence of Panera’s advantage. It isn’t just another restaurant. By observing trends and listening to customers, its leaders helped the firm carve out a unique and favorable position in a difficult industry.

Present Status and Goal for the Future

Panera’s leadership in the fast-casual category and its financial performance have drawn considerable attention. The company employs more than 75,000 people, serves millions of customers a year, and is currently one of the largest restaurant chains in the United States. It also continues to innovate and evolve. In 2012, Panera Bread introduced antibiotic-free roasted turkey, which both tastes better and appeals to health-conscious consumers. Other recent introductions include its new Roasted Turkey & Avocado BLT sandwich, Chopped Chicken Cobb Salad with Avocado, and Roasted Turkey Orchard Harvest Salad. Panera Bread is counting on its unique positioning strategy, its commitment to serving food that its customers feel good about eating and serving their families, and savvy execution to continue its positive momentum.

Discussion Questions

- 5-40. How has Panera Bread established a unique position in the restaurant industry?
- 5-41. How has Panera Bread’s unique position in the restaurant industry contributed to the firm’s success?
- 5-42. What barriers to entry has Panera Bread created for potential competitors?
- 5-43. What are Panera Bread’s primary sources of competitive advantage?
- 5-44. What are the ways that Panera Bread can conduct ethical and proper forms of competitive analysis to learn about potential competitors entering the fast-casual category?

Sources: Panera Bread home page, www.panerabread.com, (accessed February 20, 2014); Panera Bread Annual Report 2012; “Industry by Industry: A Look at the Start, Their Stocks—and Their Latest Picks,” *Wall Street Journal*, May 12, 2003, R8.