

purchase agreements with most approved suppliers to achieve cost reduction for both the company and its customers. One company delivered the majority of Panera's ingredients and other products to the bakery-café two or three times weekly. In addition, company-owned bakery-café and franchisees relied on a network of local and national suppliers for the delivery of fresh produce (three to six times per week).

Marketing⁸¹

Panera focused on customer research to plan its marketing and brand-building initiatives. According to Panera executives, "everything we do at Panera goes through the customer filter first."⁸² Panera's target customers were between 25 and 50 years old, earned US\$40,000 to US\$100,000 a year, and were seeking fresh ingredients and high-quality choices.⁸³ The company's customers spent an average of US\$8.50 per visit.⁸⁴

Panera was committed to improving the customer experience in ways the company believed rare in the industry. The company leveraged its nationwide presence as part of a broader marketing strategy of building name recognition and awareness. As much as possible, the company used its store locations to market its brand image. When choosing a location to open a new store, Panera carefully selected the geographic area. Better locations needed less marketing, and the bakery-café concept relied on a substantial volume of repeat business.

In 2009, Panera executed a more aggressive marketing strategy than most of its competitors. While many competitors discounted to lure customers back through 2009, Panera focused on offering guests an even better "total experience." Improvements to the "total experience" included new coffee and breakfast items, new salads, new china, smoothies, and mac and cheese. The company focused on improving store profit by increasing transactions as well as increasing gross profit per transaction through the innovation and sales of higher gross profit items. Panera also had a successful initiative to drive add-on sales through the Meal Upgrade program.⁸⁵

In 2010, Panera began modest increases in advertising and additional investments in its marketing infrastructure because the company recognized the importance of marketing as a driver of earnings and sales increases.⁸⁶ In spite of these increases, Panera remained very cautious about its marketing investments and focused on the appropriate mix for each market. Panera primarily used radio and billboard advertising, with some television, social networking, and in-store sampling days. Panera found that it benefited when other companies advertised products that Panera also carried, such as McDonald's early 2010 promotion of smoothies. Panera was testing additional television advertising in 20 markets but considered any significant growth in this medium to be a few years away.⁸⁷

Panera's franchise agreements required franchisees to pay the company advertising fees based on a percentage of sales. In fiscal 2009, franchise-operated bakery-café contributed 0.7% of their sales to a company-run national advertising fund, paid a marketing administration fee of 0.4% of sales, and were required to spend 2.0% of their sales on advertising in their respective local markets. The company contributed the same sales percentages from company-owned bakery-café toward the national advertising fund and marketing administration fee. For fiscal 2010, the company increased the contribution rate to the national advertising fund to 1.1% of sales.⁸⁸

Panera invested in cause-related marketing efforts and community activities through its Operation Dough-Nation program. These programs included sponsoring runs and walks, helping nonprofits raise funds, and the Day-End Dough-Nation program through which unsold bakery products were packaged at the end of each day and donated to local food banks and charities.⁸⁹

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