CASE 16

Panera Bread Company (2010): Still Rising Fortunes?

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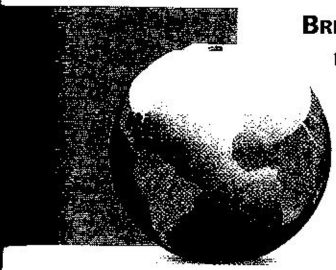

BREAD—ESSENTIAL AND BASIC, but nonetheless special—has transcended millennia. A master baker combined simple ingredients to create what has been an integral part of society and culture for over 6000 years. Sourdough bread, a uniquely American creation, was made from a "culture" or "starter." Sourdough starter contained natural yeasts, flour, and water and was the medium that made bread rise. In order to survive, a starter had to be cultured, fed, and tended to by attentive hands in the right environment. Without proper care and maintenance, the yeast, or the growth factor, would slow down and die. Without a strong starter, bread would no longer rise.

Ronald Shaich, CEO and Chairman of Panera Bread Company, created the company's "starter." Shaich, the master baker, combined the ingredients and cultivated the leavening agent that catalyzed the company's phenomenal growth. Under Shaich's guidance, Panera's total systemwide (both company and franchisee) revenues rose from US$350.8 million in 2000 to US$1,353.5 million in 2009, consisting of US$1,153.3 million from company-owned bakery-café sales, US$78.4 million from franchise royalties and fees, and US$121.9 million from fresh dough sales to franchisees. Franchise-operated bakery-café sales, as reported by franchisees, were US$1,640.3 million in fiscal 2009.[1] Panera shares have outperformed every major restaurant stock over the last 10 years.[2] Panera's share price has risen over 1600% from US$3.88 a share on December 31, 1999, to US$67.95 a share on December 28, 2009.[3] Along the way, Panera largely led the evolution of what became known as the "fast casual" restaurant category.

Ronald Shaich had clearly nurtured the company's "starter" and had been the vision and driving force behind Panera's success from the company's beginnings until his resignation