as CEO and Chairman effective May 13, 2010. For Panera to continue to rise, the company's new CEO, William Moreton, would need to continue to feed and maintain Panera's "starter." In addition to new unit growth, new strategies and initiatives must be folded into the mix.

History

Panera Bread grew out of the company that could be considered the grandfather of the fast casual concept: Au Bon Pain. In 1976, French oven manufacturer Pavailler opened the first Au Bon Pain (a French colloquialism for "where good bread is") in Boston's Faneuil Hall as a demonstration bakery. Struck by its growth potential, Louis Kane, a veteran venture capitalist, purchased the business in 1978.[4] Between 1978 and 1981, Au Bon Pain opened 13, and subsequently closed 10, stores in the Boston area and piled up US$3 million in debt. Kane was ready to declare bankruptcy when he gained a new business partner in Ron Shaich.[6]

Shortly after opening the Cookie Jar bakery in Cambridge, Massachusetts, in 1980, Shaich, a recent Harvard Business graduate, befriended Louis Kane. Shaich was interested in adding bread and croissants to his menu to stimulate morning sales. He recalled that "50,000 people a day were going past my store, and I had nothing to sell them in the morning."[7] In February 1981, the two merged the Au Bon Pain bakeries and the cookie store to form one business, Au Bon Pain Co. Inc. The two served as co-CEOs until Kane's retirement in 1994. They had a synergistic relationship that made Au Bon Pain successful: Shaich was the hard-driving analytical strategist focused on operations, and Kane was the seasoned businessperson with a wealth of real estate and finance connections.[8] Between 1981 and 1984, the team expanded the business, worked to decrease the company's debt, and centralized facilities for dough production.[9]

In 1985, the partners added sandwiches to bolster daytime sales as they noticed a pattern in customer behavior—that is, customers were buying sliced baguettes and making their own sandwiches. It was a "eureka" moment, and the birth of the fast casual restaurant category. According to Shaich, Au Bon Pain was the "first place that gave white collar folks a choice between fast food and fine dining."[11] Au Bon Pain became a lunchtime alternative for urban dwellers who were tired of burgers and fast food. Differentiated from other fast-food competitors by its commitment to fresh, quality sandwiches, bread, and coffee, Au Bon Pain attracted customers who were happy to pay more money (US$5 per sandwich) than they would have paid for fast food.[12]

In 1991, Kane and Shaich took the company public. By that time, the company had US$68 million in sales and was a leader in the quick service bakery segment. By 1994, the company had 200 stores and US$183 million in sales, but that growth masked a problem. The company was built on a limited growth concept, what Shaich called, "high density urban feeding."[13] The main customers of the company were office workers in locations like New York, Boston, and Washington, DC. The real estate in such areas was expensive and hard to come by. This strategic factor limited expansion possibilities.[14]

Au Bon Pain acquired the Saint Louis Bread Company in 1993 for US$24 million. Shaich saw this as the company's "gateway into the suburban marketplace."[15] The acquired company, founded in 1987 by Ken Rosenthal, consisted of a 19-store bakery-café chain located in the Saint Louis, Missouri, area. The concept of the café was based on San Francisco sourdough bread bakeries. The acquired company would eventually become the platform for what is now Panera.

Au Bon Pain management spent two years studying Saint Louis Bread Co., looking for the ideal concept that would unite Au Bon Pain's operational abilities and quality food with