

the broader suburban growth appeal of Saint Louis Bread. The management team understood that a growing number of consumers wanted a unique expression of tastes and styles, and were tired of the commoditization of fast-food service. Shaich and his team wrote a manifesto that spelled out what Saint Louis Bread would be, from the type of food it would serve, to the kind of people behind the counters, and to the look and feel of the physical space.¹⁶

Au Bon Pain began pouring capital into the chain when Shaich had another "eureka" moment in 1995. He entered a Saint Louis Bread store and noticed a group of business people meeting in a corner. The customers explained that they had no other place to talk.¹⁷ This experience helped Shaich realize that the potential of the neighborhood bakery-café concept was greater than that of Au Bon Pain's urban store concept. The bakery-café concept capitalized on a confluence of current trends: the welcoming atmosphere of coffee shops, the food of sandwich shops, and the quick service of fast food.¹⁸

While Au Bon Pain was focusing on making Saint Louis Bread a viable national brand, the company's namesake unit was faltering. Rapid expansion of its urban outlets had resulted in operational problems, bad real estate deals,¹⁹ debt over US\$65 million,²⁰ and declining operating margins.²¹ Stiff competition from bagel shops and coffee chains such as Starbucks compounded operational difficulties. Au Bon Pain's fast-food ambiance was not appealing to customers who wanted to sit and enjoy a meal or a cup of coffee. At the same time, the café style atmosphere of Saint Louis Bread, known as Panera (Latin for "time for bread") outside the Saint Louis area, was proving to be successful. In 1996, comparable sales at Au Bon Pain locations declined 3% while same-store sales of the Panera unit were up 10%.²²

Lacking the capital to overhaul the ambiance of the Au Bon Pain segment, the company decided to sell the unit. This allowed the company to strategically focus its time and resources on the more successful Panera chain. Unlike Au Bon Pain, Panera was not confined to a small urban niche and had greater growth potential. On May 16, 1999, Shaich sold the Au Bon Pain unit to investment firm Bruckman, Sherrill, and Co. for US\$73 million. At the time of the divestiture, the company changed its corporate name to Panera Bread Company. The sale left Panera Bread Company debt-free, and the cash allowed for the immediate expansion of its bakery-café stores.²³

Throughout the 2000s, Panera grew through franchise agreements, acquisitions (including the purchase of Paradise Bakery & Café, Inc.), and new company-owned bakery-café. By 2009, Panera had become a national bakery-café concept with 1380 company-owned and franchise-operated bakery-café locations in 40 states and in Ontario, Canada. Panera had grown from serving approximately 60 customers a day at its first bakery-café to serving nearly six million customers a week systemwide, becoming one of the largest food-service companies in the United States. The company believed its success was rooted in its ability to create long-term dining concept differentiation.²⁴ The company operated under the Panera, Panera Bread, Saint Louis Bread Co., Via Panera, You Pick Two, Mother Bread, and Paradise Bakery & Café design trademark names registered in the United States. Others were pending. Panera also had some of its marks registered in foreign countries.²⁵

May 13, 2010, marked a significant change in the history of Panera Bread Company. After 28 years, Ronald Shaich stepped down as CEO and Chairman effective immediately following the Annual Stockholders Meeting, and William Moreton, previously the Executive Vice President and co-Chief Operating Officer, assumed the role of CEO. Shaich planned to remain as the company's Executive Chairman. He announced that he expected to focus his time and energy within Panera on a range of strategic and innovation projects and mentoring the senior team. In typical Panera fashion, the transition had been planned for one-and-a-half years to ensure its success.