Competition

Panera experienced competition from numerous sources in its trade areas. The company's bakery-cafés competed with specialty food, casual dining and quick service cafés, bakeries, and restaurant retailers, including national, regional, and locally owned cafés, bakeries, and restaurants. The bakery-cafés competed in several segments of the restaurant business based on customers' needs for breakfast, AM "chill," lunch, PM "chill," dinner, and take-home through both on-premise sales and Via Panera catering. The competitive factors included location, environment, customer service, price, and quality of products. The company competed for leased space in desirable locations and also for hourly employees. Certain competitors or potential competitors had capital resources that exceeded those available to Panera.[55]

Panera's 2009 sales of nearly US$2.8 billion ranked as the largest of the fast casual chains. The company saw an increase in sales of 7.1% and an increase in units of 4.3% to 1380 stores over 2008. Chipotle Mexican Grill held on to the number two spot, growing U.S. sales 13.9% to US$1.5 billion, and units by 14.2% to 955 locations in 2009.[56]

Panera and Chipotle Mexican Grill, which together made up more than 25% of the fast casual segment, posted double-digit percentage increases in first-quarter 2010 sales over the same period in 2009, driven by opening new outlets and robust increases in same-store sales. By contrast, United States revenues at McDonald's suffered in 2009, and for the first five months of 2010, same-store sales were up 3% over the same period in 2009. Burger King struggled during the same period with revenues in the United States and Canada down 4% for the first three months of 2010.[57] Established restaurant chains were beginning to take notice of the opportunities in the fast casual segment and were considering options. For example, Subway started testing an upscale design in the Washington, DC, market in 2008. New competitors, such as Otarian, were also entering the fast casual segment and testing new concepts, many having a health and wellness or sustainability component to them.

Although Panera continued to learn from its competitors, none of its competitors had yet figured out the formula to Panera's success. While McDonald's had rival Burger King, and Applebee's had T.G.I. Friday's, there was no direct national competitor that replicated Panera's business model. Like Panera, Chipotle sold high-quality food made with fine ingredients—but it was Mexican. Cosi sold quality sandwiches and salads, but lacked pastries and gourmet coffees. Starbucks had fine coffee and pastries but not Panera's extensive food menu. According to Shaich, the reason is that "this is hard to do, . . . what seems simple can be tough. It is not so easy to knock us off."[58]

Corporate Governance

Panera was a Delaware corporation and its corporate headquarters were located in Saint Louis, Missouri.

Board of Directors

Panera's Board was divided into three classes of membership. The terms of service of the three classes of directors were staggered so that only one class expired at each annual meeting. At the time of the May 2010 annual meeting, the Board consisted of six members. Class I consisted of Ronald M. Shaich and Fred K. Foulkes, with terms expiring in 2011; Class II consisted of Domenic Colasacco and Thomas E. Lynch, with terms expiring in 2012; and Class III consisted of Larry J. Franklin and Charles J. Chapmann III, with terms ending in 2010. Mr. Franklin and Mr. Chapman were both nominated for reelection with terms ending in 2013, if elected.[59]