

Ron Shaich: Panera's Success Comes Down To These 3 Things

Dan Schawbel

Sep 25, 2017



I spoke to Ron Shaich, the founder, chairman and CEO of Panera Bread, about what he will be speaking about at the Eleventh Annual Conscious Capitalism CEO Summit, which will be held from October 10th until the 12th at the Hyatt Lost Pines Resort in Austin, Texas. Shaich tells me about how Panera bread

gives back to the community, how he overcame his biggest challenges while growing Panera, his innovative management style, and his best advice.

Panera Bread has more than 2,040 bakery-cafes, 100,000 associates and more than \$5 billion in annual system wide sales. Ron is highly respected for his ability to recognize and capitalize on marketplace opportunities. In addition to founding Panera, he founded and grew Au Bon Pain, establishing the bakery-cafe segment. With both companies he disrupted an existing industry paradigm and found new pathways to building companies of value and with values. Panera is the best-performing restaurant stock when measured over the last 20 years, delivering a total shareholder return of 9,753% from April 18, 1997 to April 24, 2017, compared to 210% for the S&P 500 during the same time period.

Dan Schawbel: What will you be talking about at this year's 2017 Conscious Capitalism CEO Summit? Why is this movement important to you and Panera Bread?

Ron Shaich: Conscious capitalism works. How do I know? By any measure, Panera has been one of the most successful restaurant companies in history. What started as one 400-square-foot cookie store in Boston has grown to a system with over 2,000 units, approximately \$5 billion in sales, and over 100,000 associates. In more than 25 years as a publicly traded company, Panera has created significant shareholder value. Indeed, prior to the JAB acquisition in July 2017, Panera was the best-performing restaurant stock of the past 20 years, delivering a total shareholder return up 86-fold from July 18, 1997, to July 18, 2017, compared to a less than two-fold increase for the S&P 500 during the same period. What's more, our stock generated annualized returns of 25% in the same time frame, which I'm proud to say is better than the returns of Warren Buffet's Berkshire Hathaway during the same period.

So what drove that success? Our ability to undertake long-term transformations that deliver for our stakeholders, including guests, team members, suppliers and the communities in which we operate. And when we deliver for them, we have the means to generate long-term shareholder value. That is the definition of conscious capitalism.

Long-term transformations that serve stakeholders rely on long-term decisions – what I call Smart Bets – and the commitment to see them through. As the CEO of a public company for more than 25 years, I can tell you that it is increasingly

difficult to work toward the long term in what is an increasingly short-term-oriented marketplace. This reality has serious implications for corporate leaders and conscious capitalists. That's what I'll be talking about.

In terms of the movement's importance, I fundamentally believe that business is the most direct and powerful way to affect change in the marketplace and the world. Business is better at creating change than any legislation, regulation or pressure from an advocacy group. For instance, in 2004, Panera was the first company to offer antibiotic-free chicken. At the time, ABF chicken cost considerably more. But as consumer demand grew, the supply went up and the price came down. Today, offering chicken with no antibiotics ever is an ante, not an anomaly. We are seeing the same reaction around our 100% clean foods. We are the first and only national restaurant chain to remove all artificial preservatives, sweeteners, flavors and colors from artificial sources from our menu items, and now everyone is racing to catch up.

Schawbel: How do you factor in giving back and supporting communities as you continue to expand your brand?

Shaich: At Panera, we like to say, "The more you give of yourself, the more you give to yourself." In other words, when we serve our stakeholders, they support Panera and this creates even more possibilities for our shareholders. Not only can we pay our mortgages, send our kids to college and fund our vacations, but we achieve other rewards. We feel pride in the work we do, pride in contributing to Panera's success, pride in being part of something bigger than ourselves and pride in touching and changing the lives of others. It's a virtuous circle and it's summed up in one of our cultural values: Profit provides possibilities.

Schawbel: What were some of your early challenges as you were scaling the brand and what did you learn from those challenges?

Shaich: There have been a lot of challenges in the past 30-plus years, so I'll focus one that never changes: The need for competitive advantage. I've learned that competitive advantage is everything. Simply put, competitive advantage is what prompts customers to choose you over your competitors. Without it, your business just fades away. That's especially true in the restaurant industry. Of the top 50 restaurant companies in 1999, one-third have fallen off the list. One-third in just 18 years!

So why does this happen? Because as companies grow they focus less on discovery and more on delivery. They begin to care less about ‘what could be’ and more about ‘what is’ and protecting ‘what is.’ And then, to protect ‘what is,’ they do the same thing over and over. It gets harder to do something new. Then, you lose differentiation as competitors start doing the same thing as you. So what I’ve learned is companies have to have both a discovery muscle and a delivery muscle. It’s not complicated, but it’s very hard to do.

Schawbel: Can you talk about your innovative management style and how you're able to motivate yourself and others?

Shaich: One of my objectives with Panera was to create a workplace where I wanted to work – one where the goal was to have a positive impact on the world and all associates were encouraged to bring their authentic selves to work and were treated with respect and honesty. We’ve done just that, and being united in a common goal and appreciated for your individual strengths is very motivating. We also believe driving innovation – that discovery muscle I alluded to – is the most important role of the CEO. So there are always new challenges for those willing to take them on and there are always new things to learn. That is also motivating. We work hard, but we have fun doing it.

Schawbel: What are your top three pieces of career advice?

Shaich: I tell my team all the time that Panera’s success comes down to three things we’ve always been able to do:

1. Tell the truth.
2. Know what matters.
3. Get the job done.

Most people do not have the insight, foresight, or wherewithal to do all three. But I firmly believe that doing all three is the key to success in business and in life.

Dan Schawbel is a keynote speaker and the New York Times bestselling author of Promote Yourself and Me 2.0.