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Ronald Shaich Whips Up Winning Recipe For Panera Bread Success

By Jenna Goudreau
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When Forbes spoke with Ronald Shaich in 2000, it was skeptical about his prospects of successfully taking soup, salad and sandwiches chain Panera Bread Company much farther than its then revenue of $200 million and 262 locations in 28 states. Fast forward to today and it's one of the best performing stocks in the restaurant industry *and* the broader consumer discretionary category, beating out brands as varied as Starbucks, Nike and Nordstrom over the last 10 years. There are now 1,541 locations, half company-owned and half franchised, in 40 states and Canada, and it earned $139 million on revenues of $1.82 billion last year. Analysts expect continued and steady growth.

Shaich, Panera cofounder and chairman, who served as chief executive until 2010 and remains the largest individual shareholder, has been perfecting this recipe since 1981. The New Jersey-bred Harvard Business School graduate spent a decade building its predecessor, bakery chain Au Bon Pain, before buying Panera for $24 million in 1993. When Au Bon Pain started to unravel, Shaich began envisioning a future in the smaller startup, and in 1999 sold Au Bon Pain to focus on long-shot Panera. Turns out, it was worth the risk.

"Panera Bread has been successful by betting on food quality, design and people," says Shaich. It smartly capitalized on a rare niche, branding itself as something in between fast food and casual dining. Consumers seem willing to pay a few extra dollars for fresh-baked breads, higher-end ingredients and premium coffees, and feel they're getting better food and a family-friendly environment. Meanwhile, with large stores and an open layout, designed with lounge areas and equipped with free Wifi, customers are encouraged to linger (and continue spending) and use Panera as a meeting space. Shaich says the food and in-store experience "grew out of a belief that, if given the choice, people would treat themselves better."

Even the recession couldn't throw off Panera's growth. Share price appreciated 189% from late 2007 to mid 2011. "During the recession, we chose to stay the course and continued to execute our long-term strategy of investing in our business to benefit the customer," Shaich says. "This was certainly a contrarian approach, as many restaurant companies were simply focused on surviving the economic meltdown." While others created value menus, Panera didn't slash prices or swap out expensive ingredients, like its antibiotic-free chicken. In fact, in the middle of the crisis it introduced a $17 lobster sandwich.

Panera also had an unusual advantage—it was positioned to compete against almost everybody. In the breakfast category, its coffee, breads and pastries took on Starbucks, Dunkin' Donuts and McDonald's. At lunch, it was up against the likes of Subway and Chipotle, and for dinner rivaled casual sit-down restaurants like T.G.I. Friday's and Chili's. The combination met the needs of various consumer groups and created steady foot traffic throughout the day.

Now, as it continues to open more locations, including four in Manhattan by the end of the year, Shaich isn't taking Panera's performance for granted. "Given the frequent failures of restaurant companies, even those once at the top of the industry, a healthy paranoia pervades Panera's halls," he warns. "We do not for one minute believe past success ensures future success." If he's learned anything about the restaurant business in the last 30 years, it's never being satisfied with the recipe, constantly anticipating the future and innovating ahead of the curve.