

# Flour Power

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Ever since the January issue of *The Hub*, in which we celebrated the arrival of the 2010s as “The We Decade,” I’ve been looking for examples of companies that demonstrate an understanding of the desire of individuals to band together and make a difference.

Our journey began in March, with J&J’s *BabyCenter*, which enables moms to help other moms be better moms. In May, we looked at Pepsi and its *Refresh Project*, which harnesses the power of online social networks to create change at a local level.

In July, we explored General Mills, whose long-running *Box Tops for Education* program has inspired countless individuals to work together to improve America’s schools. Then in September, we featured Caribou Coffee, which shares the all-important idea that it takes a community to effect change—but unlike Pepsi and Mills, applies that power to the café experience itself rather than a traditional charity or cause.

I’ve found it remarkable—and surprising—that each of these four companies all essentially embrace the same core principles of “me, we, higher purpose” but are doing so in very different ways. All four companies have a keen understanding of what matters to their consumers (me); how to apply that understanding to create collective power (we); and ultimately make a difference in our lives (higher purpose).

This time, we’re going to take a look at Panera Bread, which, yet again, puts its own very special stamp on “The We Decade.”

Panera Bread, known as the St. Louis Bread Company in St. Louis and Paradise Bakery & Café

in the west and southwest, made headlines last May by transferring ownership of one of its St. Louis restaurants to a not-for-profit entity, converting it to a pay-what-you-wish format and turning it over to the community to support and sustain it.

Nothing about the dining experience was changed—the food and the ambiance were exactly the same as before. The only difference is that instead of prices and a cash register, there are suggested donations and bins for contributions.

The initiative came from Panera’s founder, chairman and former chief executive officer, Ron Shaich, whose vision has always been the same: People want to feel special and respected in a world where often they are not. He founded Au Bon Pain Company in 1984, later acquired the St. Louis Bread Company and re-named the company Panera Bread in the late 90s. Au Bon Pain has since been sold, leaving Panera as a standalone enterprise.

Today, Panera is enjoying impressive growth during tough times: As of June this year, it had 1,399 bakery-cafes in 40 states and Ontario. As of the second quarter, its profits were up 33 percent versus a year ago, and revenues grew by 14 percent. The company reported total revenues of \$1.35 billion in 2009.

But the real story is not the financials so much as it is Ron’s perspective on business and individual responsibility. Growing up in the 1950s, Ron says he still remembers when everything was local. Even the early entrants into fast food—McDonald’s and Burger King—felt special. All of that faded away as industries consolidated under a drive to take as much market share as possible, as quickly as possible.

This began to change in the early 1990s when, as Ron puts it, “It was very clear that there was a large group of people who wanted food that they respected, and that respected them.” A friend of his, Jim Koch, founded Samuel Adams beer as a response to growing consumer demand for a certain kind of “home-brewed” quality that had all but disappeared.

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## Panera puts its bread where its mouth is.

The situation was similar in the bread business, with the rise of Wonder Bread and bargain brands. Ron saw an opportunity to offer fresh bread, baked the old-fashioned way: fresh dough every day in every café. At its very core, it was an approach that respected the customer's desire for quality and marked a return to traditional, home-spun values.

Ron says he got into business not to be in business as much as to make a difference in the lives of both his workers and his customers. He says he sees what he does as kind of like performance art: "As someone who can't sing or dance, creating a three-dimensional vision and making it come alive is the closest I'll get to being an artist," he says.

### A LOGICAL EXTENSION

Given this outlook, it's not surprising that Ron would come up with an idea like reinventing Panera as a community service. "It's just a logical extension of what Panera does," he explains. "I may be the guy pushing it, but it makes sense for Panera, because we committed very early to being members of the communities in which we live."

He sees Panera as being kind of like Facebook, but without the computers. "It's where people meet up," says Ron. "In the morning you might see the mayor there, along with coffee klatches. You're going to come back at lunch and see people taking a break from their offices. In the afternoon you might see a pharmaceutical reps meeting, or a Bible study group."

In short, Panera is a place where people gather, a center of community. So, it wasn't a great leap for Ron to see a way to take that sense of community and turn it into a force to achieve a higher purpose.

It wasn't as if Panera weren't already deeply committed to social responsibility. In 1992, the company founded a program called Dough-Nation, which contributes somewhere in the range of \$100-\$150 million worth of baked goods annually. Another \$2 million in cash is donated each year to local non-profit organizations.

But after watching a news report about the SAME Café (which stands for So All May Eat) that had no set prices, where those who could afford it could pay more than their share and those who couldn't pay their own way could eat for less—or even for

free—Ron began to think differently about Panera's responsibility to its communities.

"If there's anything we know how to do," says Ron, "it's run restaurants. Heck, we've got excess equipment, excess everything. I knew that this was a way to take our skills and apply them, with help from our community, to make a difference."

Ron is careful to point out, however, that the vision is actually a modest one. "This isn't going to cure poverty," he explains, "but we can find ways of shared responsibility and discuss the kind of society we want." And he is critical of the prevailing view that corporations exist solely to increase shareholder value.

"To me, a corporation exists not just for its owners and to drive up share prices," he says. "I personally think that's a wrong directive. We are members of our communities and they have a legitimate claim on us. We have a responsibility and an obligation to our employees and community. That's where America came from and that's where America needs to go."

This all sounds very nice in theory, but of course the real test is whether the idea of letting customers pay what they can afford can actually work.

Many—if not most—of those who have tried this approach, such as the Terra Bite Lounge in Kirkland, Washington, have been forced to modify or even abandon the idea. Part of the problem is the obvious potential for abuse.

Panera has experienced this: During its opening week a group of high school students ordered 40 sandwiches and didn't leave a donation. But it is addressing such problems by training its workers to explain how the system works—that it's not a free lunch—or breakfast or dinner. Rather it's an opportunity for those who can afford to pay to give a hand up to those who can't.

Another issue is that the community itself has to be able to sustain the concept. The first restaurant happens to be located in an area with a mix of both affluent and needy residents. So far, this is working, with the restaurant collecting about 85 percent of retail value.

That's good enough to sustain it, but the question is whether Panera can find many other communities of similar composition and attitude. Ron and his team are planning to open two more pay-what-you-wish

restaurants, known as Panera Cares, before the end of 2010, although their locations have not yet been announced.

Kate Antonacci, a communications specialist, who, like Ron, has been “loaned” by Panera to the Panera Cares project, is careful about predicting how many more pay-what-you-wish restaurants might be in the offing. But she says she’s been amazed by the response. “We have people who leave more, we have some who don’t leave anything and then there are people who just want their food and don’t care about the model.”

At the same time, Kate says Panera Cares is attracting people who never would have come in previously, who have totally bought into the concept and are seeing the difference it is making in their community.

Panera is tracking customer satisfaction for Panera Cares just the same as it does for its other restaurants and says it is over-performing—its customer satisfaction scores are in fact better than they were before. Kate thinks the atmosphere has changed, for the better.

“It is filled with this warmth and all of this energy and these people who are so inspired,” she says. “The people who work there are just so energized by what they’re doing.”

But she also says the venture is not without its ups and downs: “Some days you go home and want to cry because some people are taking advantage. But most people get what’s going on here and the fact that the café is still open is proof of that, and it’s inspiring.”

#### MORE THAN A CAUSE

What Ron and Kate are creating through Panera is much bigger than a cause; it is a testament to the nature of humanity. It’s a belief that most people are fundamentally good, honest and trustworthy. It is also a testament to the potential of individuals and corporations alike to apply their skills to make society a better place.

As Ron says, people want to feel special in a world in which they otherwise don’t. At first, this simply meant baking bread the old fashioned way; now it means that as well as restoring a sense of

community where neighbors help each other out. Ron could have just sold the restaurant and pocketed the money, but instead he *gave* it to the community and made it *their* responsibility to make it work.

For Panera, the *me* is about respect for each and every one of us as an individual. When you need a hand up, you can go to Panera with dignity, pride and be treated with respect and trust.

The *we* is a gift of shared responsibility. Ron is giving both employees and customers an opportunity to recognize their capacity to make a difference in the world, which means applying one’s skills and taking up permanent residence in a community. When companies do that, it’s no longer about *them*; it is truly about *us*—and the sense of *we* could not be more powerful.

The *higher purpose* is not some grandiose plan to eliminate poverty or hunger. The higher purpose is demonstrating to individuals and corporations alike their true capacity to make a difference in the world.

What if others thought about their business the way Ron Shaich does? What if Walmart ran distribution for food shelters? What if Home Depot rehabilitated housing in underprivileged neighborhoods? Suppose the Gap opened thrift shops? What if they then asked *us* to sustain it and make it work?

It could happen if they recognize what Ron Shaich recognized—that it’s not just about corporations and what they can do. Yes, Panera brought its expertise, but that alone won’t get the job done. Ron turned conventional thinking inside out with the idea that it is instead about the collective power of individuals to make a difference.

It’s the idea that Panera cares, but only if we do, too. That, to me, is a whole new take on “The We Decade.” ■



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