



Panera Benchmark Report

Executive Summary

Panera is well positioned as an industry leader which has proven adept at implementing innovations designed to make the chain a better competitive alternative. The brand's well-conceived "Concept Essence" positioning (food that tastes good and is good for you to go with an elevated experience) is built around: a cafe-bakery image, clean foods, quality artisan products and a warm community gathering spot that provides a "3rd place" oasis (beyond home & work place) with the comfort of a living room and the spirit of a village coffee shop. Further, Panera well addresses the growing demand for "craveable wellness" and "food as medicine" as the first and only national restaurant chain with a 100% clean menu. Strong brand positioning is also based on: (1) 30% digital sales mix; (2) industry's largest loyalty program (27MM members) which drives 50% of all transactions; and (3) omni-channel approach with delivery available in 50%+ of the system and catering sales growing double-digits each year. Progress is fueled by the system's innovative 2.0 roll-out which includes ordering kiosks, advanced ordering with app for Rapid Pickup and web-based catering & delivery which are all helping to drive a higher average retail check. Having said this, it is notable that Panera's sales have been muted by: a difficult consumer environment; rapid growth from new fast casual entrants; and growing external competition from QSR+ and casual players providing greater value and faster service speeds at lunch. Also, Chipotle's well publicized struggles may have negatively impacted the "healthy" halo that has been so important to Panera. Despite all this progress, the chain continues to be challenged as an upscale brand fighting for market share in an operating environment marked by heavy discounting and store-level margin pressure reflects that the chain is still waiting for its brand investments to gain traction. In conclusion, it is our opinion that Panera's recent transition to a private ownership structure was very strategic in that it provides the chain with a longer runway to generate returns on its brand investments that offer so much promise for the future.

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Restaurant Research LLC leverages an extensive network of industry players as part of its annual Concept Benchmark Analysis due diligence process for 22 large US restaurant chains. Also, RR tracks store level data for all major chains with system-wide sales in excess of \$1B across all major restaurant segments in order to produce 11 key Industry Data Topic reports. For more information please contact us at info@ChainRestaurantData.com or 203-938-4703.