

working remotely. Imagine yourself in a coffee shop working on an assignment or a report that needs to be printed. Previously, you'd need to wait until you got home or to an office to print what you created. The ZUtA printer relieves you of that complication. It is also ideal for people who work remotely, and either box up a traditional printer to take with them or become frustrated when they need a printer but don't have one available. For example, people who run trade show booths, sell products at craft shows or farmers' markets, or are working away from their office for any other reason are ideal candidates for owning a ZUtA printer.

ZUtA Labs ran a successful Kickstarter campaign in 2014 to fund the development of its product. The firm started

with a goal of \$400,000, and ended up raising \$511,662 from 3,081 backers. The initial iteration of the ZUtA printer is designed to print on paper. Future versions of the printer are intended to be able to print on any surface, including wood and vinyl.

5-38. Based on the material covered in this chapter, what questions would you ask the firm's founders before making your funding decision? What answers would satisfy you?

5-39. If you had to make your decision on just the information provided in the pitch and on the company's website, would you fund this company? Why or why not?

CASE 5.1

Panera Bread: Occupying a Favorable Position in a Highly Competitive Industry

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Introduction

If you analyzed the restaurant industry using Porter's five forces model, you wouldn't be favorably impressed with the results. Three of the threats to profitability—the threat of substitutes, the threat of new entrants, and rivalry among existing firms—are high. Despite these threats, one restaurant chain is moving forward in a very positive direction. St. Louis–based Panera Bread, a chain of specialty bakery-cafés, has grown from 602 company-owned and franchised units in 2003 to 2,100 in early 2017. In 2016, system wide sales reached \$2.7 billion, up 6 percent from the previous year; and, sales revenue was ticking upward in 2017 as well. These numbers reflect a strong performance for a restaurant chain. So what's Panera's secret? How is it that this company flourishes while its industry as a whole is experiencing difficulty? As we'll see, Panera Bread's success can be explained in two words: positioning and execution.

Changing Consumer Tastes

Panera's roots go back to 1981, when it was founded under the name of Au Bon Pain Co. and consisted of three Au Bon Pain bakery-cafés and one cookie store. The company grew slowly until the mid-1990s, when it acquired Saint Louis Bread Company, a chain of 20 bakery-cafés located in the St. Louis area. About that time, the owners of the newly combined companies observed that people were increasingly looking for products that were "special"—meaning that they differed from run-of-the-mill restaurant food. Second, they noted that although consumers were tiring of

standard fast-food fare, they didn't want to give up the convenience of quick service. This trend led the company to conclude that consumers wanted the convenience of fast food combined with a higher-quality experience. In slightly different words, they wanted good food served quickly in an enjoyable environment.

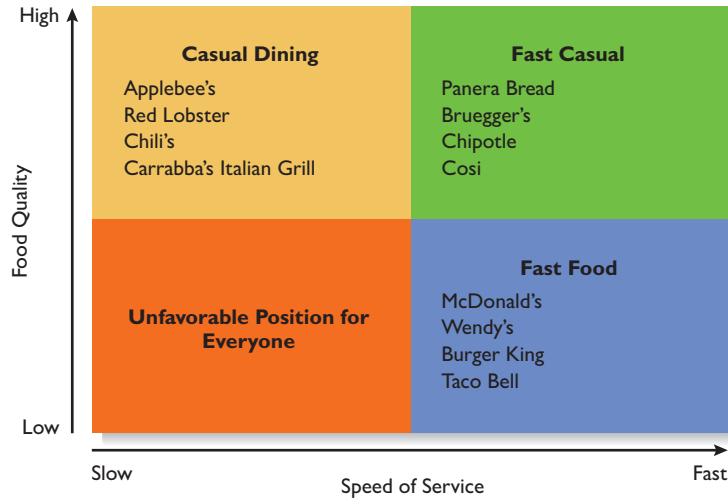
The Emergence of Fast Casual

As a result of these changing consumer tastes, a new category in the restaurant industry, called "fast casual," emerged. This category provided consumers the alternative they wanted by capturing the advantage of both the fast-food category (speed) and the casual dining category (good food), with no significant disadvantages. The owners of Au Bon Pain and Saint Louis Bread Company felt that they could help pioneer this new category, so they repositioned their restaurants and named them Panera Bread. The position that Panera moved into is depicted in the graphic titled "Positioning Strategy of Various Restaurant Chains." A market positioning grid provides a visual representation of the positions of various companies in an industry. Panera Bread emerged as a bakery-café that sells flavorful, wholesome food in a warm, friendly environment. Customers order their meal at a counter and receive it from a server in a booth or at a table, usually in less than 10 minutes.

Panera's Version of Fast Casual

To establish itself as the leader in the fast-casual category and to distinguish itself from its rivals, Panera (which is Latin for "time for bread") added a bonus to

Positioning Strategy of Various Restaurant Chains



the mix—specialty food. The company has become known as the nation’s bread expert and offers a variety of artisan and other specialty breads, along with bagels, pastries, muffins, scones, and baked goods. The bread and bakery items are typically baked by an on-staff baker each day before dawn. Some locations also participate in a program that donates their unsold baked goods to local charities after closing each day. Panera Bread’s restaurants are open for breakfast, lunch, and dinner, and also offer hand-tossed salads, signature sandwiches, and hearty soups served in edible sourdough bread bowls, along with hot and cold coffee drinks and other beverages. The company also provides catering services. Its restaurants present customers with a neighborly atmosphere and relaxing decor, adding to their appeal. Panera even suggests a new time of day to eat specialty foods, calling the time between lunch and dinner “chill-out” time.

With high hopes for future expansion, Panera Bread is an acknowledged leader in the fast-casual

category. Its unique blend of fast-casual service and specialty foods also continues to gain momentum. This sentiment is captured in the following quote from Mark von Waaden, an investor and restaurateur who signed an agreement to open 20 Panera Bread restaurants in the Houston, Texas, area early in the company’s growth spurt. Commenting on why he was attracted to Panera Bread as opposed to other restaurant chains, von Waaden said, “My wife, Monica, and I fell in love with the fresh-baked breads and the beautiful bakery-cafés. We think the Panera Bread concept of outstanding bread coupled with a warm, inviting environment is a natural fit with the sophistication that the Houston market represents.”

The spirit of von Waaden’s statement captures the essence of Panera’s advantage. It isn’t just another restaurant. By observing trends and listening to customers, its leaders helped the firm carve out a unique and favorable position in a difficult industry.

A Panera Bread Bakery-Café



Mira/Alamy Stock Photo

Present Status and Challenges Moving Forward

Panera's leadership in the fast-casual category and its financial performance have drawn considerable attention. The company employs more than 47,000 people, serves 8.3 million customers per week, and is currently one of the largest restaurant chains in the United States. It also continues to innovate and evolve. In 2012, Panera started testing a notion called Panera 2.0, which is a series of integrated technologies intended to enhance the guest experience. The concept was rolled out in a select number of restaurants in 2014 with more being added each year. Panera 2.0 brings together new capabilities for digital ordering, payment, and operations. The Panera Bread restaurants that have transitioned to Panera 2.0 have table kiosks, which the company calls *Fast Lane*, where customers may place an order and pay without going to the counter. The orders are placed on iPads. Customers can also place orders and pay via a smartphone app.

In regard to challenges, Panera has a growing number of competitors. The fast-casual category now includes restaurant chains such as Chipotle Mexican Grill, McAlister's Deli, Panda Express, and Jimmy John's Gourmet Sandwiches among others. As a result, in 2015 Panera refined its positioning to reconceive its brand mission as one of offering craveable wellness and an elevated experience within the fast-casual space. Panera 2.0 is part of this. The company also introduced new menu items that are intended to help the firm establish a premium reputation. The items, which have become very popular, include Panera's Roasted Turkey, Apple and Cheddar Sandwich and its Ancient Grain, Arugula and Chicken Salad. As part of enhancing

the customer experience, in 2016 Panera also started eliminating the few remaining preservatives, sweeteners, artificial flavors, and artificial colors that remain in its food items.

To keep its growth on track, Panera is considering additional initiatives. The company is exploring opening Panera Bakery-Cafes in nontraditional locations. It is also exploring food delivery. Given its unique positioning, Panera sees food delivery as a mass-market opportunity moving forward.

Discussion Questions

- 5-40. How has Panera Bread established a unique position in the restaurant industry?
- 5-41. How has Panera Bread's unique position in the restaurant industry contributed to the firm's success?
- 5-42. What barriers to entry has Panera Bread created for potential competitors?
- 5-43. What are Panera Bread's primary sources of competitive advantage?
- 5-44. What are the ways that Panera Bread can conduct ethical and proper forms of competitive analysis to learn about potential competitors entering the fast-casual category?

Sources: Panera Bread Homepage, www.panerabread.com (accessed February 18, 2017); Panera Bread Annual Report 2015; Panera Bread, Wikipedia, www.wikipedia.com (accessed February 18, 2017); M. Armental, "Panera's Quarterly Results Beat Projections," *The Wall Street Journal Online*, <https://www.wsj.com/articles/paneras-quarterly-results-beat-projections-1486503767>, February 7, 2017; "Industry by Industry: A Look at the Start, Their Stocks—and Their Latest Picks," *The Wall Street Journal*, May 12, 2003, R8.

CASE 5.2

How Casper Woke Up the "Sleepy" Mattress Industry

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Introduction

Imagine the following scenario: You've known for some time that you need to shop for a new mattress. You've been putting it off because you're dreading the experience. You imagine yourself walking into a mattress store, looking at a sea of mattresses, being approached by a pushy salesperson, and trying to pick out a mattress by laying on several mattresses for a few minutes in the store. You're also dreading trying to get whatever you buy up to your second floor apartment.

Then you hear about Casper. Casper is a direct-to-consumer mattress company that sells mattresses and

other sleep products online. Its tagline is "One Perfect Mattress." True to its word, it sells only one mattress in six different sizes two of which are the queen and king sizes. At the time this case was written (spring 2017), Casper was selling a queen-size mattress for \$950 and a king-size mattress for \$1,150. If you buy one of Casper's mattresses, it will be shipped to you in a vacuum-sealed box about the size of a mini-fridge. When you open the box, the mattress will roll out in front of you. If you'd like to know more about Casper before you buy, there are hundreds of Casper reviews and unboxing videos on YouTube, some of which have gone viral. And if you become a Casper customer,