

The Panera Bread Quality Experience: Are their Human Resource Practices Helping or Hurting?

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ABSTRACT

The majority of what is written about and by Panera Bread touts their products, business systems, etc. with (perhaps) an occasional passing mention of their friendly environment. Even their recent television advertisements highlight their food but do not mention or show their associates (i.e., employees). The fact that Panera Bread's human resource (HR) policies and practices have been carefully designed to support Panera Bread's strategies is lost in the focus on the food and financial success. Nevertheless, employees report mixed satisfaction with Panera's HR practices.

INTRODUCTION

Is Panera Bread a great company for employees? Are employees treated well? How easy is the hiring process at Panera Bread? The company was listed on the 2010 Fortune Magazine's "100 fastest growing companies" list and customers voted Panera as the most popular large restaurant chain in the U.S. in 2010. Nevertheless, comments found at jobvent.com [9] suggest that employees have mixed opinions based on their experiences in working at Panera Bread. Some employees indicate that store managers do not respect them while others say their managers made sure they were completely trained and were always willing to help them. Most employees like the flexible schedules and great food but they rate their pay as average or lower. Some problems may arise since Panera's managers and assistant managers can be young and inexperienced and their expectations for workers can vary. Furthermore, the turnover rate among managers tends to be high.

Interestingly, Panera strives to keep their employee turnover low. They appear to be successful in achieving that goal. The average turnover rate for the fast food industry is 250% Compared to the 200% average turnover for Panera Bread (system-wide) [4]. One Panera Bread store reported a turnover rate of 110% between 2001 and 2005. Nevertheless, the attempts to keep their turnover low reportedly results in some employees keeping their jobs despite their poor work ethic [9]. One Panera's employee (from Frankfort Illinois) sums up the sentiments: Even though everything is not perfect, what job is 100% perfect all the time? Of course, Panera's human resource policies and practices influence these experiences. Which policies are beneficial to the majority of employees and which should be changed?

BACKGROUND

Panera Bread did not start with this name. They began in 1981 as Au Bon Pain Company, Inc. In 1997, Au Bon Pain had become the dominant operator within the bakery-cafe category with 160 bakery-cafes mostly located in busy urban centers on the east coast of the U.S and 96 bakery-cafes internationally.

In 1993, the Au Bon Pain Company purchased the small but popular Saint Louis Bread Company. The Saint Louis Bread Company was primarily located in St. Louis, Missouri. St. Louis Bread Company's suburban bakery-café's seemed to supplement Au Bon Pain's urban fast-food bakery-café's.

Corporate management recognized that Panera Bread had a business concept and products that would appeal to the North American people. However, Panera Bread would require all of the company's financial and management resources for them to reach their potential. Therefore, all of Au Bon Pain bakery-café's were sold in 1999 to finance the future of Panera Bread. The company was renamed Panera Bread [6].

Success in Bread

Panera Bread is a leader in the quick-casual restaurant business. According to Hudson Riehle (Vice President of Research for the National Restaurant Association), "quick casual" is a hybrid concept that combines the higher quality food of casual dining chains with the convenience of fast food [8].

Panera Bread sells made-to-order sandwiches using a variety of artisan breads (including their classic sourdough bread), soups, salads, pastries, gourmet coffees, and frozen lemonade. Panera Bread's slogan is "fresh bread makes friends" and their mission is to put a 'loaf of bread in every arm' [15]. They are steadily fulfilling their mission through rapid expansion of their bakery-café's in suburban neighborhoods across the U.S. and Canada.

For example, Panera Bread and their franchisees opened 22 new bakery-cafes during the fourth quarter of fiscal 2009. This brought their total bakery-café's to 1,380 in over 40 U.S. states and Canada – 585 of which were company-owned and 795 were franchised-owned. They expect to open another 5 to 10 bakery-café's during the first quarter of 2010 and continue their growth of bakery-café's during 2010. The future growth of Panera Bread will be based on the development of their bakery-café concept and continued sales of franchise area development agreements [12].

Panera Bread's success also is reflected in their financial results. Panera's annual revenues have steadily increased and first exceeded the \$1 billion mark in 2007. Their (comparable bakery-café) sales growth increased 9.0% during the first half of the first quarter of 2010 fiscal year [7]. Their sales growth is impressive considering that it occurred during an economic downturn. It is even more impressive when comparing their increase to the 4% *decrease* in nationwide restaurant business during this time period. [14].

External Recognition of Panera's Success

In addition to the above-noted measures of success, Panera Bread continues to be recognized for various aspects of their business by their customers and multiple organizations. Panera Bread is recognized for bringing their handcrafted, fresh-baked, artisan bread to suburban neighborhoods and for driving the North American trend for specialty breads [5].

Panera Bread's website lists many of the ways their excellence has been recognized [11]. Their recent awards include:

- They were named to *Business Week's* 2010 list of top 25 "Customer Service Champs." (Only one other restaurant was listed.)

- Panera Bread scored the highest level of customer loyalty among quick-casual restaurants by TNS Intersearch as reported in *The Wall Street Journal*.
- Panera Bread was recognized by customers in multiple categories reported in the 2009 Sandleman & Associates' Quick-Track® "Awards of Excellence" for the eighth consecutive year.

COMPANY CONCEPT AND STRATEGIES

Panera Bread prides themselves on using the highest quality ingredients with no preservatives and baking their breads everyday from the fresh dough made at their dough making facilities. Panera's managers correctly realized that their customers are willing to pay more for the higher quality ingredients (and products) they offer. They have not followed Au Bon Pain's model of locating in large urban centers in eight countries. Instead, Panera Bread focuses their expansion efforts on suburban areas in the U.S. and Canada.

Bakery-café

Although Panera Bread faced a recessionary economic climate starting in 2009, their strategies targeting the development of all of their bakery-café have helped them offset the downturn in the economy. The company managers decided to focus on building a deeper relationship with customers and improving their competitive position. Among other goals, the company has strengthened their competitive position by offering a better "total experience" to guests rather than heavy discounting like their competitors. They also have strengthened their organizational capabilities by continuing to hire very qualified individuals. Furthermore, they are very selective about their franchisees.

Franchises

Franchised bakery-café comprise more than 57% of Panera Bread's bakery-café. Although Panera Bread only accepts one out of every 400 franchise applicants, they require each franchise developer to open about 15 bakery-café within six years. This way, Panera Bread develops their business by selling market areas. Both of these conditions are rare in franchising.

Panera Bread's franchised bakery-café are encouraged to take initiatives that will maintain the loyalty of their customers. In fact, the number one rule (according to Mike Kupstas, Vice President of Franchising and Brand Communications) is to 'do whatever it takes to satisfy and make customers happy' [12].

HUMAN RESOURCE PRACTICES

All of Panera's associates and managers are "at will" non-union employees. As of December 2008, Panera Bread had about 9,300 full time associates (600 employed in general or administrative functions; 1,200 employed in the fresh dough facility operations; and 7,500 employed in the bakery-café operations as bakers, managers, or associates). Panera Bread also had 12,500 part-time associates in their bakery-café operations [1].

Value Statements

Panera Bread's value statements (incorporated into their "Panera warmth" philosophy) provide the foundation for their human resource practices [10]. These values statements address caring about employees' future, family, all individuals, success, and community.

Ethical Guidelines

Panera Bread has developed a Standards of Business Conduct (i.e., Code of Ethics) [13] to ensure the company maintains their reputation for integrity and commitment to core values and guiding principles. The document sets policies for issues including conflict of interest, maintaining company confidential information, accounting and payment practices, and how to report violation of the policies. Associates who violate the policies are subject to disciplinary action.

Compensation and Benefits

Panera Bread believes in providing bakery-café operators opportunities to share in the successes of the company. The company offers a variety of benefits to their hourly and salaried associates based on eligibility. Associates who work at least 20 hours per week are eligible for a 401(k) savings plan, an employee stock purchase plan (ESPP), and medical, dental, & vision insurance [2].

RECRUITING AND SELECTION PROCESSES

Panera Bread mainly utilizes the internet for their recruiting and initial selection efforts. Panera Bread's website provides easy access information to apply for positions at Panera Bread [10].

On-Line Questionnaire and Application Form

Once a job applicant has registered on Panera Bread's website, s/he is asked to complete a questionnaire. The questionnaire for a Customer Associate includes questions about minimum age requirement, times available to work, lifting requirements, if legally authorized to work in U.S. After completing the on-line questionnaire, the job candidate provides information requested by an on-line application form.

PeopleAnswers

Panera Bread contracts with a service called "PeopleAnswers" This service offers organizations access to certain selection tools and other services through their website. These tools and service include employee testing and assessment services. PeopleAnswers reduced Panera Bread's turnover by 51% through hiring and developing candidates best suited for their positions [16]. After completion of a test, PeopleAnswers provides Panera Bread a data assessment based on the person's responses.

Interview Process

Job candidates who have been interviewed for a job by Panera Bread report (through Glassdoor.com) that the interview process is dependent upon the position [3]. When applying for a Data Analysis coordinator, one job applicant had a phone screening that lasted approximately 30 minutes and an on-site visit with three individuals. These were followed by a second on-site interview.

CONCLUSION

Panera Bread is a recognized leader in the quick-casual restaurant business. They are rapidly expanded their bakery-café in suburban neighborhoods across the U.S. and Canada. Panera has strengthened their competitive position by offering a better "total experience" to guests rather than heavy discounting

like their competitors. They also have strengthened their organizational capabilities by continuing to hire very qualified individuals who will be short-term and long-term assets to Panera Bread.

So, how does this translate to the employee level? A good fit between Panera's strategies and their HR management practices will facilitate Panera's continued success. Their turnover rate is lower than the industry but some employees feel mistreated and unrespected. Which of the HR policies and practices are working and which might need to be revised?

SAMPLE QUESTIONS FROM TEACHING NOTES

The majority of what is written about and by Panera Bread touts their products, business systems, etc. with (perhaps) an occasional passing mention of their friendly environment. Even their recent television advertisements highlight their food but do not mention or show their associates (i.e., employees). The fact that Panera Bread's human resource (HR) policies and practices have been carefully designed to support Panera Bread's strategies is lost in the focus on the food and financial success. Thus, Panera's HR management system deserves closer study so that current and future managers can learn from their success in nurturing quality, engaged employees.

The following sample questions illustrate how to apply the case and relevant Human Resource Management concepts. The full set of questions is grouped by main topics. In this way, the set of questions that address a chapter or course topic may be selected when appropriate.

Sample Topic: Strategic Human Resource Management

1. A. Explain which corporate (or grand) level strategy (i.e., growth, stability, retrenchment) Panera Bread appears to have adopted. Base your answer on the case.
- B. Explain which competitive level strategy (i.e., cost leader/defender or differentiator/prospector) Panera Bread appears to have adopted for the bakery-café. Base your answer on the case.
- C. Explain which aspects of recruiting and selection at Panera Bread should be kept consistent among the franchises and company-owned bakery-café. How would you suggest Panera Bread ensure consistency in relevant areas?

Sample Topic: Job Analysis

2. A. Explain 2-3 different job specifications (knowledge, skills, and abilities) and competencies Panera Bread needs in their Part-Time (PT) and Full-Time (FT) associates in order for Panera Bread to be successful in achieving the corporate and competitive level strategies that you identified in #1A and B.
- B. Explain 2-3 methods Panera Bread could use to identify which current associates and job candidates either currently have those knowledge, skills, and abilities (KSAs) and competencies or might have the potential to acquire them in a timely manner.

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