

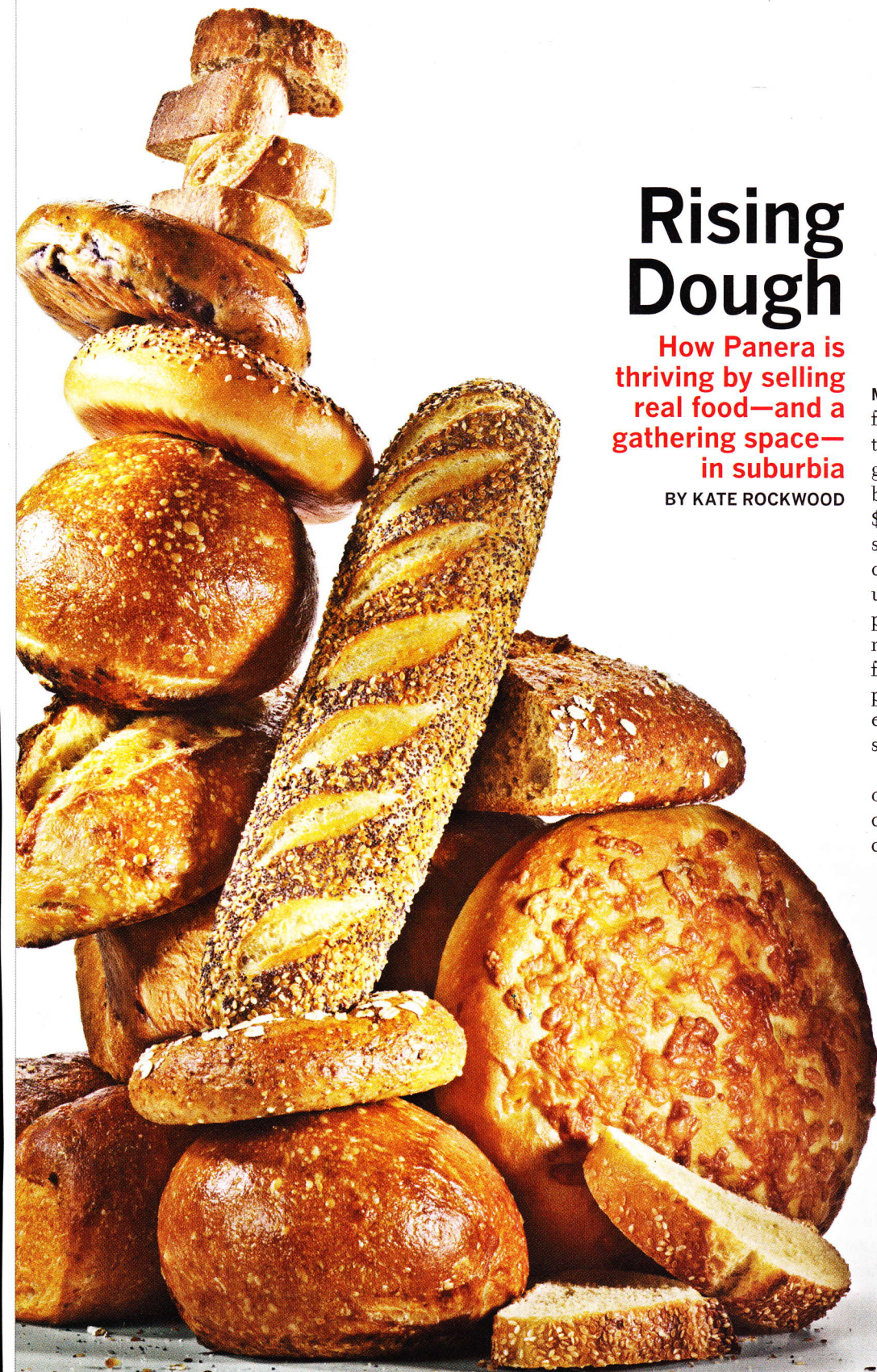
Rising Dough

How Panera is thriving by selling real food—and a gathering space—in suburbia

BY KATE ROCKWOOD

MENTION PANERA BREAD and fans are as likely to praise the free Wi-Fi as they are to gush about the Asiago cheese bagels. And that, execs at the \$2.6 billion restaurant chain say, is the point. While its competitors scale back on upscale ingredients, trim portion sizes, and create value menus, Panera is selling fresh food and warm bread at full price, and encouraging customers to linger. That recipe is succeeding.

Financially, Panera has been on a roll: The St. Louis-based company opens a new bakery-café every five days. Sales rose





STAYING HUNGRY Panera fosters a community vibe with free Wi-Fi, fireplaces, and no time limit for dining.

16.2% in 2008. Profits were up 33% in the first half of this year. PNRA is the best-performing major-restaurant stock of the last decade, with annualized growth of 31.5%. Panera is proof that, in suburbia, there's a hunger for real food—unfussy ingredients moved from farm to plate quickly and affordably. And the company has combined that menu with an unpretentious atmosphere—there's no table service, but also no time limit. As a result, it has become as much community gathering space as a bustling lunch spot.

"In many ways, we're renting space to people and the food is the price of admission," says CEO Ron Shaich, over lunch at a three-week-old Panera in Walpole, Massachusetts. He's eating a new dish—a chicken Cobb salad studded with Gorgonzola cheese, antibiotic-free chicken (Panera is the nation's largest buyer of the stuff), and

applewood-smoked bacon ("the kind you'd find at the Four Seasons, not on the Baconator," Shaich sniffs).

A diverse stream of customers flows around him, settling throughout the airy café: a study group (with sandwiches, salads, and soda), a bride-to-be chatting with her wedding photographer (lattes, lemon Bundt cake), two businessmen with laptops (cinnamon-crunch bagels, lemonade), and a baker's dozen of couples and families feasting on roast beef tucked into Asiago demi-baguettes, sourdough-bread bowls brimming with creamy corn chowder, and grilled focaccia layered with pulled chicken, mozzarella, and fresh basil. "It's a classy place," says diner Betsy Cziria, a 58-year-old payroll manager whose college-age daughter turned her on to Panera five years ago. "You wouldn't sit in a McDonald's to have lunch."

Well, maybe some of us would, but

Panera's target audience is more Food Network than fast food. "We hit a chord with people who understand and respond to food, but we also open a door for people who are on the verge of that," says chief concept officer Scott Davis. "We run an idea through the Panera filter and give it that twist that takes a flavor profile closer to what you'd find in a bistro than a fast-food joint."

You can trace the roots of most dishes on Panera's menu to its R&D team's twice-yearly retreats to the Adirondacks, where staffers take turns trying to one-up each other in the kitchen. For instance, Panera head baker Tom Gumpel went out and caught several fresh lobsters to bring with him to one retreat, giving him a decided advantage for the evening's feast. "We start with: What do we think tastes good?" says Davis, over the mid-experiment whirl of a blender at the latest gathering. "We're food people, and if we're not working on some-

thing that really gets us excited, it's kind of not worth working on."

That passion has a trickle-down effect on the brand. "To consumers, the brand is family-oriented but also sophisticated," says Darren Tristano, executive vice president of food-industry research firm Technomic. "Panera's on-trend with what consumers are asking for: fresh, customizable, convenient, won't break the bank."

A message of freshness is the first thing customers see when they enter each café, with massive displays of bread—all of it hand-formed and baked on-site throughout the day. The baguettes are tagged with what time they came out of the oven. Bakers wander through the café offering still-warm samples. New employees get dough training. And meetings start with the staff breaking bread together (no, really). "We start by paying homage to mother bread," says man-