



## **Panera Cares baking up an evolved business model**

By Dan Gershenson

August 08, 2012

*“Being an entrepreneur is about seeing opportunity. It's easy to write a check. But the real challenge for corporations like us is . . . what if we could solve some of these core problems too?”* — Ron Shaich, founder, chairman and co-CEO, Panera Bread Co.

Sometimes when entrepreneurs talk about giving back to the community, it can feel as though it's a convenient extra that's good for PR or a team bonding day. Is it a nice gesture from that company? Absolutely. But it's not exactly baked into the fabric of what the brand is all about, either.

Which is what makes Panera Cares Cafe, the pay-by-donation restaurant concept from Panera Bread Co., so intriguing to me as a template for other businesses to potentially follow.

I had the opportunity recently to sit down with Panera's founder, chairman and co-CEO, Ron Shaich, to learn more about the idea when he came to Chicago to open a Panera Cares in Lakeview (formerly a regular Panera Bread Co. restaurant), the fourth of its kind within the Panera restaurant system.

What I really wanted to find out was: Can a company find success and profit from a business model that expects people to do the right thing?

At first, I wasn't certain. Sure, when you first learn about a restaurant that lets people pay what they want so that someone who has only small amount of money can buy anything on the menu, your first thought is, “Wow, that's so nice of them to donate food to the community like that.” But as Mr. Shaich explains, there's something deeper at work here.

“(Panera Cares) comes out of a view of the world in which the way in which businesses most succeed is when they make a difference for lots of different people. That's the guts of Panera's success since I founded it 25 years ago.”

Corporations give money and Panera is no different – franchisees included, the company has donated near \$100 million to its surrounding communities. Still, Mr. Shaich says this felt a bit disconnected from Panera's everyday work.

“One of the things that became clear to me is that a food shelter can be a dehumanizing experience. What we want to bring with Panera Cares is a whole lot of positive energy out there.”

Are there lessons from Panera Cares that other businesses might apply to their brands if they're trying to evolve their model for greater community tie-in and profitability? Start with these ideas:

How is this baked into your brand?

Panera Cares doesn't feel like a special case outside of the Panera brand but more of something natural to do for the community. Part of that may be due to the fact that nothing here is sacrificed or stripped down from what people have come to appreciate about Panera.

“We said if we were going to do this and put the Panera name on it, we were going to keep all the good stuff and leave nothing out,” Mr. Shaich said. “The whole menu would have to stay as is. There's no abbreviated version.”

There's also no altered version of the environment. For all intents and purposes, the soul of the Panera brand looks and feels the same but with an even more amplified mission behind it.

Without sacrificing anything that your customers have come to know and love about you, how can your business model flow into a natural community benefit?

Do customers clearly understand your mission?

Since Panera Cares is different from the traditional restaurant concept, Mr. Shaich recognized that people would need to understand how the payment system works and the “big picture” of what Panera Cares is aiming to accomplish. That's why every Panera Cares also features an employee “ambassador” stationed at the front of the customer line who explains the pay-by-donation method and answers other questions. Without that, you can imagine how it might create a bottleneck once each person arrives to pay and make for a frustrating experience. With one simple addition, that challenge is largely solved.

Don't just expect a creative business model to tell your story for you. How can you help customers down the tracks with greater clarity so they get where you're trying to go?

Where is your “ambassador” stationed within your brand to explain your model's purpose? Is it a physical presence like this one or an online one? Consider how essential that might be, especially as you're trying to turn customers into advocates.

What discussion are you elevating?

The distinction here is elevating a discussion, not trying to deliver a solution to the world's problems. "(Panera Cares) isn't about solving the hunger issue or solving poverty," Mr. Shaich says. "It's about food insecurity. Food insecurity happens when people who don't know where their next meal is coming from or how to pay for it."

Mr. Shaich says that one in six Americans have experienced food insecurity in the last year. But while the assumption by some may be that these people are largely homeless, it's actually a small percentage of the overall amount. In fact, of the people who do experience food insecurity, one in three are college-educated.

What is the issue that you're trying to elevate for greater awareness in the community? And rather than trying to singlehandedly eradicate a problem on your own, how is your brand involving that community – offline and online – so you can work on it together?

Maybe if this economy of ours is going to continue to recover with the help of healthier corporations, the answer won't just come from increased hiring but also from a whole new business model that benefits the community and brand alike in a way that's also quite profitable. It's not a big departure but as a natural evolution of what the brand stands for. I like what Panera's doing with Panera Cares toward that end. I'd love to know others who have bright ideas like this too.

*For four more ideas on developing a smarter business model gleaned from this discussion with Panera Cares co-CEO Ron Shaich, visit Dan's blog at [www.chicagobrander.com](http://www.chicagobrander.com).*