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By

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What’s Next on Ron Shaich’s Menu

After a $7.5 billion sale, the CEO of Panera and ‘fast-casual’ dining pioneer sees other needs to feed

PHOTO: JASON GROW FOR THE WALL STREET JOURNAL

In the early 1980s, the future CEO of Panera Bread Co., Ron Shaich, opened a 400-square-foot cookie store in downtown Boston. He soon realized that no one was buying cookies before noon, so he began to stock breakfast pastries from a small chain called Au Bon Pain. Mr. Shaich soon merged Au Bon Pain with his cookie company.

Ten years later, in 1991, he took Au Bon Pain public. In 1993, Au Bon Pain acquired Saint Louis Bread Co. to form what is now Panera Bread. And on July 18, Mr. Shaich sold Panera for $7.5 billion in one of the biggest restaurant deals ever. His ownership of nearly 6% of the company's stock netted him an estimated $400 million pretax payout.

Such a windfall once seemed unlikely. In 2010, Mr. Shaich, who had stepped down as Panera's CEO and became executive chairman, was worried enough about the soup-and-sandwich chain's trajectory that he drew up a "pre-mortem" to explain how a competitor could beat it. Walking into a Panera branch was like a "mosh pit," he said. As lines and waits grew, customers often found ordering so frustrating that they would just leave. The company's growth slowed.

Panera adopted the strategies that Mr. Shaich devised for its would-be competitors, such as Starbucks and Chipotle Mexican Grill. In 2012, he returned as CEO to help lead an overhaul known as Panera 2.0, including an estimated $100 million investment in better technology to speed up service. Last year, the firm's revenue grew to $2.8 billion, up from $2.7 billion in 2015.

All 2,000 restaurants are now slated to get a new look, including sleeker drive-throughs and digital screens, and a menu of "artisanal" offerings that Panera says are preservative-free, including a steak and white-cheddar panini and a watermelon feta salad. Customers at revamped stores can now order on an iPad, and many can get deliveries at their homes or offices.

The high-tech refurbishing of Panera is just the latest act for Mr. Shaich, a 36-year veteran of the restaurant business. This spring, Whole Foods Market named him to its board of directors, further increasing his influence in the food industry. Mr. Shaich, 63, will stay on as CEO of

Panera and help guide its new owner, JAB Holding Co., a European investment fund that owns Krispy Kreme, Keurig Green Mountain and other food and retail chains.

Growing up in Livingston, N.J., amid the social and cultural ferment of the 1960s, Mr. Shaich initially wanted to go into politics. The son of an accountant father and a homemaker mother, he went to Clark University, where he became treasurer of the student body. In that role, he opened a nonprofit convenience store. “For a kid who can’t dance and can’t sing…this was the most creative thing I had ever done in my life,” he laughs.

After graduation, he went to Washington to work in campaign consulting—and realized that he’d rather start his own business. He attended Harvard Business School and then opened that first cookie store. Since then, he has been a keen observer of trends in the food industry.

In the mid-1990s, he started seeing a move away from baked goods and ready-made sandwiches and toward healthier, fresher food. He noticed that while many customers once ordered their baguettes sliced crosswise in circular pieces, people were starting to ask to have the loaves sliced lengthwise to use for sandwiches. That made him think that customers wanted to come in for real meals, not just to buy baked goods on the run.

Modern chains such as McDonald’s once met that need for a more complete food experience, he says, but by the mid-1990s, fast-food restaurants had become “self-service gasoline stations for the human body.” Sensing an opening, Mr. Shaich became one of the founders of the “fast-casual” movement: restaurants that aim to provide fresh, high-quality food swiftly and affordably—with a serving of self-esteem on the side.

PHOTO: JASON GROW FOR THE WALL STREET JOURNAL

Over the years, he says, he began to see “people waking up and saying, ‘I want to feel special in a world in which I’m not.’ ” Panera, he concluded, answered that desire better than Au Bon Pain. So in 1999, he sold Au Bon Pain to focus on growing Panera into a fast-casual pioneer. As that market has become more competitive, with the Sweetgreen salad chain and Tom Colicchio’s ’Wichcraft sandwich shops expanding nationally, Mr. Shaich is relying on his digital plan to compete by giving customers easier ways to get their lunches, including an app for advance orders.

Mr. Shaich says that he hasn't thought about how to spend his enormous payout from the deal, but he plans to keep his current routine. When he isn't traveling, he wakes up at his home in Brookline, Mass., at 4:30 a.m., reads the news for 45 minutes and sees his fitness trainer three to four days a week. ("My favorite part of the trainer is saying goodbye," he says.) Afterward, he checks Panera sales and heads to work, stopping at a branch to pick up a Greek yogurt parfait and cappuccino before a day of meetings. After work, he likes to have dinner with his wife and their teenage son and daughter around 6:30 p.m.

He hopes to use his family vacation this winter for another, more personal "pre-mortem." "I've watched both my mom and dad pass away and…I learned we each have an opportunity if we have a chronic disease to reflect on our own lives," he says. "But I'm convinced that the time to reflect is not in the ninth inning, on your death bed. It's while you're going through life."