Identification and Analysis of Existing Organizational Strategies Paper

Example 1: Panera

Panera Bread Company has five strategies that they use and will use in 2010 in order to stay profitable. These dominant strategies help define who Panera is as a company and how they plan to continue to be one of the leaders in the fast casual restaurant industry (Panera Bread Company 2009).

The first strategy is market penetration. Panera is committed to improving the customer experience in ways they believe few in the industry have done. They plan to execute a broader marketing strategy, not simply to build name recognition and awareness but also to build deeper relationships with their target customers whom they believe will help promote the brand. To reach their target customer group, they use a mix of the following marketing methods: radio, billboards, social networking, television and in-store sampling. They expect to continue to increase media impressions as they strive to build deeper relationships with their customers. They believe marketing represents an opportunity to create additional competitive advantage and brand awareness.

The next strategy is market development. Panera expanded their operations into Canadian markets by opening two franchise-operated bakery-cafes in the fourth quarter of 2008 and a third franchise-operated bakery-cafe at the beginning of the first quarter of 2009. The expansion into Canada has made them subject to Canadian economic conditions, particularly currency exchange rate fluctuations and political factors, either of which could have an adverse effect on the financial condition and results of operations. If Panera expands into other foreign markets, they will be subject to other foreign economic conditions and political factors including taxation,
inflation, currency fluctuations, increased regulations and quotas, tariffs and other protectionist measures. They also may be exposed to new forms of competition not present in U.S. markets, as well as subject to potentially different demographic tastes and preferences for their products.

The next strategy is new product development. As stated earlier, Panera adds new items to their menu each year in order to respond to current trends and to give their customers different options. They believe their menu innovation is one reason that value scores with customers remain so strong. Zagat’s 2009 consumer-generated National Restaurants Chains Survey for eating on-the-go rated Panera number one among chain restaurants with fewer than 5,000 locations in the following categories: Most Popular, Best Healthy Option, Best Salad and Best Facilities. In 2009, they were also named number one Healthiest for Eating on the Go by Health magazine (Seeking Alpha, 2010). These are obviously awards that not every restaurant receives but it really shows how much Panera puts into their menu. They could easily just serve the same menu all the time and still make money. But by introducing new items that their customers want, it allows them to stay relevant in their community and it gives people a reason to go back to Panera. If there is something new on the menu that a Panera customer has not tried, it will most likely get them to go back to the restaurant to try that new menu item. Staying on top of current and future trends as well as providing interesting and fresh items helps give Panera a competitive advantage.

Panera also exhibits Michael Porter’s Generic Strategy of Focus (targeting a niche market). Panera makes it clear that bread is their platform and the entry point to the Panera experience at their bakery-cafes. It is the symbol of the quality that Panera provides and a reminder of the totality of the experience the customer receives and can take home to share with friends and family. Panera constantly strives to offer a memorable experience with superior
customer service. They strive to achieve something called Concept Essence, which is a blueprint for attracting and retaining the targeted customers that they believe differentiates them from competitors. Concept Essence begins with artisan bread, quality products and a warm, friendly and comfortable environment (Seeking Alpha, 2010). It calls for each of our bakery-cafes to be a place customers can trust to serve high quality food. They are committed to creating an ambiance in their bakery-cafes and a culture within Panera that is warm, inviting and embracing. They design each bakery-cafe to provide a distinctive environment, in many cases using fixtures and materials complementary to the neighborhood location of the bakery-cafe, as a way to engage customers. Their menu, operating systems, design, and real estate strategy allow them to compete successfully in several segments of the restaurant business. Those include breakfast, AM “chill,” lunch, PM “chill,” dinner, and take home (Seeking Alpha, 2010). Panera’s main goal is to be the best competitive alternative for those customers craving soup, salad, or a sandwich.

Finally, Panera uses the strategy of forward integration in regards to their “Pay-as-you-wish” restaurants that are also called “Panera Cares”. Panera currently have three of these pay-as-you-wish restaurants that are located in Clayton, Missouri, Dearborn, Michigan, and most recently in Portland, Oregon. The restaurants are owned and operated by a nonprofit arm of the national restaurant chain, which receives no profit from the business. These kinds of restaurants are meant to help people that cannot afford the full price of a good meal. There are no requirements for payment for a meal, only suggested amounts. Panera reported that in these restaurants, 20% of people paid more than the suggested amount, 20% paid less, and 60% paid the suggested amount. This helps people who some weeks have to pay lower because they simply cannot afford it due to their other expenses. Instead of these people being forced to eat from the McDonald’s dollar menu, they can get a healthy, fresh meal and pay whatever they can
afford at the time. CEO Ron Shiach said he would like to open more of the Panera Cares
restaurants but he must see if the current ones can operate correctly (Skidmore, 2011).
Example 2: Chipotle

Analysis of Existing Organizational Strategies

Currently, Chipotle Mexican Grill is utilizing four key strategies that are currently growing its business. These include such strategies as backward integration, market penetration, market development, and related diversification. With the company having over a thousand stores open to date, it still annually strives to open at least 100 new stores. This will allow the company to constantly expand operations and even venture into new markets.

The first strategy worth noting is that of backwards integration. Although Chipotle has not physically acquired any of its suppliers, it is partnering up with several farmers that grow sustainable food sources (Killifer, 2010). This is an important strategy to its vision as partnering with such farms can ensure that Chipotle adheres to its vision statement with as little interruptions as possible. This also serves the farmers of such sustainable practices an advantageous position as their farms are not as profitable as other farms that use chemicals and other drugs to maximize profit. Reason being, is that these farms can rely on Chipotle to be a steady buyer of its products.

The second strategy is known as market penetration. In recent years, Chipotle has not involved itself in too many marketing campaigns. However, as the company strives to grow and implement its vision of Food With Integrity, new marketing efforts are being pursued. The company even hired Mark Crumpaker recently, who serves as the organization’s Chief Marketing Officer (NRN, 2009). With this hire, the company has become more aggressive in its mainstream marketing efforts. Ads are popping up on such social media sites as facebook. Co-
CEO Steve Ells is also on a cable television show, to which Chipotle marketing efforts can be seen with relative ease during a viewing of the show.

Market development is a major initiative within the company’s strategic efforts of late. Chipotle has begun to introduce restaurants in places outside the U.S., going to Canada and England. It is also looking to expand operations across Europe (Liddle, 2010). The company has been somewhat successful in establishing a presence in such areas as Canada and England and is hoping to experience similar success in countries such as France. Within the U.S., Chipotle has begun to build restaurants in areas that offer less potential for revenues. These areas are in less commercialized places and will likely not be as profitable as stores located around a mall of sorts. However, these stores can be justified as viable options for growth as the cost involved with start-up is far less than that of a regular store.

Related diversification is also a strategy being implemented by Chipotle. The company is launching a new concept dealing with Asian food (Jennings, 2010). It will certainly enjoy success strictly based upon the Chipotle name. The company can use its own business model to start up the new restaurant concept as it is a model that has proven success and would likely lead to growth.

Given these strategies, Chipotle seems to be headed in the right direction as far as mitigating potential risks and maintaining an expansionary policy. Chipotle not only realizes that it needs to keep expanding, but it must also maintain that each new restaurant and project is handled with in the same manner and quality as its predecessors. With all of this in mind, it seems important that the CEOs of the company, Steve Ells and Monty Moran, stay dedicated to the company and its vision. Both leaders seem to be leading in a direction that is somewhat
unconventional, yet highly effective. In the end, it would appear that the future for Chipotle as a company seems very bright.