PORTION BALANCE COALITION: PANERA BREAD CASE STUDY

Major restaurant chain applies both full transparency and "stealth health" approaches to make changes in their menu offerings

SUMMARY

Panera Bread, a major national restaurant chain spanning across 47 states with more than 2,300 locations, has put consumer well-being at the center of its efforts to enhance the customer experience. It serves 10 million+ guests per week with its line of soups, salads, and sandwiches. Two significant investments in the past few years illustrate the chain's commitment to "raising, serving and eating food that is good and good for you". In 2017, Panera Bread implemented their "Sweetness for Every Taste" Initiative, introducing six new beverages along a sweetness spectrum with each having at least half the added sugar content compared to traditional soda fountain drinks. To improve transparency and provide consumers greater autonomy in their beverage choices, Panera chose to reveal the added sugar content and calorie count in every self-serve beverage at the point of pour and on cups.

In 2019, Panera re-launched their bakery lineup with adjusted portion sizes and reformulated recipes to improve each item's nutrient profile. Bakery goods continue to sell well, supporting the merits of this smart, "stealth health" approach.

The process to launch a new beverage line required coordination across the entire network and a substantial capital investment:

Timeline for New Beverage Line

Customer Needs:

MAY Begin innovation process to create more craveable self-2016 serve beverage line-up that pairs well with menu items. JUNE to Gain consumer insights into flavor profiles, future **AUG** trends, and nutrition and wellness needs. 2016 **FALL** Put products into test markets. 2016 Roll-out six new and improved reduced calorie beverages, including teas, lemonades, and frescas **MARCH** made fresh daily with quality ingredients. 2017 Establish full transparency with consumers by revealing flavors, levels of added sugar, and calorie count. Launch the "sweet facts cup" featuring added sugar SEP content and calories for all self-serve beverages directly 2017 on the cup.

Panera Bread seeks to fulfill its guests' growing interest in having healthier beverage alternatives without compromising taste. They recognize that, in general, consumers are drinking more water and looking for alternatives to sugar-sweetened beverages.

Drivers of Innovation

Product Innovation:

Of the six new beverages, all are made fresh daily; half with no added sugar while the other half are moderately sweetened:

- Unsweetened: iced black tea and plum ginger hibiscus tea.
- Lightly sweetened with fruit juice: prickly pear hibiscus fresca.
- Moderately sweetened: green tea (re-launched with 40% less added sugar than the legacy version); agave lemonade; and blood orange lemonade.

Customer Choice:

Fully sweetened soft drinks are still available and are situated near the "Sweetness for Every Taste" line-up.

Business for Impact





CHALLENGES

Significant financial investment required for new equipment and beverages, which were projected to yield a smaller profit margin compared to existing soda line.

Managing supply chain partnerships with soda suppliers.

Operational complexity of making new drinks in-house daily.

Space constraints in the beverage area, along with the design of all new equipment.

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When you use your voice and scale to really engage consumers, other brands take notice and that's where Panera has power.

Sara Burnett,

Vice President of Wellness & Food Policy Panera Bread

RESULTS & IMPACT

- Calorie and added sugar information has been well-received by guests. For example, the flavor profile of the long time guest favorite, green tea, was adjusted and re-launched with 40% less sugar with no impact to sales or customer satisfaction.
- New alternative beverages have driven an additional decline in soda consumption; 18 months post-launch, soda sales declined significantly, with diet soda seeing the biggest drop.
- With the introduction of these alternative beverages, 1 million cups of added sugar have been eliminated.

The process to re-launch its bakery line was done to improve the nutrition profile and reduce portion sizes:

Timeline of Bakery Items Re-Launch

Strategy work to discover what was missing in the

line-up and identify opportunities to make items more craveable.

FALL 2016

SEP

2016

Complete culinary work to craft new items.

JAN 2017 Test products in one location: fine tune recipes from portion weights to ingredients as live consumer feedback is generated; recipe changes almost every week.

SEP 2017

Expand to other lab cafe.

EARLY 2018 Expand to entire Chicago market to test ability to execute at scale with bakers, since stores bake fresh overnight every night in each cafe.

NOV 2018

Roll-out to two-thirds of the nation.

JAN 2019

Fully launch nationwide in all cafes.

Drivers of Innovation

Customer Needs:

Guests are desiring new flavor profiles of pastries with a range of treats, from bite-size to sharable portions.

Product Innovation:

The primary innovation was introducing new pastries and flavors, such as the vanilla cinnamon roll. The second goal was to enhance the nutrition profile through rightsizing portion sizes.

Maintainting Value:

Able to deliver changes without having customers feel like they are missing out.

CHALLENGES

Driving craveability and desire for the product without encouraging overindulgence – for example, no deep fried, filled donuts even if they are super craveable for some guests.

Having skilled bakers to bake products fresh daily with consistency across so many locations.



RESULTS & IMPACT

With the re-launch on January 19, 2019, Panera has demonstrated the power of "stealth health":

- Volume: Smaller portion sizes are imperceptible to the consumer; average weight of products reduced by 12.2 grams.
- Proportionality: Products continue to sell very well, fulfilling guests' desire for the occasional treat.
- Quality: Energy density reduced while nutrition profile was improved with average calories reduced by 42, fat by 1.5 grams, carbs by 6 grams and total sugars by approximately 3 grams.











Innovation Roles & Components



KEY TAKEAWAYS

Does being a privately held company make it easier to make long-term bets? You bet. Panera Bread made a strategic decision at the top of the organization to have a focus on health and wellness as a way to drive positive changes in the chain's menu offerings. Being able to think about their market share five years from now instead of the next quarter allows for strategic long-term growth decisions.

Panera Bread's formula for meeting and anticipating consumers' preference for better-for-you foods and beverages while dining out:

- Asking consumers what kind of future they want to live in;
- Taking a health, wellness, and flavor perspective when designing new menu offerings;
- Including a focus in the wellness innovation process;
- Setting a target nutrition and portion size consistent with the company's mission; and
- Thinking about the consumer long-term, not just what can drive sales in the short-term.

About the Portion Balance Coalition

The Portion Balance Coalition (PBC) is a multi-sector collaborative whose members have come together to identify, co-create, and implement demand- and supply-side innovations to support a balanced diet.

Georgetown University's Business for Impact at the McDonough School of Business is the coalition's neutral organizer and convener and is anchoring the work using the portion balance framework: volume (quantity), proportionality (variety), and quality (nutrient density). Young adults, ages 20-39, primarily millennials with children, are the design target for the coalition's efforts.

For more information, please visit www.portionbalance.org and/or contact Diane Ty, Senior Project Director, DLT40@georgetown.edu