

## MoS Rapid Response Transcript – Niren Chaudhary

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**NIREN CHAUDHARY:** Just before the virus hit us, we thought we had a very compelling strategy that we were in the process of implementing, and feeling pretty good about the year – and then suddenly COVID-19 hit us. Within a week, we saw a huge drop in our sales – and in that very first week we realized that this is big. So early in as a team we stepped back pretty quickly and said, "What's truly important?"

We've decided to provide free family meals to all our associates once a week, including our furloughed associates. We have made an arrangement with brands like CVS and Walmart who are actually hiring at the moment. We launched 1,000 curbside-pickup drive-ups in seven days flat in all the cafes in which we don't have a drive-through; we set up a new line of business in just two weeks.

And we have pledged to serve half a million meals to families and children impacted by the pandemic.

**BOB SAFIAN:** That's Niren Chaudhary, CEO of Panera Bread.

In the Great Lockdown, the restaurant chain has faced a slew of new challenges, forced to furlough employees, make difficult salary cuts.

Yet as Niren explains, those tough realities have been matched by some fast-paced pivots.

This is Bob Safian, your host for Masters of Scale: Rapid Response. Niren says his exec team has spent as much as 15 hours a day on video calls, sifting through options, searching for solutions.

They conceived and launched a new business line in just 14 days.

They're trying to spark a movement they call Together Without Hunger.

Will it all work? Niren doesn't make any promises. What he does say is, "we are building hope and optimism."

Let's listen in.

**BOB SAFIAN:** I'm Bob Safian. I'm here with Niren Chaudhary, CEO of Panera Bread, the fast-casual restaurant outlet. Few industries have been hit as hard by the coronavirus and the ensuing lockdown as the restaurant business. Eating out, which had been a core part of the American experience, has largely stopped. Layoffs hit many outlets almost immediately. Panera

has been pushed to rethink its system and its model; now finds itself operating, in part, as a grocery service.

None of this was the plan a short time ago. All of it has put Niren in a difficult, almost no-win situation. But that's not how he looks at it. As we'll hear, Niren is coming to us today remotely from his home in Boston as I ask my questions from my home in New York. Niren, thanks for joining us.

**CHAUDARY:** Thank you.

**SAFIAN:** So can you start by taking us back a little to the beginning and just spell out for us how the coronavirus first came to your attention, how it first manifested in your business when you realized, "Oh this is maybe going to be something different we need to react to"?

**CHAUDARY:** Sure. I think just before the virus hit us, we thought we had a very compelling strategy that we were in the process of implementing, and feeling pretty good about the year – and then suddenly COVID-19 hit us. And I think with the containment, the social distancing, and the closure of our on-premise dining areas, we have seen a major disruption on our business. Within just a week we saw a huge drop in our sales – and in that very first week we realized that this is big, and at that time were obviously caught by surprise, just like everybody else, at how quickly and exponentially this virus was spreading. So early in as a team we stepped back pretty quickly and said, "What's truly important?"

And we came up with two important priorities. The first one we said is to ensure the safety of our associates and customers. That's truly paramount and most important. Secondly is the importance of protecting our brand and business. And we recognized early on that both were important. We had to do both. And we knew as we do both, we'll have to make some very tough decisions and we will have to have one, the courage to do that quickly. And secondly, whatever we do, we must do through the filter of our values. And our values are around treating people fairly with respect, with compassion, with care, with the utmost amount of transparency and candor.

**SAFIAN:** So, you mentioned difficult decisions. When you look back, which were the most difficult decisions and which of those decisions are things that you felt like, "Maybe I could have done that a little differently"?

**CHAUDARY:** I think the decisions that are always the most difficult are the ones that are to do with our associates and our teams. We believe that we are in the people business that happens to sell soup, salads, and sandwiches. And our people are the very heart of who we are. When the business declines so dramatically, we knew to protect our business, we had to conserve cash. We just had to survive. And to be able to protect cash, it meant, of course, doing the straightforward stuff like canceling all non-essential

expenditure. I think that is straightforward. But we knew we had to flex our variable costs and our cafes, either reduce hours or indeed we had to furlough our associates in the field. And that is very, very hard as you flex that model down because people who can afford it the least ended up getting impacted the most.

These people-decisions, I have to say, continue to be the hardest ones for me. And there is nothing more that we would want than to see our business come back, our revenues come back, so we can bring many of these furloughed employees quickly back into our cafes.

**SAFIAN:** I know there's a service you guys started called Friends in Knead where employees are helping each other; you're also contributing to helping in relief efforts there. There's been reports recently about different folks who have taken the PPP money from the government loans or grants and others that have turned it down. Where are you guys on that topic?

**CHAUDARY:** So we have not received anything from the government as corporate. Our franchise partners who run smaller businesses, they obviously have and they need to be able to survive – and that indeed is the intent of the program. So, we haven't done that, but you're right on the associate side.

So, we have this emergency relief fund called Friends in Knead that we're giving out, including by the way, to our furloughed associates. They're also eligible for it. Second one is we've decided to provide free family meals to all our associates once a week, including our furloughed associates. And third one is also very important one, which is we have made an arrangement with brands like CVS and Walmart who are actually hiring at the moment.

So we went to them and we said, "Can we have an arrangement whereby our associates who've been furloughed can access your temporary jobs without friction and then we can get them back when the time is right?" So we have made that arrangement with CVS and Walmart to make it easier for our associates to find jobs.

Furloughed associates, for example, in the support center, we are paying them 25% of the salary. We think it's the right thing to do. And finally we are also thinking about the mental health of our associates, and we've essentially launched a wellness program that all our employees can access, a 21-day meditation program, including furloughed employees. So I think we have to do the right thing to protect the business and brand, but we can do it with heart. Truly caring for our associates and treating them like very much as part of the family that they are.

**SAFIAN:** When you're setting up these programs like the relationships with CVS and Walmart that you mentioned, is that a conversation that happens at a CEO-to-CEO level, or is that

something that happens elsewhere in the organization? I'm just curious how those get created in an environment like this.

**CHAUDARY:** So I think it was Walmart, I wrote to the CEO's office and I said, "This is our need. I know that you're looking for associates. We have great associates, can we do it?" And then it really went fast. And CVS, similarly, we had key relationships with senior leaders, which we activated and it moved very, very quickly. In fact, CVS constructed a homepage only for Panera employees to apply for the roles. So I think it moves with speed if you really reach out to the leaders of the respective organizations who share the same kind of passion and compassion for people as we do.

**SAFIAN:** Yeah. And of course you do still have stores that are open and I know you talk about this deep cleaning. I think a lot of people have questions about this. What is deep cleaning? What is this enhanced sanitization? How is that manifested? What is different than what you would have done before?

**CHAUDARY:** Think of it as the cafe shut down totally, and then you're moving all your equipment and furniture around to one side. And you have basically a high-pressure water jet and you have appropriate chemicals that you need to use to ensure you're really deep-cleaning it, which is literally presuming that this place has some level of infection and has to be cleaned out. And everything that needs to be done to ensure that that indeed is the case.

**SAFIAN:** And that's happening how often in the stores that are open?

**CHAUDARY:** Yeah, apart from the stores that are open follow their regular protocols around sanitation and safety. I was talking about the deep cleaning happening in the stores that got impacted by associates who positive.

**SAFIAN:** Food is obviously an essential business. Restaurants haven't necessarily been thought of that way, although many folks have historically gotten a lot of their food from restaurants. How do you think about Panera's role, community-wise, in this environment? I know you've donated to USDA and the Children's Hunger Alliance in Ohio and Feeding America, to food banks and agencies. But what is at stake for Panera in this transition in this environment?

**CHAUDARY:** I think that's a very important question. Let me give you the context of who Panera is and what we believe in. So our purpose is to make this world healthier and happier. That's why we come to work every single day. And our mission is very simple: Ensure that good eating and good food is accessible to everyone.

Let me share with you how I see what's going on right now. It started with a health crisis that's moving to becoming a financial crisis and a humanitarian crisis. And if you step back from it and try and reflect on the emotions that you and I and everybody is facing at

this time in the country, there are two types of emotion. On the one hand, you're feeling uncertain, stress, anxiety, fear. On the other hand, you've never felt more connected to our families, never had more compassion for our communities and never felt more responsible for the world and environment in which we live.

And for us, I think, is exactly the same way. And we believe as Panera, given the values I shared with you, we have to, at moments like this, stand up and make a difference. So associates, we talked about compassion and care. On customers, similarly, it is this mindset of, "How can I serve my customers at this moment? What is most important to them?" Safety and convenience. So therefore, contactless delivery. Therefore, sealed packaging. Therefore, we launched 1,000 curbside pickup drive ups in seven days flat in all the cafes in which we don't have a drive through. Then also the grocery that you talked about. Recognizing the friction of not being able to access high demand grocery items, we set up a new line of business in just two weeks.

Same mindset on community, which is at Panera, we believe we must serve our communities at times like this, especially those who are most impacted by the pandemic. There are three groups of people that are most impacted. First is doctors and nurses. So we're actually serving 50,000 meals a week to doctors and nurses in New York. Second is children. And you talked about that. Our partnership with USDA, recognized by the White House, where we've pledged to serve freshly prepared wholesome meals to children, beginning in the state of Ohio and beyond.

I'm excited to share with you that we are launching a third initiative, which is to do with families, families that are impacted by the pandemic. Now you may have seen that almost 20 to 25% of food banks may run out of food in the next four weeks. They don't have food. Food insecurity is becoming a massive problem that can potentially impact 54 million people, Americans, in the next four to five weeks. So therefore, we must do something.

So we are about to launch a movement – I won't even call it a program – it's a movement that we're launching tomorrow. It's called Together Without Hunger where we want to bring the nation together to help solve this problem of hunger, by actually giving 500,000 meals to food banks so that they serve families impacted by the pandemic. So we have a partnership with Feeding America that we have just created. And we have pledged to serve half a million meals to families and children impacted by the pandemic. So those are some examples of what we are doing to be part of the solution.

**SAFIAN:** When you talk about food insecurity, are you concerned about food availability? Is it a supply chain issue that there won't be enough food for people? Or is it just not getting to the right places and the right people?

**CHAUDARY:** I believe it's the latter, which is it's not getting to the right places and to the right people fast enough, which is why brands like us have to make it happen. We have a secure supply chain, we are okay. We have wholesome, freshly prepared meals. You have food banks that don't have food. We have to ensure that we help them and provide this food so they can take care of families who are impacted as they shelter in.

**SAFIAN:** I want to ask you a little bit more about the Panera Grocery, the new business that you stood up, you said, in a very short period of time. Where did the idea come from? And then what were the steps that you took to be able to get it started?

**CHAUDARY:** This is a terrific story. So picture that the entire leadership team is basically sweating bullets trying to figure out how we're going to manage this thing. And we're watching what's going on. And at the same time, we are now, all of us are with our wives and spouses, sheltering in and we're staying at home. None of us want to go out. When we do go out, we realize that there is not what we want in terms of high-demand grocery items.

So we knew that this is a major, major friction. All of us, we were talking about it. "By the way, have you been able to order grocery?" "No, don't ask him about grocery. I don't want to go out and I can't get it delivered. What do I do?"

And then we just said, "You know, is it a crazy idea? We have such high-quality ingredients." Everyone said yes. I said, "We have a network of delivery drivers. We have our own delivery infrastructure, and we have such a strong ecommerce infrastructure. Almost one third of our revenue comes from ecommerce. So if you have ecommerce and if you have a delivery infrastructure and you have high-quality ingredients," we said, "What if we took care of this problem that our customers are seeing in terms of this high friction on grocery items?"

If we can solve a customer problem, it's a win. We can potentially get incremental revenue, keep our cafes open longer, keep our associates employed longer, and perhaps even generate incremental profit. And who knows how this new world shakes out? It might be the beginnings of maybe a new type of business. Maybe this evolves to meal kits in the future.

And one of our team members who's very talented in terms of setting these channels up, he said, "I don't think it's a crazy idea. Let me just huddle with the team and see what we can do."

The level of collaboration and tenacity with the team to go after this urgently was just phenomenal. So in 14 days from the time it came up as an idea, we launched it as a whole new business platform and it went live. And I could not be more proud of the speed at which the team worked.

**SAFIAN:** And as you cite this, this is a theme I see across several of the businesses that I've talked to, about how much faster organizations are finding they can move than they historically had. Creating a new kind of expectation of a different kind of gear that you know you can all kick into when you need to.

**CHAUDARY:** And also I think what is fascinating to watch here was since everybody understood the context and the problem that we were trying to solve – in the sort of normal rhythm of the organization, there are a lot of barriers to conversation: “Can't do this”, “Can't do that” or “Have you thought of this?”, “Have you thought of that?” All of that almost disappeared because everyone was clear about the mission and the objective and the importance of this.

And I think that's why it just forged a huge amount of collaboration and a mindset of “We're going to do this and we're going to problem-solve and we're going to make it happen.” Our lives are at stake here. The lives of our associates are at stake here. If you don't get the business moving, don't get the momentum, who knows how deep this hole could be. So I think that just brings the team together like nothing else does.

**SAFIAN:** Now, I'm also mindful that at Panera you guys invested a fair amount in digital systems in advance of this crisis. How important was having that capacity beforehand in being able to make this shift in that timeframe?

**CHAUDARY:** Massively important. If we did not have the off-premise infrastructure of delivery, both our own and our third-party aggregated partnerships. If we didn't have that or if we did not have the ecommerce platform to unlock this, it would be very, very difficult to be able to move at this speed and do something so ambitious.

So I think those two things were certainly big enablers. And the third, I think, enabler was just our quality of the pantry that we have. We have more than 250 ingredients – that's not normal in many food concepts – and these ingredients are all clean. They're free of all artificial preservatives, sweeteners and so on. So it's very high-quality bakery products, high-quality dairy products, high-quality fresh produce. And therefore, we had this combination of three things, great ingredients, delivery infrastructure, ecommerce and then we were able to therefore accelerate.

**SAFIAN:** Are there any like new digital tools, applications that you wish you had?

**CHAUDARY:** I would say it is more about leveraging the infrastructure that we have and keep improving it. We've been investing behind information technology platforms for the last five or six years and significant amount of dollars, close to half a billion dollars of investment that we've made. And we have a large dedicated capability and ID

infrastructure. So it's a huge point of competitive advantage to have the ecommerce infrastructure that we do.

**SAFIAN:** I've spoken earlier this week with several folks in other areas of retail that are booming, like Target. Do you get frustrated when you think about that, about sort of that there's some folks out here who are just like, this is boom times for them and in this battle?

**CHAUDARY:** Our mindset is always about let's focus on what we have control over, our world, and let's make that the best that we can possibly make for the sake of our customers, associates. And I think other companies that are doing well, I think that's great. It's great for the economy, it's great for those companies. It's great for the customers, it's great for their employees. I'm actually very glad that there are companies who are benefiting from this.

Otherwise, what we're going to walk into could've been even worse. I think that the financial crisis is going to deepen, and if it was not for companies that had some of them who are bucking the trend, it would probably have been even worse. So I'm grateful that some companies are doing well.

Like I said, CVS and Walmart, a huge thank-you to them for absorbing our associates temporarily. If they were not doing well, we wouldn't be able to do that. And our whole sort of an obsession is, okay, let's take accountability and ownership over what we have control over and let's not worry about what's happening to us. And that I think is very empowering.

**SAFIAN:** How do you plan for the future in this environment? It seems like looking ahead, it's sort of every day something changes and you're not sure when lock downs are going to end or end in different places. It might end in one state and not another state. How do you approach the planning?

**CHAUDARY:** We think this health crisis is going to move into a financial crisis, which is going to deepen and there's going to be also a humanitarian crisis alongside. Within that context, the competitive intensity will consolidate because unfortunately many brands may not be able to make it through.

However, at the same time there'll be new entrance for alternatives for at-home-consumption meals, like grocery stores and meal kits will be new competitors suddenly for us when they were not their first time around. I think real estate will soften possibly and we'll have opportunities there to leverage some of the benefits from that. I think another opportunity would be access to talent. I think we'll be able to access lots of very, very good high-quality talent at this time.

And then finally, if I look at consumers, I think there are four important consumer insights that we have to be mindful for. Number one, the customers want safety. Number two, they're going to want value. Number three, they're going to be looking for convenience. And lastly, I think there's going to be a much bigger requirement and expectation on wellness.

I think Panera is uniquely positioned to leverage its position in the new world. And I think that Panera's unique strengths are three, the brand stands for wellness, and personalized wellness because of our ecommerce platform, the delivery infrastructure, the ecomm infrastructure.

So, in the post COVID-19 period, Panera will be uniquely positioned to leverage our strengths, accelerate our opportunities. And then look for new opportunities for growth. And let me give you a little bit of a feel of what I mean.

We are not that strong with families, therefore I think if you go after families, with delivery, with catering offers, I think we can actually grow the business. Finally, looking at wide space opportunities like grocery. That's why I think it's so important that we dipped our toe in it right now, we can learn from it, see how it performs, and maybe that leads into new business opportunities like meal kits or some other ideas in the future.

So those are the three things, three ways in which we're thinking about the future; safety, leverage our strengths, and then look for new growth opportunities.

**SAFIAN:** So if I summarize this the right way, and stop me if I'm not right, but what you're seeing is in a macro sense, in the time we're coming towards, fewer people are going to be in restaurants, more people are going to be eating from home. If you expect it's going to return to the way it was before, it's not.

So you have to adjust your business. But with all those transitions you feel like Panera is well positioned to deliver the kind of experience and the kind of food that people will respond to in the right way at the right price point, that you guys can remain solvent and hopefully profitable and sustainable in that environment?

**CHAUDARY:** Yes. I think you're absolutely right.

**SAFIAN:** On the safety front, I just have a question. I talked with someone who, they have these infrared sensors in their warehouse facilities to make sure people with fevers don't come into the warehouse. Is that the kind of thing you look at for your restaurants?

**CHAUDARY:** I think we are in the process right now as we start thinking of reopening. And we are exploring things like this medical station where, when employees come in, we want to make sure that we have a process and a protocol of documenting the

temperature, that they're actually in good health and therefore they can actually work on that particular day. Along with a host of other measures like masks and everything else.

So we're in the process of defining that. I really believe this is the number one most important thing that we need to be doing to reassure our associates and our customers. Therefore, we are thinking through every single aspect of how we can make that far more effective than it was before.

**SAFIAN:** I mean these are a lot of decisions, decisions with a lot of impact on your business and your future. I'm curious whether you feel stressed about this.

**CHAUDARY:** I feel very accountable and very responsible. I feel that at times like this, leaders must firstly stay calm so that they can focus on what truly matters. Even while it's important to deal with the challenges, ensure that we are building hope and optimism and inspiration in the organization at times like this, this mindset of, "We have to lead the way, we have to be part of the solution." I think a brand like Panera allows me, on behalf of the company, to do just that and I'm really grateful for that. So I would say, am I stressed? Positive stress. So it's channeled into, what can I do? What can we do to do the right things the right way at this important time?

**SAFIAN:** Many of the other listeners of this are running their own businesses and they feel stressed. They may have trouble finding that center, finding that vision, that way to keep going without being anxious. Do you have any advice for them about how to work their way through this?

**CHAUDARY:** The first one that really empowers a leader is to take personal accountability and ownership, to be focused on what you have control over. I think the minute you lose your center, I think you remind yourself, okay, let me just focus on what I have control over. I find that terribly liberating.

The second thing I find that gives me, certainly, inspiration, is to lead with your heart. I think to ensure that you can do hard things, but you must do that with compassion and with empathy.

The third one is kind of this, fight the good fight. There's a lot of energy from saying I'm not just going to roll over and die. You know? I'm going to actually be resilient. I'm going to be tenacious. I'm going to give it everything and more.

I have to give you an example. We have recently launched a program called Fight For Your Family, where all of our associates in our cafes, we've told them the best thing you can do for our fellow employees, for our company, is to drive sales. So let's fight for our families. So I think that's the third one, which is fight the good fight.

The last one I think is probably my favorite one, which is build windmills and don't look for bunkers. When things are really tough, organizations can get so busy diving into bunkers and to play defense, you might forget that building windmills, which is creating opportunities, looking for opportunities to do the right big things for your associates, for your customers, for your community, for your brand. I think that'd be incredibly inspiring and elevating.

**SAFIAN:** Well, Niren, I want to thank you for sharing your fighting spirit with all of us today, and I wish you good luck on this fight ahead. Thanks very much for joining us.

**CHAUDARY:** Thanks very much, it's been a real pleasure.