

MARKETING MANAGEMENT



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Short Description

MARKETING MANAGEMENT case study

Description

CASE: III Pret a Manger: passionate about food

Introduction

Pret a Manger (French for ‘ready to eat’) is a chain of coffee shops that sells a range of upmarket, healthy sandwiches and desserts as well as a variety o coffees to an increasingly discerning set of lunchtime customers. Started in London, England, in 1986 by two university graduates, Pret a Manger has more than 120 stores across the UK. In 2002 it sold 25 million sandwiches and 14 million cups of coffee, and had a turnover of over £100 million. Buckingham Palace reportedly orders more than £1000 worth of sandwiches a week and British Prime Minister Tony Blair has had Pret sandwiches delivered to number 10 Downing Street for working lunches. The company also has ambitious plans to expand further—it already has stores in New

York, Hong Kong and Tokyo, and has set its sights on further international growth.

Background and company history

In 1986, Pret a Manger was founded with one shop, in central London, and a £17,000 loan, by two property law graduates, Julian Metcalf and Sinclair Beecham, who had been students together at the University of Westminster in the early 1980s. At that time the choice of lunchtime eating in London and other British cities was more limited than it is today. Traditionally, some ate in restaurants while many favoured that well-known British institution, the pub, as a choice for lunchtime eating and drinking. There was, however, a growing awareness among many people of the benefits of healthy eating and a healthy lifestyle, and lunchtime habits were changing. There was a general trend towards taking shorter lunch breaks and, among office workers, to take lunch at their desks. For those who wanted food to take away, the choice in fast food was dominated by the large chains such as McDonald's, Burger King and Kentucky Fried Chicken (now KFC) while other types of carry-out food, such as pizzas, were also available.

Sandwiches also played an important part in British lunchtime eating. Named after its eighteenth-century inventor, the Earl of Sandwich, the humble sandwich had long been a popular British lunch choice, especially for those with little time to spare. Prior to Pret's arrival on the scene, sandwiches were sold mainly either pre-packed in supermarkets and high-street variety chain stores such as Marks and Spencer and Boots, or in the many small sandwich bars that were to be found in the business districts of large cities like London, Sandwich bars were usually small, independently owned or family run shops that made sandwiches to order for customers who waited in a queue, often out on to the pavement outside.

Dissatisfied with the quality of both the food and service from traditional sandwich bars, Metcalf and Beecham decided that Pret a Manger should offer something different. They wanted Pret's food to be high quality and healthy, and preservative and additive free. In the beginning, they shopped for the food themselves at local markets and returned to the store where they made the sandwiches each morning. Pret's offering was based around premium-quality sandwiches and other health-orientated lunches including salads, sushi and a range of desserts, priced higher than at traditional sandwich bars, and sold pre-packed in attractive and convenient packaging ready to go. There was also a choice of different coffees, as well as some

healthy alternatives. Service aimed to be fast and friendly go give customers a minimum of queuing time.

Pret a Manger: 'Passionate about What We do'

Pret a Manger strongly emphasizes the quality of its products. Its promotional material and website claims that it is:

'passionate about food, rejecting the use of obscure chemicals, additives and preservatives common in so much of the prepared and fast food on the market today...it there's a secret to our success so far we like to think its determination to focus continually on quality—not just our food, but in every aspect of what we do'.

Great importance is also placed on freshness. Unlike those sold in high-street shops or supermarkets, Pret's sandwiches are all hand-made by staff in each shop starting at 6.30 every morning, rather than being prepared and delivered by a supplier or from a central location. Metcalf and Beecham believe this gives their sandwiches a freshness and distinctiveness. All food that hasn't been sold in the shops by the end of the day is given away free to local charities.

Careful sourcing of supplies for quality has also always been important. Genetically modified ingredients are banned and the tuna Pret buys, for example, must be 'dolphin friendly'. There is also a drive for constant product improvement and innovation—the company claims that its chocolate brownie dessert has been improved 33 times over the last few years—and, on average, a new product is tried out in the stores every four days. Aware that some of its customers are increasingly health conscious, Pret's website menu carefully lists not only what is available, but also the ingredients and nutritional values in terms of energy, protein, fats and dietary fibre for each item.

The level and quality of service from staff in the shop is a critical factor. The stores are self-service, with customers helping themselves to sandwiches and other products from the supermarket-style refrigerated cabinets. Staff at the counter at the back of the store then serve customers coffee and take payment. Service is friendly, smiling and efficient, in contrast to many retail and restaurant outlets in Britain where, historically, service quality has not always been high. Prêt puts an

emphasis on human resource management issues such as effective recruitment and training so as to have frontline staff who can show the necessary enthusiasm and also remain fast and courteous under the pressure of a busy lunchtime sales period. These staff are usually young and enthusiastic, some are students, many are international. The pay they receive is above the fast-food industry average and staff turnover is 98 per cent a year, which sounds high—however, this is against an industry norm of around 150 per cent. In 2001, Pret had 55,000 applications for 1500 advertised vacancies.

Recently, *Fortune* magazine voted Pret one of the top 10 companies to work for in Europe. According to its own promotional recruitment material, Pret is an attractive and fun place to work: ‘We don’t work nights, we wear jeans, we party!’ Service quality is checked regularly by the use of mystery shoppers: if a shop receives a good report, then the staff there receive a 75p an hour bonus in the week of the visit. Head office managers also visit stores on a regular basis and every three or four months every one of these managers works as a ‘buddy’, where they spend a day making sandwiches and working on the floor in one of the shops to help them keep in touch with what is going on. Store employees work in teams and are briefed daily, often on the basis of customer responses that come in from in-store reply cards, telephone calls and the company website. The website, which, lists the names and phone numbers of its senior executives, actively invites customers to comment or complain about their experience with Pret, and encourages them to contact the company. Great importance is placed on this customer feed-back, both positive and negative, which is discussed at weekly management meetings.

The design of the stores is also distinctive. Prominently featuring the company logo, they are fitted out in a high-tech with metal cladding and interiors in Pret’s own corporate dark red colour. Each store plays music, helping to create a stylish and lively atmosphere. Although the shops mainly sell carry out food and coffee in the morning and through the lunchtime period, many also have tables and seating where customers can drink coffee and eat inside the store or, weather permitting, on the pavement outside.

Growth and competition

Three years after the first Pret shop was launched another was opened and, after that, the chain began to grow so that, by 1998, there were 65 throughout London. In

the late 1990s stores were also opened in other British cities such as Bristol, Cambridge and Manchester. Although growth in the UK has been rapid—between 2000 and 2002 the company opened 40 new outlets and there are over 120 throughout Britain—Pret’s policy has always been to own and manage all its own stores and not to franchise to other operators. In 2002, £1 million was spent in launching an Internet service that enables customers to order sandwiches online.

Plans for international growth have been more cautious. In 2000 the company made its first move overseas when it opened a shop near Wall Street in New York. However, there were problems on several fronts in moving into the USA. Metcalf is quoted saying, ‘As a private company its very difficult to set up abroad. We didn’t know where to begin in New York—we ended up having all the equipment for the shop made here and shipped over.’ There were also staffing and service quality difficulties—Pret reportedly found it difficult to recruit people in New York who had the required friendliness to serve in the stores and had to import British staff. Despite these problems, several other shops in New York have followed and, in 2001, Pret opened its first outlet in Hong Kong.

During the 1990s, coffee shops boomed as the British developed a growing taste for drinking coffee in pavement cafes, and competition for Pret grew as other chains entered the fray. Rivals like Coffee Republic, Caffè Nero, Costa Coffee (now owned by leisure group Whitbread) Aroma (owned by McDonald’s) and American worldwide operator Starbucks all came into the market, as well as a number of smaller independents. All these chains offer a wide range of coffees but with varying product offerings in terms of food, pricing and style (Starbucks, for example, offers comfortable arm-chairs around tables, which encourage people to linger or work in a laptop in the store). In a London shopping street it is not uncommon to see three or four rival outlets next door to or within a few yards of each other. However, it quickly became clear that the sector was overcrowded and, apart from Starbucks, some of the other chains reportedly struggled to make a profit. In 2002 Coffee Republic was taken over by Caffè Nero, which also eventually acquired the ailing Aroma chain from McDonald’s. Costa Coffee was the largest chain overall with over 300 shops throughout Britain, while Starbucks was expanding aggressively and aimed to have an eventual 4000 stores worldwide.

The future

As work and lifestyles get busier, the demand for convenience and fast foods continues to grow. In 2000, some estimates put the total value of the fast-food market in Britain, excluding sandwiches, at over £6 billion and growing about £200-£300 million a year. While the growth in sales of some types of fast food, like burgers, was showing signs of slowing down, sandwiches continued to increase in popularity so that by 2002 sales were an estimated £3 billion. Customers are also getting more health conscious and choosy about what they eat and, increasingly, want nutritional information about food from labelling and packaging.

In January 2001, in a surprise move, Pret's two founders sold a 33 per cent stake in the company to fast-food giant McDonald's for an estimated £25 million. They claim that McDonald's will not have any influence over what Pret does or the products it sells, but that the investment by McDonald's will help their plan for future development. According to Metcalf:

'We'll still be in charge—we'll have the majority of shares. Pret will continue as it does... The deal wasn't about money—we could have sold the shares for much more to other buyers but they wouldn't have provided the support we need.'

After a long run of success, Pret has ambitious plans for the future. It hopes to open at least 20 new stores a year in the UK. In late 2002 it opened its first store in Tokyo, Japan, in partnership with McDonald's. The menu there is described as being 75 per cent 'classic Pret' with the remaining 25 per cent designed more to please local tastes. In other international markets, the plan is to move cautiously—Pret's first move will be to open more stores in New York and Hong Kong, where it has already been successful.

Questions

- 1. How has Pret a Manger positioned its brand?**
- 2. Explain how the different elements of the services marketing mix support and contribute to the positioning of Pret a Manger.**

Details

1. Case study solved answers

2. pdf/word

3. Fully Solved with answers