Pret a Manger

Julian Metcalfe and Sinclair Beecham opened their first Pret A Manger sandwich bar in Victoria Street, central London, in 1986. They made sandwiches in the basement from fresh ingredients bought every morning at Covent Garden market and cooked by themselves. They built Pret on the simple concept of providing gourmet, fresh and organic fast-food in modern, clean surroundings from outlets in high-traffic areas. The ‘healthy-food’ formula proved successful. By 2001 Pret had grown to 103 stores in the UK and one in New York, producing profits of £3.6 million on turnover of £100 million.

The pair had ambitious plans to expand Pret overseas, particularly in Asia, but their first experiences taught them how difficult, time consuming and expensive this could be. Outlets in Japan had to be closed after the franchisee expanded too rapidly and the business in New York had to be pared back after opening 16 shops in one year. They also wanted to launch ‘Family Pret’, a similar concept but with larger, less urban shops especially for children. The problem was that they needed both cash and world-wide contacts and expertise.

Nevertheless it came as a surprise to analysts when they sold a 33% stake in Pret to McDonalds in 2001 for £50 million. The motives were, however, simple enough. McDonalds could provide not only cash but also the support for Pret’s global expansion plans and they were happy not to change the Pret formula in any way – a promise they have kept to. McDonalds, who also owned the Aroma coffee bar chain, saw this as a strategic purchase that would advance their long term strategy of gaining a greater share of the diverse informal eating-out market.

In the UK Pret is made up of small groups of ten shops run by team leaders, with trainers within their core staff. Training (which is mainly to do with sandwich making) is taken very seriously. It has an in-house ‘ideas department’ that vet ideas from staff for which prizes are offered every month. Twice a year Pret throws a massive party for staff. The company also help dozens of charities by offering them the unsold sandwiches at the end of the day. They also donate cash to charities. Pret is a partner of Forum For The Future, a leading sustainability development charity, that are working with them to help embed sustainability principles into everything they do – packaging, recycling, food waste, energy use and food sourcing.

By 2006 Pret had some 180 stores mainly in the UK but also in New York, Hong Kong and Singapore, producing profits of £8 million on turnover of £190 million. It was estimated to have captured 1.3% of the lucrative £2.9 billion British sandwich market.
Up-to-date information on Pret a Manger can be found on their web site: www.pret.com

Questions
1. Why has Pret been so successful?
2. Has it continued to be successful since the investment by McDonalds? If so, why?
3. Why is Pret an important investment for McDonalds?
4. Where is the ‘strategic fit’ with McDonalds and what are the synergies?