Strategic plan for pret a manger marketing essay

1. Introduction

I once worked for a company called Prêt A Manger (now simply known as Prêt). Working there was divided in 2 sectors i. e. Kitchen (the main focus was always working within a specific time frame with correct ingredients with correct measurements) and Tills (the focus there was always about customer experience). The aim of this assignment is too look at strategic direction at which prêt as a company is heading towards and do strategic analysis on prêt.

Prêt was started in 1986 by 2 friends Julian Metcalfe and Sinclair Beecham. Their concept was to serve natural, fresh and preservative-free food. Since then the company has grown at a good rate, now has over 190 shops around U. K., U. S and Hong Kong.

Prêt a Manger's mission statement is displayed on its every shop window and in its websites which states that Prêt " Creates hand made, Natural food, avoiding the obscure chemicals, additives and preservatives common to so much of the ' prepared' and ' fast' food on the market today." Prêt's Mission Statement is targeted to its customers to emphasize that they are a healthy food shop's chain, I find their mission statement well based. It also highlights its values, culture and ethics for being natural rather than being different. Although the mission statement is not long enough however it tries to meet its customer's imaginations by setting qualitative standards

Prêt's strategic plan is not to franchise their chain (unlike some others) and maintaining their quality standards and taking each step carefully before moving further ahead. They are more concerned about long term strategic planning rather than meeting short term goals. Prêt is also people oriented as it renowned for promoting its staff and paying them above average. Prêt recently was acquired by Bridgepoint in Feb 2008, with planning expansions to other countries

2. Strategic Plan for Prêt A Manger

Prêt doesn’t practice Franchising, which could easily increase the no of shops from above 150 to 500. Prêt’s idea behind selling shares, to a different company rather than Franchising is that they don’t want to get it the complications of franchising and want to focus on quality of each shop and be easily adoptable to changes within itself in the conventional market.

A Poor franchise can spoil the entire reputation of the entire organisation. In addition to that most of the Prêt shops in London are next to each other and at times compete within themselves as it helps to increase quality of their food and service. This probably wouldn’t be possible if they Franchise it to another party. They also want to ensure that their staffs are well trained and up to the standards they set for themselves.

Prêt continues to focus on quality of shops rather than increase in number of shops. Prêt is renowned for being passionate about quality food and service. One of its founders Julian Metcalfe believes that even by means of simplest things like changing the lights could have a positive impact on the business.

The success of Prêt A manger is still built on strong commitment to fresh and natural products. Fresh ingredients are delivered every night to each of its shops. They make sandwiches, baguettes and wraps throughout the day.

Whatever is left out is given to local charities to provide food for those who otherwise go hungry.

In 2001 McDonalds purchased a minority stake of 33% in Prêt. Its international influence and expertise help Prêt in its expansion beyond UK borders, however McDonalds didn't have any direct influence over what on Prêt sells or how it sells; nor it wanted to. It invested in Prêt but liked what the chain does.

It probably had some influence in Prêt opening stores in US, Japan, Hong Kong and Singapore. However in Japan when the company at its peak had 14 stores had to retreat as McDonalds, who had 50% stake in Japanese operations withdrew.

Prêt A Manger was acquired by Bridgepoint in Feb 2008 for an estimated £350 million(McDonalds also sold its shares), which the owners(Julian Metcalfe and Sinclair Beecham) reinvested it back in the business still holding around 25% of the shares and with same management staff. The idea behind being to expand it on a higher momentum from the existing one

3. Strategic Analysis of Prêt A Manger

3. 1 BCG Matrix on Prêt

The Boston Consulting Group (BCG) model, popularly known as the BCG Matrix and Growth Share Matrix, is based on two variables, viz., the rate of growth of the product market and the market share in that market held by the firm relative to its competitors.

The vertical axis measures the annual growth rate of the market and the horizontal axis shows the relative market share of the firm. Each of these dimensions is divided into two categories of high and low, making up a matrix of four cells. The four cells are as follows

Stars: – They are promising products because they have a relatively high market share and the market is growing at a good or an alarming rate. Stars are usually profitable and would be the future cash cows.

Cash Cows: – As the market matures or when the market growth rate becomes low the stars would become cash cows. Cash cows are, thus, high market share businesses in slow growth industries. Being in slow growth industries, they do not normally require significant reinvestment. Cash cows generate lots of cash which may be used to finance the development of other businesses of the company

Question Marks: – Products in this cell are in fast growing markets but their relative market shares are low. They are, therefore, aptly described as question marks – the company confronts the critical question of whether to make further investments in theses businesses to build up market share or to divest and get out.

Dogs: – Dogs Businesses with low market share in low growth industries are described as dogs. Dogs may produce low profits or loss. If a dog does not generate satisfactory return and if there is no chance of improving it, one may be tempted to advocate divestment.

Financial information of Prêt is as follows

Year

Turnover

Profits

2006

£192. 6 million

£13 million

2007

£222. 4 million

£19 million

2008

£249. 6 million

£30. 2 million

Based on the financial report above Prêt could not termed a Question mark or a Dog, since Prêt is still just above 220 stores (most of them in London) and is still emerging, Prêt cannot be termed as a Cash Cow. Hence Prêt could be termed as a Star.

The graphical representation of Prêt A Manger as per BCG Matrix:-

Market Growth Rate

High

Prêt A Manger

Stars

(Modest or large Cash Flow)

Question Marks

(Large Negative Cash Flow)

Low

Cash Cows

(Largely Positive Cash Flow)

Dogs

(Modest or Negative Cash Flow)

High

Low

Relative Market Share

3. 2 SWOT Analysis on Prêt A Manger

3. 2. 1 Swot Analysis for Internal Factors (People, Resources, Innovation and Ideas, Marketing, Operations and Finance.)

Internal

Factors

Strengths

Weaknesses

People

1) Prêt motivates its people by regularly conducting parties.

2) Nearly about 75% of Prêt's Mangers have started their career as team members.

3) They invest on development of their employees. So lot of potential growth and opportunities

1) Ideas could be limited as they come basically from the same employees.

2). Monotonous work

Resources

1) Prêt's products are fresh and preservative free, which ensures quality and makes sure that it maintains it at all times

2) It Invests and trains its people and have their own set standards for the same

1) Too much emphasis on quality although is a good sign, however setting too high standards for themselves might effect them in economic downturn or during the scarcity of products

2) If the products don’t sell there could be too much product wastes, due their policy of disposing of the items at the end of the day

Innovation and Ideas

1) The Creative team comes with regular ideas of an average 20 a month

2) They take customer feedback on their products, nothing better than asking the customers

1) Since it comes from the same team, there could be a possibility of limited ideas

2) The feedback from customers, if negative may not actually reach the right place e. g.:- Negative feedback about a shop could be hidden or lost till it reaches the top management

Marketing

1) Marketing of products is done through continual improvement and maintaining quality, which is generally through word of mouth

2) Focus on Customer service also generates buzz among customers. Overall they have attitude of “ Let the product speak of itself”

3) Most of its products have an attractive packaging. Giving its fresh products a fresh look

1) Prêt generally does limited or no advertisement at all. Increase in advertisement could boost their sales

2) In comparison to some other chains in a similar categories. Prêt doesn’t have any “ meal deals” or discount schemes

Operations

1) Qualitative products and excellent customer service as its trademark

2) Qualitative training and employee development, Prêt benefits and regulates its own standards

1) Maintaining the Qualitative service, training and products have hampered their chances of franchising

2) Also if the set targets for a particular day are not met, their could be too much of wastes as they don’t sell the same products the next day

Finance

1) Selling its shares to McDonalds in 2001 followed by acquisition by Bridgepoint ensured its sustainability in a long run

2) Continual profit increases also helps Pret’s security

1) Prêt is too relied on its Parent company rather than it self, Bridgepoint has taken a debt to buy Prêt

2) Closure of Prêt in Japan, when McDonalds withdrew 50% of its shares in Japan operations is a classic example of Prêt not being financially secure by itself

3. 2. 2 Swot Analysis for External Factors (Political, Economic, Sociological, Technological, Legal and Environmental)

External

Factors

Opportunities

Threats

Political

1) Prêt exercises with a Fair Trade policy. E. g.:-Coffees

1) Relatively unknown

Economic

1) Prêt is primarily based in UK (which is currently suffering from poor economic down turn. However their acquisition by Bridgepoint has ensured financial support for the current scenario

2) Prêt are one of the best paymasters, which helps in increasing the standard of living for their staff

1) Prêt could do better, need not be relied on other companies to finance its resources if they focus on Franchising

Sociological

1) Prêt does some recreational activities for its employees by giving them a party almost every month and grand parties twice a year

2) Prêt is also working on Voluntary employee benefits program

Relatively unknown

Technological

1) Prêt focuses on Recycling

2) Prêt also tries to regularly tries to improve its menu by introducing new products through research, innovative ideas and customer feedback

Relatively unknown

Legal

1) Prêt pays all its employees more than national minimum wages

2) The Nutritional information about its products could be found in its websites or in its menu card along with RDA guidelines

1) Prêt could do better by mentioning the approximate Nutritional information on its packaging although its not required legally as its products are mostly made in its shop

Environmental

1) Prêt is very concerned about the environment and tries to ensure 95% of its wastes are recycled

2) Prêt recently changed its tuna to comply with the sustainability, switching from blue fin and yellow fin tuna to skipjack tuna

Relatively unknown

3. 3 Porter's Five Forces Analysis

Porter's Five Forces Analysis on Prêt A Manger's products is follows:-

Supplier Power: Prêt always focuses on quality of its products, which is very important in its business value and strategy. So in terms of supplier power they have a competitive disadvantage as the price is determined by the supplier of its products. It is also subject to availability of the ingredients.

Buyer Power: It could be easily said that Prêt has a competitive advantage on Buyer power, as it has it tries to provide fresh, qualitative and natural products and it determines its prices.

Competitive Rivalry: Prêt along with its service has an unmatched competitive advantage over its rivals. Most of its rivals like Costa, Starbucks, EAT, KFC and McDonalds don’t have any claims of natural ingredients or products. They might have similar or alternative products but in terms of quality they always have an edge

Threat of Substitution: Prêt has a competitive advantage as it will difficult to find substitutes as there are not many substitutes for other rivals to find substitutes for natural ingredients. The only advantage for its rivals could be better recipes and service.

Threat of New Entry: There is always scope for new entrants however it will difficult for them to match the quality standards of Prêt in terms of products and service and weaken its positioning the market.

4. Conclusion

Prêt has one of its core competencies of focusing on qualitative food, giving the best to its customers in terms of fresh, natural ingredients which on its own stand out from its competitors in similar line of businesses. Prêt has a strong standpoint on its values for which there are no compromises made. It is also dynamic in terms of its resources and environmental strategic perspective. It could be termed by the analysis above that Prêt has an E-V-R (Environment – Values – Resources) congruence. Setting and maintaining high standards is simply invaluable.

Prêt A Manger has a lot of potential considering they have grown from 1 store to over 220 stores in 4 countries. However their ambition of going Global is slow and steady. They are more concerned about the negative impacts of franchising rather than looking at the positive benefits. If they consider franchising they can grow at an alarming rate. Other companies such as McDonalds and KFC have grown at a good pace with their own set standards. Their focus on quality is good and if implemented correctly franchising could be much easier option for growth. Franchising could be done with a regulated control and provide extra funds for their expansion plans

Expansion at times is also looked upon in a negative way, although they are growing at a steady pace. They need to take some risks which they have failed to take over the years and are very cautious about each step. They might have failed in Japan, which created a certain doubt about its plans, however, now with the financial backing of Bridgepoint and successes in US they should focus towards rest of Europe, Australia and Asian continents. Places like Japan they should try to seriously consider Franchising as at one given point of time they had around 14 shops, but only exited the market due to withdrawal of financial support of McDonalds it might have been a good option