

Teaching Pret A Manger Case Study in a day!

By chris sivewright



Chris Sivewright Teaching *Pret A Manger* at St Helen's Northwood

Introduction

This analysis is a tool to enable teachers to quickly teach the Pret A Manger case study – covering the whole Case Study in a day! All revenue is going to help those with DYSTONIA – see: www.dystonia-support4u.co.uk

Step 1 – 30 minutes

Split the class into three groups. Give each group a portion of the syllabus as shown below. Their task is to find in the case study where the syllabus applies.

Logic behind this; this will ensure the whole syllabus is revisited. It should also cover you if there are any unexpected questions. At the end of the 30 minutes you go through the syllabus and where it applies in the Case Study. This session also acts as a revision lesson.

Group 1 (three pairs?)

Unit 1: Business structures, objectives and external influences

This unit aims to introduce students to the:

- structure of business and business objectives
- external influences and constraints on business which affect the achievement of objectives
- internal organisation of business, with specific reference to the motivation of employees.

At the end of the unit students should be able to:

- understand, interpret and analyse data relating to structures and objectives
- analyse and evaluate data referring to external influences on business
- assess appropriate strategies for the organisation and motivation of employees in a business organisation.

Content	Explanation of content	line	comment
1 The structure of business			
Primary, secondary and tertiary sectors	An understanding of differences between primary, manufacturing and service industries.		
The mixed economy –	An understanding of the importance of the public and private sectors of the economy and an appreciation of the significance of		

private and public sectors	each. Although this specification concentrates on businesses which trade in goods and services, students are required to be able to contrast these organisations with both the public sector and the not-for-profit 'sector', including large, small, local, regional, national and multinational organisations. It will also include an understanding of the role of the entrepreneur.		
Content	Explanation of content	line	comment
Legal form of business	An understanding of the legal forms of business organisations including sole traders, partnerships, limited liability companies and the role of business franchises. The implications of the legal form of the business for its financing, control and decision-making processes.		
Activities of a business: production, marketing, finance	Understanding that a business combines human, physical and financial resources in order to produce a good or a service to sell to consumers.		
Competitive influences	An understanding of how business activities and structures are influenced by the degree of competition that businesses face. An understanding that there are many levels of competition: complete market power (monopoly), a strongly competitive market or a market consisting of many small firms.		
2 Business objectives and stakeholders			
The nature, role and importance of objectives	An understanding of the importance of objectives in the devising of strategies and in the measurement of performance. An understanding that organisations have a variety of objectives expressed in terms of a hierarchy. This will include: Mission statements, aims, strategic objectives and operational and tactical objectives.		
The hierarchy of objectives	An understanding of the importance of profit as an objective for a business and an appreciation that wealth is created through production and that businesses are engaged in adding value.		
The role and importance of	An understanding of the role of stakeholders including customer, manager, creditor, owner/shareholder and employee, and their		

profits	influence on the setting of objectives.		
Stakeholders in business and their role in setting of objectives in business			
3 Economic influences			
The role of markets Micro-economic factors – the market forces of supply and demand	An understanding of supply and demand and the ability to calculate and utilise the concept of elasticity. This will include price, cross and income elasticities of demand. An understanding of how the market forces of supply and demand affect business decision-making. (A detailed knowledge of economists' theories is not required.)		
Content	Explanation of content	line	comment
Impacts on business	Macro-economic variables such as unemployment, inflation and economic growth. The impact of interest and exchange rates on business. An understanding of the ways in which levels of and changes in interest rates affect business decision-making. The focus will be on the consequences of inflation for businesses rather than the causes of inflation: the impact of interest rates rather than their determination.		
4 Legal, political and social influences			
Legislation as both a constraint and	An understanding of the way in which UK and EU legislation impacts upon business using current examples.		

<p>a framework in which business operates</p> <p>The state as a regulator, as a provider of assistance to business and as a customer</p> <p>The impact of demographic trends, social structures and lifestyles on business organisations</p>	<p>An understanding of mixed and market economies, of the way in which state regulation acts as a constraint on business enterprise and of the ways in which the state assists business the UK.</p> <p>An understanding of the demographic and social structure of the UK, of social trends and attitudes and of their impact upon businesses.</p>		
<p>5 Internal organisation</p>			
<p>Organisational design, the functional areas of management and the internal structure of organisations</p>	<p>An understanding of types of organisational structures including matrix, and of the terms 'span of control', 'chain of command', 'authority' and 'responsibility'. An understanding of why firms need to organise employees in different ways including by function, product and geography.</p> <p>An evaluation of these methods and their application to different firms with differently sited labour forces, products or services and objectives. Awareness of the difficulties that arise for managers as a result of inappropriate organisational features.</p> <p>An understanding of layering, centralisation and decentralisation and of matrix structures.</p>		
<p>Content</p>	<p>Explanation of content</p>	<p>line</p>	<p>comment</p>
<p>6 Communication in business</p>			
<p>The role of</p>	<p>An understanding of, and ability to analyse, the process and</p>		

<p>communications within business organisations</p> <p>Formal and informal communication including methods of electronic communication</p>	<p>importance of communication in an organisation. This will include vertical and horizontal communication.</p> <p>An understanding of the ways in which internal communication takes place within business and of the appropriateness of different forms of communication. Analysis of the effects of different forms of communication on the nature and pattern of work. Management information systems.</p> <p>Analysis of the causes of communication failure and of the solutions to such failures.</p>		
<p>7 Motivation in business</p>			
<p>Motivation in business organisations and the role of the various motivation theories</p> <p>Introduction to styles of leadership</p> <p>Job design, job enrichment, job enlargement, job rotation</p>	<p>An understanding and an analysis of the implications for organisations of various theories concerned with motivation and leadership (e.g. Maslow, Herzberg, McGregor and Taylor) and the ways in which these influence the individual's motivation at work.</p> <p>Leadership styles: autocratic, paternalistic, democratic and laissez-faire.</p> <p>An understanding of how different methods of job design will affect productivity, motivation and job satisfaction.</p>		

Unit 2: Marketing and production

This unit aims to introduce students to methods of:

- identifying and satisfying customer demand
- producing products of appropriate quality as efficiently as possible.

At the end of the unit, students should be able to:

- apply their knowledge in order to evaluate, analyse and apply the most appropriate marketing and production principles to a business depicted in an unseen case study.

Content	Explanation of content	line	comment
1 Nature and role of marketing			
The role of marketing	An understanding that marketing is the part of management that is concerned with satisfying customer demand. An understanding of market orientation as distinct from product orientation.		
Marketing objectives and the effect of competition	An understanding of the ways in which marketing objectives can be set in order to fulfil the aims of the business and to take into account the objectives of competitors.		
Marketing mix	The main elements of the marketing mix: product, price, promotion, place. An understanding that each good or service has a unique mix and that this mix will be affected by the market segment(s) at which the product or service is aimed.		
2 Market research			
Defining the market – market share and opportunities for growth	An understanding of the role of market research in the making of business decisions. The methods of collecting and analysing data will include: <ul style="list-style-type: none"> – primary and secondary research: desk research, market surveys – questionnaires: interviews, observations and experiments panels 		

	<ul style="list-style-type: none"> – using and designing questionnaires – presenting, analysing and evaluating findings. 		
Content	Explanation of content	line	comment
Market segmentation	An understanding of what market segmentation is and the ability to analyse methods of segmenting the market. An understanding that one of the purposes of market research is to identify and differentiate segments of the market.		
The need for, and, purposes of sampling	An understanding of the different methods of choosing samples: random, quota, stratified, systematic and cluster. Qualitative understanding of sampling is required and understanding that there is a margin of error in sampling. (Calculations of significance testing involving normal and binomial distributions are not required.)		
3 Product			
Branding and packaging	An understanding of the concept that each product requires a different, appropriate and cost-effective combination of these elements.		
Product analysis techniques	An understanding of the principal marketing tools related to the product and product development, including product life-cycle, product portfolio analysis: the Boston Matrix.		
4 Pricing promotion and place			
Pricing methods	An understanding of each of the following pricing methods – penetration, competitive, skimming, psychological, cost-based and market-based, and of when they might be used. An understanding of the importance of price elasticity of demand in the pricing decision. (Knowledge of different costing methods is not required.)		
Techniques of promotion	An understanding of the techniques of personal selling, advertising, sales promotion, public relations, sponsorship and advertising media. Emphasis should be on the cost-effectiveness of the methods		

Channels of distribution	appropriate to each case. Emphasis should be on the cost-effectiveness of the channel selected in each case. The channels include: direct sale agents, wholesalers, retailers, mail order and the internet.		
Content	Explanation of content	line	comment
5 Operational efficiency			
Methods of organising production	Job, batch, line and flow production. The main features and applications of each system. An analysis of the implications of satisfying customer demand. A basic understanding of the concept of lean production and cell production.		
Capacity utilisation	The importance of using capacity efficiently and the consequences of not doing so.		
Economies/diseconomies of scale	The sources and types of economies of scale and the benefits and problems of operating on a large scale.		
Stock control	Usage patterns, reorder levels, lead times and buffer stocks. Graphical constructions and interpretations of usage patterns will be required. Problems caused by overstocking, understocking and stock out.		
Just in time (JIT) and just in case	The rationale and benefits of these systems.		
6 Quality			
Quality assurance and quality control	An understanding of quality assurance methods and systems including quality circles, TQM, inspection and bench-marking. The features, advantages and disadvantages of each method and the consequences of poor quality control. The difference between quality control and quality assurance must be emphasised. (Calculations involving normal and binomial distribution are not required.)		
Training and development to improve	An understanding of the importance of and methods of training and development is required, such as induction,		

quality	on-the-job and off-the-job training, multi-skilling and retraining.		
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Unit 3: Financial management

The aim of this unit is to introduce students to:

the structure and use of accounting and financial information as an aid to financial management and decision-making.

At the end of the unit students should be able to:

- analyse the profitability and liquidity of a business by interpretation and analysis of financial and accounting data
- assess how this position may have arisen
- understand budgeting and cost and break-even analysis.

Content	Explanation of content	Line	comment
1	Financial accounts		
Purpose of accounts	An understanding of why and for whom accounts are prepared.		
Capital and revenue expenditure	An understanding of the difference between the two, and knowledge of associated terminology such as fixed asset, current asset liability and capital.		
Profit and cash	The difference between profit and cash and the importance of each in the financial management of the business.		
Structure and format of the balance sheet and profit and loss account	An understanding of the structure of balance sheets and profit and loss accounts. Students will need to know terminology used in company balance sheets, including types of share capital, dividend, share premium and debenture as well as the main sub-headings of a balance sheet. Students may need to make amendments to accounts from information given. Construction of full accounts is not required.		
Depreciation	Understanding of the causes of depreciation and how it is calculated. Calculation of depreciation by both straight-line and declining/reducing balance methods.		

Working capital	Identification of the method for calculating working capital and understanding its importance in the control of the business.		
Content	Explanation of content	Line	comment
Interpretation of final accounts	<p>Interpretation of a set of final accounts using liquidity and profitability ratios. The ratios required are:</p> <ul style="list-style-type: none"> – gross profit – net profit – return on capital employed – gearing – current ratio – quick ratio (acid test). <p>Problems like insolvency and overtrading should be identified.</p>		
Limitations of ratio analysis and of accounting statements	Understanding of the limitations of accounts and their analysis through the use of ratios. Identification of additional information needed for a full evaluation of a business' performance.		
2 Budgeting			
<p>The role, purpose, process and features of budgets in financial management</p> <p>The process, purpose and features of budgeting and cash-flow forecasting</p>	Purpose of budgeting. Understanding and interpretation of budgets and completion and amendment of cash-flow forecasts from information given. (Construction of a full cash-flow forecast is not required.)		

3 Classification and analysis of costs			
Classification of costs:	An understanding of costing methods (fixed, variable, semi-variable). Their contribution to pricing policy is not required at this stage.		
Contribution	An understanding of the concept and its use in break-even analysis.		
Break-even and margin of safety	The calculation of break-even using the formula, the construction of break-even graphs and identification of break-even point and margin of safety in units and in revenue and costs. Uses in pricing decisions and an understanding of the main limitations of break-even analysis.		

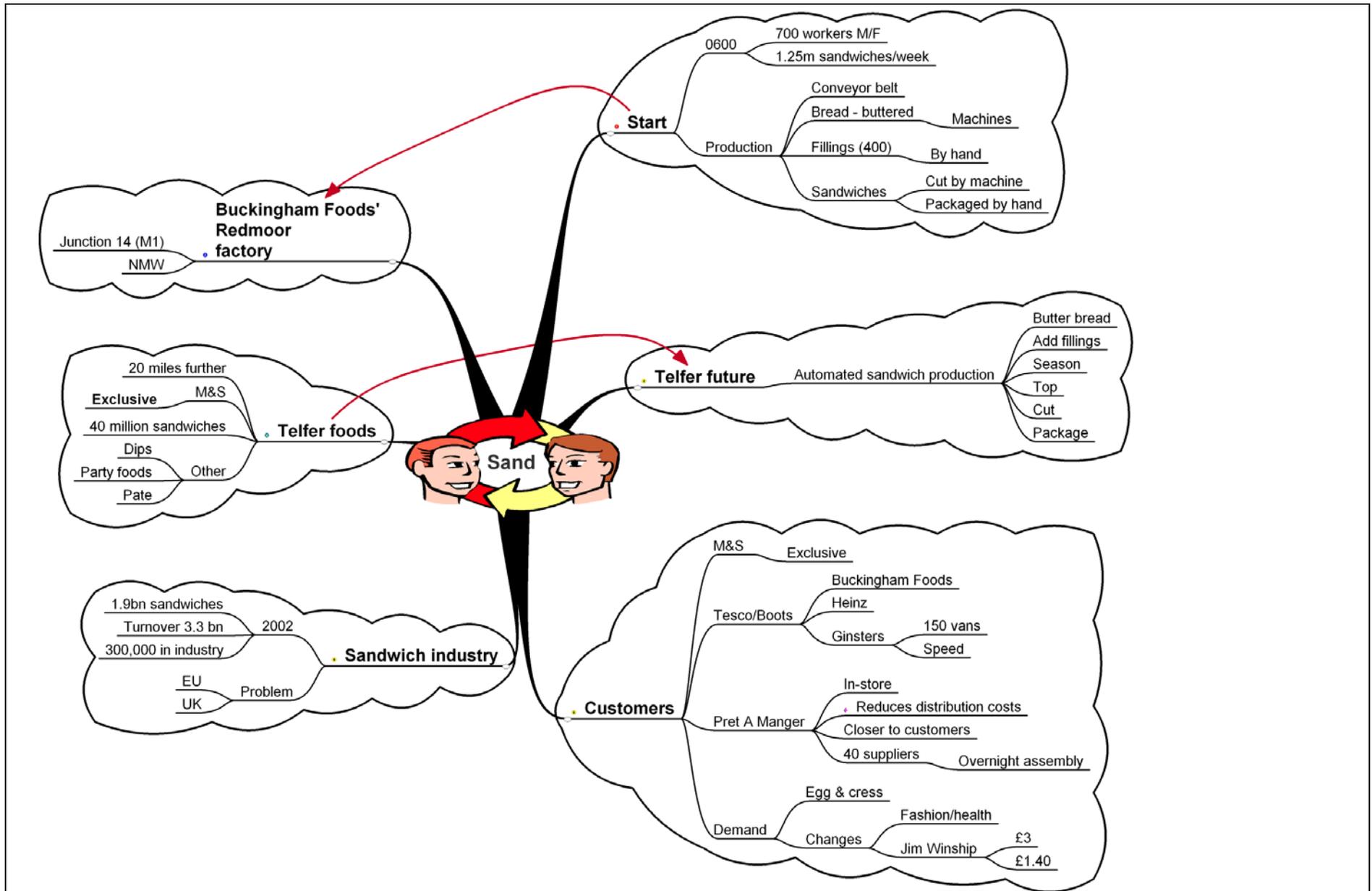
Source: www.edexcel.org

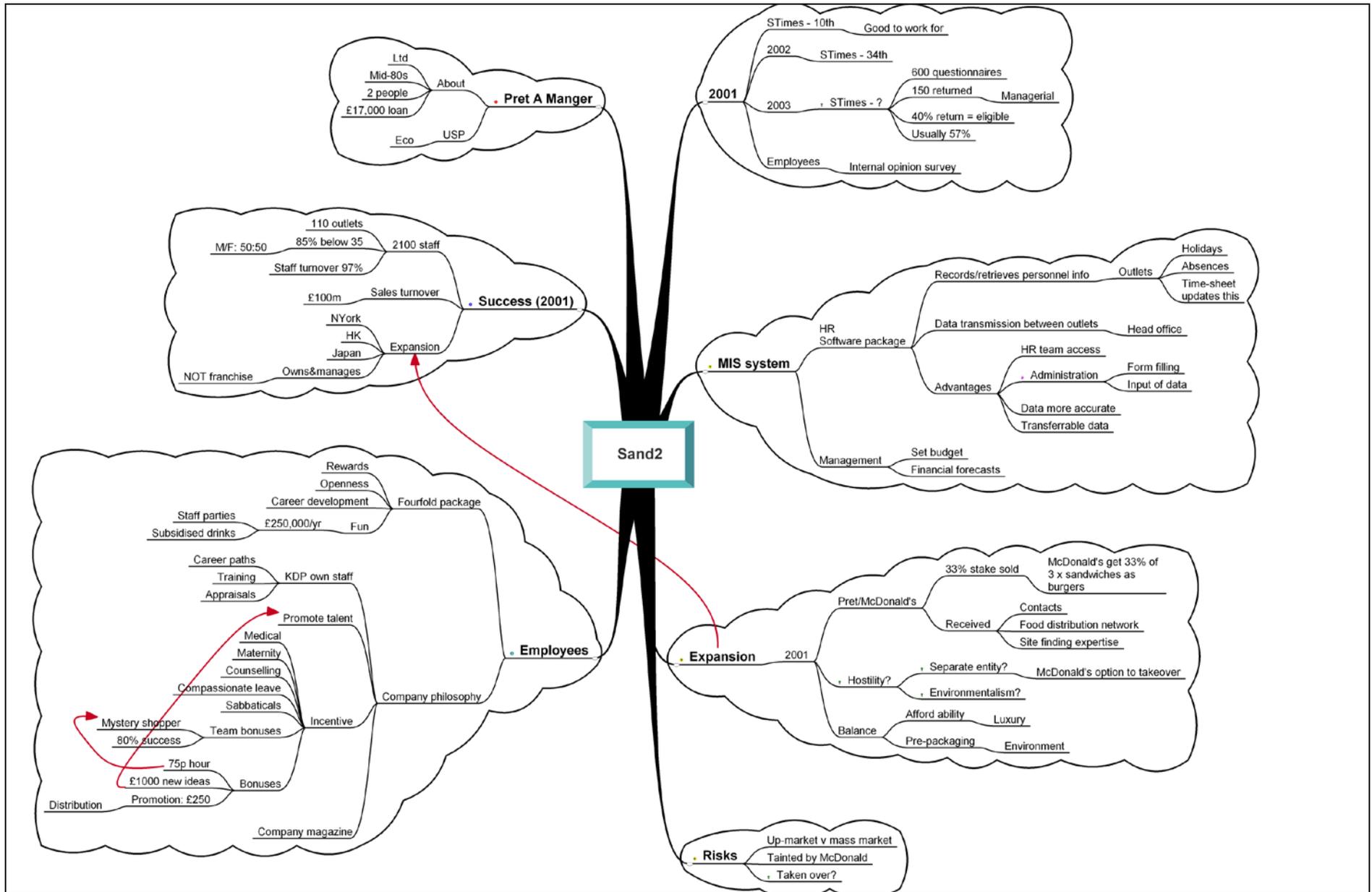
Time for whole step: **60 mins. 30 mins class prepare; 30 mins teacher-led discussion. OR make it pupil-led...and plan for more time. Perhaps one lesson per section.**

Step two:

Again, split the class up and give them the enclosed Mind Maps. Their task is to interpret the Mind Map and add on the extra information. This will get them thinking about various aspects of the Case Study. An alternative is for them to draw the Mind Maps from scratch, incorporating the extra information.

Enclosed are two Mind Maps summarising the case study (except the Appendix) plus some additional information. Either re-draw or simply expand on, the Maps with the extra information.





Pret A Manger

From a small shop in Victoria to a global multi-million dollar operation that counts McDonalds as a £25 million stakeholder, Startups.co.uk, looks at the rise and rise of Pret A Manger.

Pret A Manger has come a long way in a short time. In just 16 years of trading it has changed the way we lunch forever. In the past, if inner city workers wanted to nip out and get a snack they could either go to a specialist, independently run sandwich shop or a supermarket where standards can vary from good to (more frequently) very bad. This is where Julian Metcalfe and Sinclair Beecham stepped in to fill the gap.

Three years after having graduated from the Polytechnic of Central London with the same degree (Urban Estate Management), Beecham and Metcalfe opened their first Pret a Manger store in Victoria in London with a name borrowed from a boarded up shop. However, after twelve years of running the business the two co-founders decided to take a more back seat approach and appointed **Andrew Rolfe (right)** as a partner, shareholder and chairman of the overall operation. Rolfe explains his introduction to the company.

“I met Julian and Sinclair in 1997 and then came on board in 1998 after the company experienced difficulties expanding their operations to outside London and abroad. I have the experience of running multi-site businesses through my work with PepsiCo and came to Pret had some very appealing angles.”

Passion

The angles or values Rolfe mentions are key to the brands’ continuing success and have been purposefully retained throughout Pret’s lifetime, something many small businesses could aspire to. Pret’s chairman believes the company to still be as strong as ever. “There are three core values that have always remained true to the brand and they all stem around passion. First and foremost, we are passionate about food and keeping it fresh and interesting. This is our core product and we work hard to produce the best we can. It would be easier to get tubs of guacamole instead of cutting fresh avocados in each kitchen in each shop but we stick to quality and taste.”

The second Pret passion is their staff, all 2,200 of them spread across 116 stores (25 outside London) in the UK. There are also several branches in New York as well as a Hong Kong store. Rolfe points out that in business all staff should be appreciated and that they play a huge role in the success of the brand. “We are passionate about people and our staff. They are extremely important and we make sure they have the right opportunities and rewards, that they are paid correctly and that they have fun working for us. We have and will always have a great culture and energy.”

Staff are also carefully screened before they join the company. Rolfe believes that sharing the company’s values is essential to wanting to work for Pret. “There is a rigorous assessment for each potential employee. We make them work in a shop for a few days, they have several interviews and, in each case, we try to get to know them as individuals.”

The third and final part of Pret’s sandwich success story is to be passionate and proud of the business and what they have achieved. Rolfe comments: “We make and have made mistakes but we remain proud of what we do and we try not to get distracted by a corporate approach.”

Expansion

When a brand gets bigger, expansion plans come into question and new partners need to be found to achieve successful growth. This is why last year the McDonalds Corporation bought a 33 per cent stake in the company that gave Pret access to their global infrastructure in property as well as improved construction and distribution and

new ways of spreading the brand abroad.

However, Rolfe believes there is “still a long way to go” and states his long-term vision for the brand. “We hope to double the amount of stores we have in the UK and I also believe we could, potentially, have 200 shops in New York at some stage, plus we’re both nervous and hopeful that the shop in Hong Kong will be successful so that perhaps we can expand to other Asian countries.”

There’s no doubt that Pret a Manger has the ability to grow even further and at an even faster rate than in the past – a true example of how a great concept can emerge from nowhere to become a popular and well-respected brand.

Source: www.startups.co.uk

And

Sinclair Beecham, co-founder of Pret A Manger, has created an empire out of sarnies. *Annie Waite* gets her lunch time sarnie fix.

What a sensational idea Pret A Manger was.

Having grown tired of their daily trapeze around Soho in search of quality food in exchange for one's luncheon vouchers, co-founder Julian Metcalfe and his college friend Sinclair Beecham spotted a previously unexploited niche in the market - fresh, nutritious food 'on the go'. The time was right to reinvent the sandwich - or at least jazz it up.

Eighteen years on, both Sinclair and fellow Pret co-founder Julian Metcalfe boast MBE's and the sandwich has never been seen in the same light since.

Hoummus sandwich history

"We borrowed the Pret A Manger name from a boarded up shop in Hampstead and bought the title from the liquidators for £160," Sinclair confesses.

"It seemed an awful lot of money at the time and it was a very difficult decision to write the cheque." Nevertheless, the cleverly sophisticated name fits perfectly with the image they have achieved (despite it, effectively, being only a glitzed-up sandwich shop).

In 1986, when Pret A Manger made its debut in Victoria, London, Sinclair and Julian Metcalfe were very much hands-on: making the sandwiches, serving the customers, tweaking the flavours and sourcing the ingredients.

The second Pret opened three years later. Sinclair recalls, "We originally took out a £ 17,000 loan. It was very hard to persuade the bank to lend us the sum. The worst thing was that the first bank recalled it, so we went to another bank who eventually supported us."

Popular taste

The rest, as they say, is (hoummus sandwich) history. Pret employed a design specialist to produce their cohesive image and logo - it has twice been awarded the 'Sarnie Oscar' from the British Sandwich Association - and it has certainly made enough money to repay the loan fifty times over.

Pret now runs 130 stores, employs 2,200 staff, and sells approximately 120 million pounds worth of products per year - all this without any kind of formal catering training

for either of the founders.

So how exactly did the company become quite so popular? "We went by taste and entirely by instinct," says Sinclair.

The gamble proved lucky and now the business employs a dedicated team of testers to get the Pret taste just right, sticking to its original policy of using fresh ingredients and banning GM foods:

"We focus on customers, not caterers," Sinclair stresses. "We focus on the market, not what is most convenient. We look at what makes a happy customer, not what is the easiest way to make sandwiches."

So if that means paying that little bit extra, or travelling that little bit further to source prime quality, natural ingredients, then that is the secret of Sinclair's success.

Top ten

They also recognise the importance of a considered approach towards employee relations. Pret encourages staff happiness, which in turn boosts the success of the company - it was even rated by *Fortune* magazine as one of the Top 10 companies to work for in Europe.

"It's a question of attitude - we catch people doing things right, not wrong. We realise it is the team members that are serving the customers who are most important, not the bosses upstairs on fat salaries."

"They look the customer in the eye, they work damn hard, so we try hard to make life good for them."

The positive attitude is promoted after hours too, as their website proudly claims: "We don't work nights, we wear jeans, we party!"

Practices what they preach

While Pret also benefits from a loyal customer base, surely their decision to sell a 33% share of the business for £50m in 2001 to McDonalds lost them more than a few supporters?

In response, Pret is keen to point out that, "McDonald's do not have any direct influence over what we sell or how we sell it".

Various reports of the way Pret has been run since the deal suggests that their original intentions and practices are still being followed - there is a Fair Trade option on Pret filter coffee, they use recycled paper to package their products, and at the end of every business day the leftover products are given to charity.

The same formula was applied when Pret a Manger first introduced itself to the American market, with its flagship New York branch. Tom Perridge was part of the original team of European staff that worked in the shop:

"Sinclair made an effort to speak to all the staff and he really appreciated the effort everyone was putting in. He struck me as a man who believed that he had his own way of running a business, and that he was confident his way would work."

The team-building and the cheesy bonding games obviously paid off as a few more shops opened - "one-by-one" - in the US cities, and soon it was Hong Kong and Japan's turn to sample the Pret A Manger fare.

However, funding problems concerning its joint ventures abroad, coupled with some major management changes, may have contributed to the termination of 14 Pret outlets in Tokyo recently.

How does such a large company deal with criticism or suspicion of its activities? "If it is valid criticism, we try to put it right," Sinclair says defensively. "We have made a lot of mistakes, but the point to make is that we became successful when we focused on the business and nothing else."

There is no denying that business has flourished despite some uncertain moments along the way, but obviously Sinclair boasts the entrepreneurial flair and his thorough, yet relaxed attitude has bolstered Pret popularity.

After dinner

So, has the fame and fortune changed Sinclair? Despite his sensational prosperity, he remains remarkably down-to-earth.

"In terms of extravagance, I've only recently begun to travel business class," he admits. "I can't bear to pay for full-fare tickets. I am lucky enough to have a beautiful house in the country. I only drive a Golf as I had to be frugal on my car because I'd already spent so much on the house."

In addition, he has also joined an elite league - the after dinner corporate speakers ("If you do it, I believe you must do it well, but I don't really like it, so I only speak when I have to - or when someone pays me a lot of money" - according to the London Speaker Bureau, that's about £6000).

One also can't help but wonder, despite the products being the source of his millions, is Sinclair not sick of eating Pret food yet? "Not at all - I actually had Pret for lunch yesterday."

Off you go then folks, go build an empire out of sandwiches.

Source: http://www.ideasfactory.com/business/features/bus_feature24.htm

And about sandwiches:

Commercial Sandwich Market

Market Size:

- Approximately 1.8 billion sandwiches are purchased outside the home each year
- The commercial sandwich market is worth approximately £3.5 billion – by comparison the pizza market in the UK is worth around £1 billion.

Top Fillings

The most popular sandwich fillings in the pre-prepared sandwich market are:

- ✚ Chicken (24%)
- ✚ Fish (18%) (mostly tuna and prawns)
- ✚ Cheese (15%)

- + Ham (12%)
- + Bacon (10%)
- + Egg (7%)
- + Sausage (3%)
- + Other (12%)

To put this into some perspective, the volumes of ingredients used are estimated by the Association to be as follows:

- + Chicken 20,550 tonnes
- + Fish 17,400 tonnes
- + Cheese 13,500 tonnes
- + Ham 11,100 tonnes
- + Bacon 8,700 tonnes
- + Eggs 6,000 tonnes
- + Sausages 2,600 tonnes

Where Sandwiches are Purchased

These days commercially made sandwiches are purchased in a huge variety of outlets, from supermarkets to off-licences. In broad terms, the market breaks down as follows:

- + 18.1% Workplace
- + 22.2% Supermarkets
- + 15.7% Cafes/Sandwich bars
- + 19.6% Bakers
- + 5.9% Convenience stores/corner shops
- + 5% Petrol stations
- + 6.5% High Street Department Stores
- + 1.8% Motorway services
- + 1% Pubs/hotels

(Note: some sectors such as schools and healthcare are not picked up by the research)

What People Buy and Consume with their Sandwiches

As part of the BSA/TNS SandwichTrak programme, which interviewed 2000 consumers every month, it was found that there distinct differences between what people consumed with sandwiches in the home as opposed out outside. (*% of all sandwiches consumed with...e.g. a drink*).

	<u>In-Home</u>	<u>Out-of-Home</u>
<i>Drink</i>	89.3%	73.0%
- Hot	58.4%	33.9%
- Cold	35.9%	39.9%
<i>Fruit</i>	14.6%	2.4%
<i>Cakes</i>	11.2%	5.3%
<i>Desserts</i>	10.0%	2.3%

<i>Crisps</i>	7.6%	10.5%
<i>Biscuits</i>	5.9%	2.9%
<i>Chocolate biscuit bars</i>	3.4%	2.1%
<i>Salty snacks</i>	2.5%	2.3%
<i>Confectionery</i>	1.2%	2.0%
<i>Nuts</i>	0.2%	0.1%

General Facts to Note:

- Men account for 55.7% of all sandwiches purchased outside the home
- Over 44.3% of all sandwich buyers are aged 24-44
- The UK sandwich industry now employs over 300,000 people

Made-at-home Sandwich Market

The data shows that the commercial sandwich market is dwarfed by the number of sandwiches we make in our homes each year, although the casual nature of sandwich making in the home makes it difficult to monitor. Nevertheless, it is estimated that around 58% of all sandwiches are consumed in the home.

It is also estimated that the lunchbox market (that’s sandwiches made at home but carried out to be consumed at work or school etc.) represent around 24.2% of all sandwiches and this market is estimated to be worth around £4.18 billion (based on an assumed average value of 99 pence per lunch box). Of these 73.8% contain a sandwich and 30.8% are taken out by children. Around 58% of all sandwiches are consumed in the home.

The top fillings in the home made sandwich sector are somewhat different to those purchased outside the home, partly because of the casual nature of the market and partly because of the limited availability of ingredients in the home. They are, in order:

- ✚ Cheese
- ✚ Ham
- ✚ Poultry
- ✚ Jam/sweet spreads
- ✚ Hot bacon
- ✚ Tuna

There are concerns among some nutritionalists about the nutritional quality of sandwiches taken out of the home by both adults and children in lunchboxes.

General Facts to Note about the At Home Sandwich Market:

- People making sandwiches at home generally turn to whatever ingredients they have in the fridge as there are strong indicators that lunch box purchases are not planned by many. As well as limiting choice, this has some food safety implications as use-by dates may not be up to sandwiches being made and then carried for some time in an unchilled lunch box. There are also concerns that it is difficult for consumers to balance the nutritional aspects of sandwiches made in the home as they do not necessarily have the means for assessing the salt, fat etc. levels.
- The temperature control factors relating to lunch boxes are generally a concern, particularly in summer months when sandwiches may be left on desks, in cars or in school satchels for several hours before being consumed. It is generally recommended that consumers should use a chilled box rather than a traditional tin box.

- There is a strong argument for retail outlets to focus more directly on the lunch box market as this will in turn encourage consumers to plan their purchases more carefully and think about what they are putting into sandwiches. At the moment you tend to find fillings scattered around stores in a very unplanned way.
- There are equally concerns that because consumers do not necessarily think of the nutritional aspects of lunch boxes, they may be influenced by 'pester power' to put in products that are not necessarily nutritionally balanced.

For further information please contact:

Jim Winship

Director

The British Sandwich Association

Direct line: 01291 636338

Source: <http://www.sandwich.org.uk>

And

The sun sets on the great UK sandwich boom

The UK sandwich industry is worth some £3.2 billion a year and counting, but after a decade of boom, an influx of US chain outlets are putting independent sandwich makers under heavy competitive pressure.



The sandwich was 'born' in 1762 when the 4th Earl of Sandwich was inspired to put a piece of meat between two slices of bread for a quick snack while on a 24-hour gambling binge. Nearly 240 years later, the sandwich is the UK's number one fast food, cornering 41% of the total market compared to just 18% for their nearest rival, the hamburger.

"There's been a huge increase since the early '90s, when the market was worth £1.2 billion. Today it is worth over £3.2 billion," says Jim Winship, Director of the British Sandwich Association. "It is a natural development - consumers want transportable food that suits the lifestyle that people lead. They need the convenience, and also want to eat more healthily."

"The sandwich industry has responded to the demands and no longer serves nasty pre-packed sandwiches. The places that are doing well are producing good quality food.

There needs to be a variety of products to cater for those who are willing to spend £4.50 on a sandwich, as well as those who only have £1," he explains.

Currently independent sandwich shops and bakeries account for 55% of the market, but supermarkets such as Tesco and Marks & Spencer are beginning to take hold, as well as sandwich chains such as Pret a Manger.

Aran Ltd, a family-run chain of Italian sandwich shops in the City of London is feeling the pressure in this new environment. Formed 25 years ago, the company has seen the industry completely turn around. Now, in order to survive, sandwich companies must be innovative and willing to provide new, customised food.

"When my father and my uncles were serving behind the bar 25 years ago the selection was much more limited - but gone are the days when you can get away with that," explains Bruno Cacchiolli, Aran's area supervisor.

"Now we import food from Italy and France. People want variety, and if you can't supply it, they won't come back," he said. "We have also now started our own bakery so as to bake all of our own continental bread and patisseries. We introduced this 18 months ago as it was difficult to gauge the daily demand."

According to the British Sandwich Association, around 30% of the products on the market today are 'exotic', with various new combinations and products being introduced regularly. Traditional sandwiches are still popular: tuna, chicken, cheese, egg and ham are the five top sellers, but choice is key in maintaining regular clients.

"Fashion is a large factor in the recent surge - the emergence of coffee bars has had a large effect. It is a very lively industry and is changing constantly. You tend to find the new food trends in London or up north in place like Manchester, Liverpool and Leeds and then it slowly filters through to the rest of the country," adds Jim Winchip. The emergence of the coffee shop is one reason why the traditional sandwich bar is feeling the squeeze.

"There is an increasing amount of competition as more American companies which can afford to throw away money on marketing are coming in. They are also pushing up the rent prices," explains Bruno Cacchiolli. "The rent in the City is becoming horrendously high. We have put prices up a little, but have to allow for the fact that we have smaller profit margins."

The sandwich business is also highly regulated, not only because of hygiene issues, but also because of complex VAT calculations, which are ingredient specific. A growing number of European Union labelling requirements add to the overall burden.

"There is a lot of regulation that needs to be implemented, and a large proportion of the new rules are coming from the EU. There is also different legislation for labelling, serving hot drinks and hot food," says Mr Winchip. "It is important to know all about the legislation and trading standards. New businesses should come to us as a starting point."

Insiders believe that the future of the sandwich industry lies in niche markets. However, falling foul of food fads is a pitfall that independent businesses may find difficult to avoid.

"There is still scope to enter the market but you have to be good and know what you are doing on the business side as well as on the food side. There is a great market in the 16-34 year olds, and as they grow older the market will expand," explains Mr Winchip.

Bruno Cacchiolli adds: "To set up a new sandwich business would be very costly, as it takes time to build up a clientele. The only effective way to do it would be to introduce

something different that you couldn't get anywhere else. Otherwise why would customers bother coming to you?"

Source: http://bcs.businesseurope.com/cmn/viewdoc.jsp?cat=sl&ct=ft&docid=BEL1_Feature_0000006563

Suggested time: 1 hour. Perhaps give different articles to different groups?

Step 3: answering questions

Prepare answers to the following initial questions:

The Sandwich Industry

1. How can the Redmoor factory workers be motivated?
2. Comment on the wage policy at Redmoor
3. Telfer exclusively supplies M&S. do either company run any risks by having this exclusive arrangement?
4. What are the attractions of the sandwich over the burger?
5. Comment as to how the industry is 'increasingly affected by UK and EU Food legislation'
6. What advantages do Tesco etc have by not having exclusive deals?
7. Do you agree there is a limit as to how much people will spend on a sandwich? If so what can be done to increase revenue?

Pret A Manger

1. What were the objectives of the 'two friends' when they started the company?
2. Did these objectives change?
3. Pret A Manger is a private company. Are there any disadvantages to this when trying to raise finance?
4. Pret A Manger made its name as 'environmentally-friendly trader selling fresh healthy food'. Comment on this strategy.
5. Why did Pret A Manger seem to target affluent areas in the UK? (*Line 37)
6. 'Staff turnover is 97%' Comment
7. Should Pret A Manger worry about slipping down the '100 Best Companies to Work For' league?
8. With reference to motivational theorists, comment on the employment package
9. Why did Pret A Manger want to expand overseas?
10. What difficulties would Pret A Manger face when trying to expand overseas?
11. Explain how the MIS system is useful for workforce planning.
12. explain how the MIS system is useful for financial forecasts

Big Questions

1. How does the external environment affect the demand for sandwiches?
2. How does the external environment affect the success of Pret A Manger?
3. "The industry is increasingly affected by UK and EU food legislation" – giving examples, explain 'how'.
4. Pret A Manger started off small. They took 5 years to grow, in 2001, to have a sales turnover of £100 million. How would their organisational structure have changed?
5. If Pret A Manger is so fantastic a place to work, why is their staff turnover so high? (97%)...or is it...?
6. From the point of view of Pret A Manger and secondly, the sandwich industry as a whole, which is the most important element of the marketing mix?
7. Trace and discuss the main reasons for the success of Pret A Manger
8. Calculate the break-even in sales for each of the six months for the fictitious company

Appendix 1

1. Why prepare a cash flow forecast?
2. Does the closing balance of (350) in September mean the business is making a loss?
3. What can be done in advance about the net outflow of September?
4. Why is there a net outflow in November?
5. What might be done to minimise this?
6. If labour costs were reduced by 10% what would be the effect on profits?
7. How may labour costs be reduced without any loss in quality, image, style etc?

Calculations:

1. Calculate purchase of food supplies: sales of foodstuffs by month and comment
2. Calculate the sales of drinks/foodstuffs as a % of total sales and comment
3. Calculate purchase of drinks: sales of drinks month by month and comment
4. Wages do not change. Does this strike you as odd? (use calculations to support your answer)

These questions could be given for homework. On the question of labour turnover I am indebted to Duncan Williamson of <http://www.duncanwil.co.uk/> for contacting Pret A Manger to ask them about the labour turnover figure. They replied:

I have been passed your question regarding our labour turnover rate here at Pret. I can confirm that our turnover for 2004 was 75% (In 2001 it was 93%). I realise that this still does not sound very good and it is something that we are continually working on to improve as the cost of recruiting and training our teams are very expensive indeed! However, in comparison to the industry norm we are significantly better – retailer caterers in general have a turnover rate of approx 100% and some Companies are up to 120%.

We do also have many very loyal people working for us - we have 213 people due to receive 5 year awards this year and 18 heading for their 10 years service (out of 2,700 employees).

I hope this information helps your students.

Regards

Kate Nicholls
HR Manager

Useful information for a long question on motivation and turnover!

Suggested time: 2 hours

Step 4 : encouraging discussion: time: 1 hour

By now the class should be very knowledgeable about Pret A Manger. Here are some quotations for them to discuss.

Quotations for discussion

The sandwich chain has made its name as an environmentally friendly trader, banning genetically modified foods and sourcing chickens from humane cages in Seville. For many staff, the idea of a link with McDonald's, which has been demonised by the green lobby, was horrifying. It also spelt the end of the brilliantly constructed illusion through which Pret seemed to offer a taste of sophistication for little more than the cost of a greasy spoon bacon sarnie. In its early days, the chain's brushed steel stools, magenta labels and immaculate chrome bars seemed the ultimate in industrial chic. Its French name and comparatively adventurous menu all helped create an aura of exclusivity - instead of ham and tomato sandwiches, Pret offered Brie, tomato and basil baguettes.

Source: The Guardian Thursday February 1, 2001

"As a private company it's 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."

- Julian Metcalfe

It was three years before a second Pret opened and at that point, the concept took off. Healthy eating had become a fad in the early 90s and hurried commuters liked the idea of fresh food, prepared daily on the premises, which they could pick up off the shelf. Jim Winship, a director of the British Sandwich Association, says: "Pret was in the right place, at the right time. There was a revolution going on in sandwiches - packaged sandwiches were finally taking off in a big way, mostly thanks to Marks & Spencer."

Source: The Guardian Thursday February 1, 2001

"We'll still be in charge - we'll have the majority of the shares. Pret will continue what it does and McDonalds will continue what it does."

- Julian Metcalfe

"We have an option to increase our investment and to fully acquire them over time."

- McDonald's spokesman

There were cultural problems - the company claimed it had great difficulty finding New Yorkers to work in the shop who were prepared to offer Pret's required level of friendliness. British staff had to be sent out to run the new outlet. Critics sniped that it would never take off, because Americans liked bespoke

sandwiches prepared before their eyes. Against the odds, the shop, located just off Wall Street, does seem to be working.
Source: The Guardian **Thursday February 1, 2001**

"We've developed a relationship of trust with our customers over many years. People may have differences with McDonald's about their supply of food but those issues don't apply to Pret."

- Julian Metcalfe

Response to emailed enquiries:

This is an automatically generated email, just to let you know your question has been received. A real person will be emailing you very soon. Our offices are manned 9am to 5pm (UK time), Monday to Friday.

Pret a Manger
1 Hudson's Place, London, SW1V 1PZ
Telephone: 020 7827 8888

Date: Monday, 9 May 2005 Time: 22:28:08

And

You've shared your idea with us, thank you. Was it a food idea? The food team meet every Tuesday afternoon to go over everything our customers have suggested. If you've suggested a new shop, we are growing, but slowly (one at a time, no rush) so it's just possible that there will be a Pret closer to you one day. Whatever you've said will be added to our weekly report that's passed round the whole company. Clive, Julian, and the rest of the directors pore over it every Monday.

Pret a Manger
1 Hudson's Place, London, SW1V 1PZ
Telephone: 020 7827 8888

There was nowhere you could get in and out quickly and find something to eat that was consistently good, fresh and value for money. This is typical not just of London, but the world.

Julian Metcalfe quoted in Fraser I (1995) Legends in their own lunchtime. In *Marketing Business*, **December/January**, 30–33.

Julian Metcalfe “*Quite rightly, with hindsight, we realised that what brings customers back is a good product at the right price and with the right service. That is 95% of the battle, since what makes us a success is repeat trade. You can fool a customer once or twice but after that they won’t come back*” Fraser I (1995) Legends in their own lunchtime. In *Marketing Business*, **December/January**), 30–33.

“*Pret is a true ‘high concept’ in food—a combination of food, service, design and image, with real integrity. It has deservedly taken the market by storm*”.

Source: Jeremy Long, chairman of the strategic marketing consultancy New Solution

It did this by inventing the new ‘super sandwich’ category. This category offers the high quality of food served in a good restaurant, with the service speed of a McDonald’s, for the cost of an ordinary sandwich.

Source- Galileo Brand Architects 1995

The declared mission of Pret is “to create hand made, natural food, avoiding the obscure chemicals, additives and preservatives common to so much of the ‘prepared’ and ‘fast’ food market of today”. This defines two major competitive scopes, within which the company wants to operate (Kotler 1995):

- Industry scope. The statement clearly places the organisation in the fast–food industry. Given the acceptance of this challenge, it defines the market segment focussing on quality and time as extremely important factors in order to succeed.
- Market–segment scope: Given the type of market the organisation aims to satisfy, the company’s mission statement focuses on a specific niche with which it is targeted. It also sets the guidelines on relationships with the customers, suppliers, distributors, competitors and other groups.

Pret was given a commendation for the “Most Prominent Positioning of a Company Mission Statement” by the Investors in People Award.

Source: Edgar A. Whitley, *Information Systems Department, London School of Economics and Political Science Houghton Street, London WC2A 2AE, United Kingdom*–mail: E.A.WHITLEY@LSE.AC.UK

"We're not concerned about having consistency of brand so much as about consistency of purpose that flows throughout the whole organization. It doesn't actually matter what we write on the napkins or say through advertising, all that matters is that when you go into a Pret shop you get that set of experiences that describes Pret."

Andrew Rolfe, Pret A Manger

Step 5 : Role Play

Below is the Role Play exercise trialled at St Helen's school. This can be adapted for yours. By role playing pupils gain greater insight into the workings of the business.

Ethics on Trial – at St Helen's School

By chris sivewright



Published by: The Oxford School of Learning, 66 Sunderland Avenue, Oxford OX28DU Tel: 01865 512428 e-mail: chris@osl-ltd.co.uk website: www.osl-ltd.co.uk

Introduction

Welcome to 'Ethics on Trial'. This is a role-playing exercise to examine one of the issues in the Edexcel AS Case Study (Pret A Manger and the Sandwich Industry) The format for this 'trial' can be used for a number of issues raised in the Case Study.

Syllabus states.

The charge: *Pret A Manger is over-hyped and over-priced.*

The Judge:

The plaintiffs:

- a.
- b.

The defence team

- a.
- b.

The Jury:

- a.
- b.
- c.
- d.
- e.

The witnesses

For the prosecution:

- a.

For the defence:

- a.

Procedure

(This next section on 'vetting' is optional)

The jury is vetted first by one member from the defence team and one from the prosecution. Any objections to the Jurors are stated and the Juror may be replaced. Thus if one of the pupils is a known vegetarian and the case involves the treatment of animals....

The judge calls the court into session (this time can be varied according to the length of the lesson)

- 1) The judge delivers a brief opening statement which includes an initial case description, an identification of the relevant issues in law as they appear in the syllabus, and an identification of the waived and contested issues.
- 2) The prosecution/plaintiff then the defence each deliver 3 minute opening statements.
- 3) The prosecution/plaintiff presents its case in 12 minutes through the direct examination of their witnesses. The witnesses use the resource material provided.
- 4) After each witness, the defence may cross-examine using a total of 4 minutes for all witnesses (this 4 minutes does not come out of the prosecutor's time).
- 5) The defence presents its case in 12 minutes through the direct examination of their witnesses.

The 'witness' is a pupil who uses ONE of the articles shown below. Before the cross examination the prosecution MUST have access to the material

The defence presents a 6 minute closing argument.

The prosecution presents a 6 minute closing argument.

The judge charges the jury

Throughout the trial the judge promptly and decisively resolves objections. The time spent arguing objections, if any, will come out of the time of the side that loses the objection.

Note: *The Jury now take centre stage. The rest of the class listen in to their debate. The jury has a foreman (to be elected) and*

his/her role is to make sure the case is examined purely on the evidence provided NOT any previous beliefs.

Issuing a verdict.

The Jury discuss, with the rest of the class listening in. perhaps they elect a Foreman – it all depends on time. By listening to their discussion the rest of the class can tell whether they have been following the ‘trial’ and whether or not the title is actually being discussed – or whether the jury are really discussing something off the point. After ten minutes the jury votes and then, unless they are unanimous, they can spend time trying to convince the minority voters or the abstentions.

Resources/witness statements

These are the ‘statements’ that witnesses may read/refer to. Of course, ideally, the class can do their own research.

★ HOME ★ OUR FOOD ★ FIND A PRET ★ DELIVERIES ★ ABOUT OUR COMPANY ★ JOBS ★ CONTACT US ★

GOOD NATURAL FOOD	<h2>Charities</h2> <p>Throughout the year we support numerous charities helping the homeless (including Crisis and FareShare) by offering our unsold sandwiches to them at the end of each day. We also bought FareShare vans to help them move food around.</p> <p>Tragically, some of our shops have no regular charities able to collect from them. If you are a registered charity and are interested in collecting our unsold sandwiches on a long-term basis, please contact Mary McKendry at mary.mckendry@pret.com.</p> <p>Please note that it takes us at least a week to set up a long-term collection service properly, so we’d appreciate adequate notice.</p>
GOOD JOBS FOR GOOD PEOPLE	
FRANCHISING (WE DON'T)	
OUR CUSTOMERS (THAT'S YOU)	
CHARITIES	
PRET FOUNDATION TRUST	

<h3>NEW FOOD AT PRET</h3> <ul style="list-style-type: none">• Poached Salmon & Rocket• Cheddar & Baby Plum Tomatoes• No Bread Poached Salmon & Egg
--

Source: <http://www.pret.co.uk/>

Pret A McDonald's???

- ✚ Perhaps Pret a Manger customers represent the McDonald's customer 10 years down the line, grown health conscious and gastronomically sophisticated and a slave to the desk. The naff colours, melamine and spotty youths serving up the burgers, buns and bags have given way to the shiny metallic surfaces, high, small, round tables with bar stools and spotty youths serving up the lattes, cappuccinos and, oh yes, the bags made of the same recycled paper against a background blur of discreet funk.
- ✚ I was not in a particularly figure-conscious mood when I stormed into the Pret a Manger in Bristol, (complete with bespectacled man reading the Guardian at a table in the window), and slunk out with a vegetarian sushi, a chicken club sandwich, a tuna Niçoise wrap, a chocolate passion pot and a double-strength latte by way of quality control, and discovered that Pret a Manger had more in common with McDonald's than I had thought possible.
- ✚ Vegetarian sushi is a bizarre concept. Vegetables have neither the neutrality nor the texture of raw fish. Their cause was not aided by dry and solid rice wrapped up in double strength nori with the chewability of damp cardboard. Whoever had handmade these sushi had also gone rather light on the wasabi and the slices of pickled ginger were withered.
- ✚ The tuna Niçoise wrap was another grazing compound, owing more to fashion than good taste. It tasted like fish paste wrapped in chamois leather, with a bit of floppy Webb's wonder lettuce, tomato, raw french beans and slices of hard-boiled egg. Any connection with a real salad Niçoise was entirely notional.
- ✚ The chicken club sandwich was rather good; a wholesome (well, the bread was granary), properly balanced meal in a mouthful. True, most of the flavour came by way of the excellent mayonnaise, but at least there was flavour.
- ✚ The latte was not a success. Bitterness should not be confused with strength; that's what you get from over-roasting substandard arabica beans.

Source: The Guardian Thursday February 1, 2001 (adapted)

Working at Pret

We have good jobs for good people making great food. Pret is a private company determined never to forget that our wonderful hardworking people make all the difference. They are our heart and soul. When they care, our business is sound. If they stop caring, our business goes down the drain.

We pay our hardworking, wonderful staff as much as we can afford rather than as little as we can get away with. We invest in, train and develop our people (75% of our managers were promoted from Team Leaders). The average hourly rate during 2004 for our Team Members (with 6 months' service) was £6.60 per hour. Many get over £7 an hour, it depends. The average salary (including bonus) for General Managers during 2004 was £26,000 pa.

Source: <http://www.pretamanger.com/jobs/>

Welcome to our menu

It's important our sandwiches and salads taste better than everybody else's. To achieve this, we build a beautiful sandwich kitchen in every Pret. We get vans every night* to drop off our good, natural ingredients. Our chefs get cracking early in the morning.

We don't like big food factory/depot/processing places. We make our stuff fresh so we can sell it fresh (it's old fashioned but works well). We'd rather offer our sandwiches to charity than keep them over to sell the next day. Because we make in-house and sell out the same day, you won't find "shelf life" dates and "display until" on our salads and sandwiches. We simply don't need to sell old food.

Source: http://www.pret.com/our_food/

About our Company

Pret opened in London in 1986. College friends, Sinclair and Julian, made proper sandwiches using natural, preservative-free ingredients. The two of them had woefully little experience in the world of business. They created the sort of food they craved but couldn't find anywhere else.

Because Pret is private we don't face the same pressure to grow that a public company does. We will develop slowly, one shop at a time. There are about 150 Pret shops at the moment. Most of them are in the UK. We turn over roughly 150 million pounds a year and would like to make 9% profit but haven't yet. One day we will.

In addition to classic Pret, there is our new Pret delivery service, the Pret Café and our 'all day' soft and cuddly Pret to look forward to. We must go one step at a time, no rush.

Source: <http://www.pret.com/about/>

Step 6: conclusion

At the end of the 6 steps pupils will have applied the syllabus, discussed questions, discussed quotations, mind mapped the case study incorporating extra material and 'tried' the accusation of Pret being over-hyped. The common thread has been that pupils have been encouraged to discuss; to think for themselves.

And that is the key not only to success but enjoyable lessons!

All comments should be directed to the undersigned:

Chris Sivewright

chris@osl-ltd.co.uk