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COVID-19: Pret a Manger's Fight for Survival

"If we sit and wait for things to change, that is a bigger risk than going out there and being bold"—Pret a Manger CEO Pano Christou¹

Pret a Manger (French for ready to eat), popularly referred to as Pret, is a multinational sandwich-shop franchise chain based in the UK. Founded in 1986, it had expanded rapidly in recent years—it opened 60 locations between 2016 and 2018 and acquired 90 EAT outlets in 2019. Only in December of 2019, Pret's recently appointed CEO had been bullish on "turbocharging the growth of Veggie Pret"—first launched as a pop-up experiment in 2016—and digitising the customer experience.

The COVID-19 pandemic threw a wrench into those plans. Pret and its business model were intimately tied to London, where more than half of its 500 locations across nine countries were located. Despite the economy reopening after a lockdown that had restricted restaurants to delivery and takeout service, the pandemic continued to significantly curb footfall at Pret shops that were strategically located near offices and transport hubs. With a second infection wave under way, there remained an estimated 40% drop in commuting in October of 2020—with fewer than half of workers having returned to work in offices full time—as well as a huge drop in tourism. This was bad news for the casual dining sector, which had already seen closures up by 25% in the year prior, including chains such as Carluccio's and Jamie's Italian. COVID-19 was causing significant adverse effects and 12,000 to 15,000 small sandwich bars were struggling. Suppliers too were affected. Adelle Foods—a sandwich supplier to Caffè Nero, petrol station shops such as Shell and supermarkets including Aldi—had collapsed in May with a loss of over 2,000 jobs. People were still eating, of course, but doing so at home—with year-on-year grocery sales up 30% and espresso machines showing a near 80% jump in sales.

Pret's locations in London served customers with higher levels of disposable wealth. This had largely shielded the business before the pandemic. Now this positioning made Pret especially vulnerable, with sales down 60% year-on-year in August (50% worldwide). It therefore came as no surprise when Pret announced at the end of August that it was laying off around one-third of its nearly 9,000 UK employees, closing 30 of its 300 UK shops (28 in London), as well as looking to cut costs at by renegotiation leases, reducing opening hours, and limiting menu ranges. Even the lease for their shiny headquarters in central London was up for sale. Pret was in a fight for survival.

Company Background

Pret was emblematic of three decades of uninterrupted growth in the UK sandwich sector, one worth more than £8bn² in 2019. More than 4bn sandwiches were sold annually and a further 5bn were prepared at home. The boom began in 1980 when the UK's most powerful department store, Marks & Spencer (M&S), began selling packaged sandwiches in its stores. Within a decade, M&S had a dedicated "food to go" section, with separate tills and checkouts. Like almost every major retail chain, Boots pharmacy had followed suit. Boots pioneered the meal deal and was the first to establish a national distribution system in 1985, selling identical sandwiches across its branches. By the end of the 1990s, the sandwich industry had consolidated into two parts: specialist chains with in-store kitchens—like Greggs (nearly 2,000 UK shops), Subway (1,000), and Pret—and factories that worked through the night to supply supermarkets, high-street shops, schools, prisons, airlines, hospitals and others.

This case was prepared by Jessica Spungin and Nader Tavassoli of London Business School.

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