Pret's A-Game

By Pearson Ham | The Pricing Specialists

Pret A Manger has introduced a new consumer offer today (a monthly coffee subscription, with the first month free, and subsequent months charged at £20 for unlimited coffees) and on the face of it, it appears to be a generous offer to consumers when times are hard.

It has greater and more widespread impacts than just a new consumer offer and begs the question about what Pret A Manger's true strategy is.

There are 4 impacts from this change:

OFFERING GOOD VALUE

The first, being the most obvious one, is that Pret A Manger is offering good value to consumers when times are hard, and they need the help.

INCREASED FOOTFALL

Further it's clearly going to drive traffic into their stores - we shouldn't forget that Pret A Manger is primarily a food outlet that sells drinks.

NEW COMPETITIVE DYNAMIC

Pret are introducing a proposition, which is no doubt reducing the value realised from coffees, for the sake of driving upsell to food. They are up against competitors who, rather than being sandwich shops selling coffee, are coffee shops selling sandwiches making a higher share of revenues from drinks, hot or cold, than Pret A Manger.

Accordingly, if value is driven from drinks to food, their competitors will struggle to respond with a similar proposition due to the disproportionate impact on their profits.

If you're one of those competitors, and you are considering which locations to close, and you're competing with a Pret A Manger store (driving more traffic through their compelling offer), those locations might be the first on your list. Potentially a very effective competitive strategy by Pret.

A NEW COMMERCIAL MODEL

Lastly, Pret A Manger have introduced a new commercial model here, for what is normally a repeat visit, repeat choice, day to day decision of which location of coffee shop to go to. They are building loyalty in the same way as airlines have with their loyalty schemes; driving stronger and deeper relationships with customers, gaining their data, which will provide them with the platform to push further offers.

In the long term this may be quite an attractive change. Airlines have seen how loyalty to them has enabled them to support higher prices because people will often make irrational choices to overpay because of their psychological drivers such as hoarding and status.

We will have to see if these changes are a long-term strategy or a short-term and pragmatic reaction to the challenging Covid-19 environment. Irrespective, this will certainly challenge their competitors and may have long-term impact on the sector. Introducing a loyalty scheme that relies on a loss leader to drive traffic and upsell other products may not be a new idea, but the a-symmetric nature of competition, and a data driven subscription model in this sector may well be a game changing commercial model. Pret has rolled out its new 'A' game. Let's see if and how its competitors raise theirs.

ABOUT PEARSON HAM

Pearson Ham is an award-winning pricing consultancy based in London.

We offer tailored pricing solutions that optimise profits, revenues and market performance.

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