

Setting up a subway franchise marketing essay



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My idea is to set up an established franchise. Thus a Subway Franchise. My decision was based on the idea that there is a gap in the market for this particular business especially in the South Norwood area. The only well known sandwich outlet is Subway and although it is already a well-established brand name, I believe that in the correct location my own store will have the potential to make a lot of profit and survive. My businesses unique selling point will be giving my customers the choice to choose which fillings or types of breads they wish to eat for their sub. There are nearly two million different sandwich combinations available on the SUBWAY menu. This flexibility will give the customer their needs and we will gain the loyalty.

I believe that in the correct location my own Subway franchise will have the potential to make profit and survive. I will be answering the question: 'Is it feasible for Subway to expand by establishing a second sandwich outlet in Central Croydon'.

It is a well-known brand but in the UK not many customers are familiar with this established name. I will make sure these potential consumers know it. I plan to do this by identifying an opportunity in the market and if there is a gap. I plan to use forecasts to see whether my business will be successful such as cash flow and break-even. Using finance available it will help me to launch an excellent franchise opportunity. I have found out Subway is one of the best franchises to set up and a number one entrepreneurial opportunity. Despite this, as there is a highly competitive market that my business would have to enter, having a brand that consumers trust and identify will lead the sandwich bar gaining a stable market share, and loyal customers in a short space of time, and also some of the risk will be reduced. Overall, buying into

a franchise enables entrepreneurs like me to have an opportunity to provide a known product from an established brand with a proven operating system already in place.

Projects Aims & Objectives

Aims are the long-term intentions of a business while the objectives are needed to fulfil these overall aims of a business. The main aim of this project is to conduct a sufficient feasibility study in order to evaluate whether or not my business will be successful or not. If my business is likely to fail I would like to assess what factors resulted in this failure and in turn what factors resulted in its success. If it is not feasible then at the end of my project I would like to draw some sort of conclusion about what could have been done to make my business much more successful especially in the case that my business fails. Despite being a franchise and a well-known brand in sight of my potential customers, this feasibility study could endeavour failure and from there I could see what actually could have been enhanced.

If it does prove to strive to success, I will be able to identify the best place to set it up, what products to market consumers' want/need and at what price. Moreover, I would like to assess what factors resulted in the failure of my business, and what factors contributed to the success of my business, and at the end of the project evaluate what could have been done to improve the business being a success.

By doing this I will look into what makes a business strive into success, such as location, the competitors, products to be aimed at potential customers and whether there is actually a demand in the market for a well-known

franchise as this. Information will be retrieved through primary and secondary sources and research. I intend to use primary research in order to identify, suitable locations, current prices of my local competitors, products that are needed and wanted by consumers in the market, the right promotional methods in order to attract potential consumers and to establish the target market. In addition I shall use secondary research to find out statistics on most products sold/brought, the period of time in which consumer spending is at its highest, and where and any information retrieved by competitors on consumer spending patterns within the market, or successful marketing strategies. All project results will be used to determine and evaluate my project and backup final decisions. I will need to remember that I will need long-term profit in order to survive.

Business Aims & Objectives

Aims should be an expression of all parties of the business, i. e. employees, shareholders. The set aims should be long-term and everyone within the firm should work to achieve them. Aims can encourage commitment within a firm, i. e. giving employees a long-term job within the firm. Most firms do not spend quantities of time on trying to define their aims, particularly true of small firms where communication levels are quick and easy to transfer information such as my firm Subway. Aims are a basis in which I will set my objectives. These can be influenced by the business culture and the workforce culture.

Delegation can take place, in order to allow different departments to focus on different aims. This allows analysis of the success of the objective easier.

My aims are:

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Produce quality products at a competitive price.

Bridge the gap between social classes by giving everyone high classed products.

In co-operate consumer's needs and wants in products.

Increase consumer's value of living.

Turn luxury products into necessity products due to high quality and the purpose/function to the consumers.

Produce a profit making business.

Design a company whereby customer's satisfaction is achieved and a friendly service is offered.

Primary Objectives:

Will the new Croydon store prove to be adequate in all areas, but most importantly will it be profitable, to a sufficient level of return?

Secondary Objectives:

Collect the previous year's accounts and financial reports for Subway, and evaluate the present situation.

Investigate whether there is land available to expand its property.

To obtain marketing data.

Find out the start-up costs and initial investment for the outlet for expansion.

To diversify the business.

Using the retrieved raw data, produce forecasted accounts and evaluate the firm's financial position in the future.

Decide whether a change in price is needed or adding or removing of items is needed to the existing menu.

Assess the time scale of the expansion.

Methodology

Examine existing accounts of the business to whether the firm has enough capital for expansion. I am going to do this by finding out the profitability, liquidity and the efficiency of the firm using ratio analysis from the Trading Profit and Loss account and the Balance Sheet.

I will find out using an appropriate website, where I want to open the outlet. This will highlight all the surrounding stores and vacant properties. I will use this as a basis to find a vacant suitable site for the new Subway Restaurant. Once an appropriate site is chosen, I will choose whether to lease or buy a free hold property.

I am going to prepare a questionnaire for the customers visiting the restaurant and do a survey of the people in the area to find out their views about the recognised brand name Subway and whether the target market for the product is aimed confidently to the correct consumer market.

Retrieve information from the Subway website on costs that will be needed to be incurred, such as the start-up costs and initial investment.

Investigate the ways in which the business can diversify, for example introducing other types of catering services such as catering for special occasions.

To forecast the firms Trading Profits and loss account. Balance sheet and cash flow forecast if the restaurant was to expand. By using Ratio analysis, I intend to analyse the firm's financial position in the future.

Upon my findings in my questionnaire I will decide whether extra items should be added to the present menu.

Using Decision-Making Techniques such as decision trees and critical path analysis to help reach a decision and estimate the minimum time that could be taken to complete a possibly problematic process.

Mission Statement

The main objective of a mission statement aims to set and/or tell, stakeholders and shareholder of what the overall purpose of the business is. This involves stating what the business intends to achieve and sets the theme for setting objectives and strategic methods. It shows the businesses reason for existing; why it has been set-up in the first place its intentions.

However, in the likeliness of setting a positive and achievable mission statement, a criterion has been set for business to follow. SMART (smart, measurable, agreed, realistic, time specific), allow businesses to analyse the mission statement and to see how success full it would be. As a general note the companies overall mission statement would be to become the biggest and best-value store in the market.

Mission statements shows the businesses reason for existing, why it has been set-up in the first place (intentions). Existing Subway missionary statement: “ To provide the tools and knowledge to allow entrepreneurs to successfully compete in the Quick Service Restaurant industry worldwide, by consistently offering value to consumers through providing great tasting food that is good for them and made the way they like it.”

SWOT analysis

This is a tool, which is used to review internal and external business environments. The benefit of doing this is to assess the businesses current activities and base decisions on them. It is an effective way of identifying my Strengths and Weaknesses, and of examining the potential Opportunities and Threats my business might face. By carrying out an SWOT analysis and using the SWOT framework it will help me to focus into areas where my business will show strengths and where the greatest opportunities lie.

My strengths are any resources and capabilities that can be used as a basic for developing a competitive advantage over other sandwich outlets.

Strengths:

Being a small sole trader franchise means that I will have a closer relationship with the customers, thus receive ideas and build a personal relationship with them. Then begin to build a loyal customer base. Eventually I can promote and adapt my products to the needs of the consumers.

I have a good location for my business that is easy to access and is viewable by consumers. Thus creating awareness for consumers to come in and purchase a product.

Establish competitors, which have identified consumers spending habits.

Makes it easier to establish a business whereby, their needs and wants are already aware.

A market-led business that is dedicating to consumers means that you will be giving the consumers what they need, which would make them, happier-‘delighted’. Ultimately, returning back for more purchases.

An excellent worldwide reputation in place means a long trading period could be portrayed. Finding a trustworthy supplier is guaranteed, someone who is willing to take a chance on a new established franchise.

My Weaknesses are anything, which cannot be included as strength, are things that the business would do badly, that it is ineffective at or that it has a poor reputation for.

Weaknesses:

Low start-up capital- without capital, the business will find it hard to start-up and get loans to fund its strategies.

No credit from suppliers- without credit, it may be hard to pay back debts and have money left over for re-investment into the business.

I will have a small amount of staff, as I will not be able to pay for more than I need, so when my staff are absent I will not have any form of backup for them.

I have no experience in Marketing which means that I may not market Subway's initial products effectively thus losing out on valuable profit, but also on customer loyalty if I market it imperfectly.

My cash flow will be unreliable in the early stages of business, thus I will not have any chances to buy things if I see an opportunity for it.

Opportunities are anything, which present an opportunity for profit and growth because of its strengths or because of the elimination of its weaknesses.

Opportunities:

New technology may cut down the time and improve the quality of my products.

Company expansion, i. e. increasing capacity inside for eat in.

To gain Market share by diversifying myself from other companies:
innovation of products and new product range.

Increase demand for quality general-purpose products.

Competition may be engrossed with rivalry between each other that they don't take much notice in own growth.

The introduction of speciality breads and more exotic fillings will extend the possibilities of the sandwich from a simple snack into a meal.

Threats of a business arise from activities of competitors and from failing to take opportunities or to build on successes. Threats also come from

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complacency, a lack of rigour, and from falling profits, perhaps due to rising costs.

Threats:

Established, wealthy competitors. All fast food chains, including McDonald's, Burger King, KFC, Pret A Manger, O'Brien's, and Benjy's.

Competitors enforcing new tactics to 'destroy' new competition in which we couldn't battle against due to low capital. For example lowering of prices, advertisement campaigns etc.

A possibility of competitors using 'destroyer' pricing. In which we would not be able to operate if we lowered costs any more.

If my competitor starts a Price war I will not be able to compete, thus risk of losing customers or falling into bankruptcy.

Lack of trained, specialised employees.

Shift in consumer tastes will mean that I will need to alter my product selling to fit there needs.

There is always a chance of new competitors trying to take some market share.

Furthermore, I realise that by having so many opportunities and no experience I can easily make the wrong choice, which could lead to huge opportunity costs. Moreover, most of the opportunities identified to me, are also identified to my competitors, and because they have more capital, and

even greater customer loyalty, being able to take advantage of these opportunities will prove difficult.

Lastly the weakness of not having any experience means that making decisions will be hard, and being able to react to competition actions would be difficult or even futile.

As a result of my SWOT analysis I come to the conclusion that continuing with the business idea would be unpractical, but with a lot of hard work and luck, the firm may be successful, however not enough to compete with competition such as Pret A Manger or Burger King but surviving to some extent.

PESTLE Analysis

This examines the external environment and the global factors that may affect a business. It can provide a quick and visual representation of the external pressures facing a business, and their possible constraints on strategy. It is usually divided into five external influences on a business-political, economic, socio-cultural, technological and green. The analysis examines the impact of each of these factors and how they interplay with each other in the business. The results can then be used to take advantage of opportunities and to make emergency plans for threats.

Political:

It might include a consideration of legislation, such as consumer laws, regulation, such as control of certain companies, political pressures and the government view of certain activities.

Factors that could affect are Government legislation such as taxes on products and interest rates. This will affect the business when determining the selling price of the products. In order to make a profit after taxation, the price will have to be increased; however the price must also be appealing to the customer and rival that of your competitor. Healthy and safety legislations will have to be taken into account especially since my business deals with food. Improving the health and safety rules according to the regulations set by the franchise would do this.

Economical:

This might involve the analysis of a variety of economic factors and their effects on business. They might include: consumer activity such as spending patterns, economic variables such as inflation, and government policy such as exchange rates. These areas are global, but it is also important to look at factors affecting my own industry. Economic issues are the focus of future potential of profit making. This can involve the level of demand and the price in which the product will be sold for. This needs to be compared with other organisations prices in order to lure consumers. Despite the fact that this is a franchise and costs are already set up, if however the cost of flour rises, then for my firm or other food retailers the price of flour is a crucial economic measure as without it we cannot make our product and sell them at a cheap price.

The current employment rates have increased in the past few years due to economic factors. Not only does this suggest that I have a wider selection for recruitment, being able to choose the most multitasked workforce. I also have the negative effect that money consumers are without money and are

unable to spend. This can be a decrease in sales of the whole market, and competition will become fierce in attempt to get loyalty from remaining consumers. In addition exchange rates can affect my business if deciding to import goods from abroad, or basing the factory in overseas. This can easily increase cost and promote a move back to the United Kingdom.

Laws on competitive pricing, patterned ideas and quality standards can all affect the way in which my business is run. These laws can limit the company's expansion and take longer than expected.

Social:

Social factors I must examine are consumer attitudes to my product & industry, environmental issues (e. g. organic food versus food made in a lab), attitudes to health, wealth and age (the elderly don't want to be treated different from others). Added complications when looking at social and cultural factors are differences in ethnic and social groups. Not all groups have the same attitudes – and this impacts how they view products and services. E. g. Muslims eating pork. Also the fact that Muslims eat Halal would affect my business because meat that is sold at Subway is prepared normally and not using the traditional Halal method. Thus, I will lose sells on these major ethical and cultural groups. However, another factor to consider is that location is dependent on the amount of customers I lose, if there are many Muslims in the area then sells will decline, if not many I will benefit on other ethical groups buying my products. Therefore location can still play a part with profit, especially to my target audience.

Technological:

This might involve the analysis of a variety of economic factors and their effects on business. They might include: consumer activity such as spending patterns, economic variables such as inflation, and government policy such as exchange rates. Fixed and variable costs of the business and the effect of changes in product and labour markets. Other economic factors include income growth, debt & saving levels (which impact available money) and consumer & business confidence.

Increased security methods may include real-time CCTV cameras and hidden cameras around the store to reduce pilferage; this can be mainly located by the cashier tills, as it is highly likely consumers could cause nuisance around these areas. Production methods may introduce, faster production, meaning products are out in the market much quicker and a cheaper price. In addition quality is not sacrificed. Production methods will make producing quicker and possible with a higher quality level. Giving way to the innovation of products. Although with this new advancement I will need staff that can use it e. g. – EPOS till ware and also the capital to buy and or train people to use it. Green issues involve the interest of the organisations and its interaction with the environment. We need to monitor how we treat the environment with production methods especially, in order to comply with the current laws.

Target Audience

The SUBWAY chain's target market is adults between the ages of 18 and 49 who eat quick meals and are looking for good-tasting options. Also, the SUBWAY chain wants to increase its "consideration set" among frequent fast-food consumers who lead an active lifestyle and are seeking a balance

of nutrition, taste, and value. The target audience is an important factor when setting up my business, as I will be relying on this to make my business a success.

My business is a sandwich store that sells food, food is one of the five basic needs and this means that everyone needs food in order to survive. Although this is the case it doesn't mean everyone will eat the food that I will provide. For example young children will not come to my shop to eat large subs so therefore I will need to attract them by selling them a specially tailored kids meal containing simple food with everything inside. In this way I am maximizing my target range.

Here is a plan about how I hope to attract other age groups:

Young Children: I will be selling them the KidsPak consisting of simple food with a small sub sandwich with different choices of fillings called Deli-Style Sandwiches and a drink.

Teens: I hope to encourage teens to my shop by selling a delicious variety of sub sandwich fillings of their choice, promoting certain menus such as 7 under 6 with less than 6 grams of fat. Also selling sweet desserts such as cookies.

Adult: I plan on encouraging adults who are fast-food consumers, who lead an active lifestyle and are seeking a balance of nutrition, taste, and value. For example a great choice of salads for those who are watching their calories. Healthy, nutritious meals for those who are health conscious will be available rather than going to stores where fast-food is full of fat such as

McDonalds. If they want to eat something during their break at work, a quick meal is available at Subway.

Business Structure

I choose to do a privately held franchise as all Subway® outlets are franchised and there are no company-owned units. I feel my business will face less risk if I open a franchise. I can benefit from a ' Subway' experience and enjoy it. I feel my enthusiasm will reflect upon my customers. Another reason why I have chosen to open a franchise into Subway is that in the US it has been voted franchiser of the year by Entrepreneur magazine in all categories, in the past 11 years out of 15 years. Despite that it is the fastest growing franchise in the world (see appendix) with an estimated 25, 000 stores worldwide in 2005, bearing in mind that in year 2000 there was only 14, 662 stores. Now Subway has beaten the number McDonalds outlets in the US, which is astonishing and the main headlines. With people like Jared who has made Subway even more successful by eating a diet only based on Subway, he has gained his desired weight and distributed what his diet consisted to the public, making Subway even more profitable. From this enormous approval, hundreds of children have decided to improve their quality of life by adopting healthy habits.

I have chosen to become a sole trader, because I think it is the best option in my position. I feel I haven't enough capital and experience to become a private limited company, and this option is not really open to me if I were go into a franchise. I like to run the business to my satisfaction, and this reflects my decision to open as a sole trader.

Market Research:

Primary Research

Questionnaire as primary research is a lot cheaper, as I am only starting up a business and will not have a lot of capital. Hard to justify bank loan for primary research and can be a waste of money. I will not send any questionnaires out to people as may not receive them back. I will actually approach people in certain areas and ask them questions myself. Means I will get a straight answer rather than bias and have full concentration of interviewee.

Analysis of Questionnaire:

Question 1- What gender are you?

It is essential to know the gender of the person to recognize which one visits the restaurant the most. It will allow me to establish the target market or audience. I can find out trends such as whether more males or females enjoy eating sandwiches. From this I can concentrate more on that particular target market determined.

Question 2- In what age range are you?

Age would be essential to see whether children would purchase a kids meal that is available at Subway. If I know this, I can effectively cater my advertising to them. From this it will give me a clearer picture of the answer instead of a biased or narrow one. Asking this question will allow me to find out what the target market is. From the established franchise Subway, it mentions how the target market is adults between the ages of 18 and 39- specifically students and families with young children.

Question 3- Which borough do you live in?

I need to know which borough the potential customer is living to find out if the Subway franchise would best be located in a borough where people know what a Subway Restaurant is. This will increase sales to those potential customers who are loyal to this well-known brand. This will enable me to find out how far they live from chosen location and if their answer will have valid information. There is no point locating my Subway in an area where most cannot reach or locating it where customers have never heard of a Subway brand.

Question 4- Have you ever heard of a Subway Sandwich Restaurant?

Obviously, in this question I will be able to find out if the customer actually knows what a Subway is and whether they really need to carry out the other questions relevant to the franchise. If they have ever heard of this franchise then they can refer to question 12 and to answer questions only on a basis of sandwiches and not to the franchise itself.

Question 5- Have you ever visited one?

This will ask whether they have visited a subway, as I need to know whether they are actually familiar with the franchises prices, meals available and food. This will give me an answer that is genuine and not made of assumptions and predictions. If the customer has visited a Subway then this question can be linked to answers requiring their knowledge of a Subway for example their favourite fillings that follows on from this question.

Question 6- How often do you eat in sandwich bars?

I would need to know how often the customer eats in sandwich bars to meet demand. This will also help me decide how many times I can change special offers available in store depending on how much they visit the store. This along with the question about your age will help me to find out what type of person is able to travel to sandwich bars or my franchise on a daily basis. These people will be my main focus, who I will be promoting to, as these are the people who will be going to my shop a lot.

Question 7- What opening hours should a new sandwich bar have?

I would like to see which hours are preferable for the potential customer so they can visit it at their chosen time.

Question 8 – How much would you spend on a meal in a sandwich bar?

This will allow me to allocate a price for a typical average meal in Subway. I would also be able to see if consumers are willing to purchase high-priced goods. Or if they choose the option where they want to pay a low price. I will judge my prices based on this.

Question 9 – Which fillings do you prefer the most in your sub sandwich?

Allow me to determine what is the most popular filling to the customer's choice and for me to determine which filling will be most in demand.

Therefore I can stock up on the most popular fillings ready for the huge demand. I can make sure there is enough supply, during the first few months. From my answers I can then use the fillings as a focal point when

advertising to consumer. It will also help me find out which filling I will need to buy the most of.

Question 10 – Would you like it to be a takeaway or eat in Restaurant?

I would like to see whether accommodation for sitting in store needs to be provided or not depending on the results from the survey. From then suitable costs will be established on refurbishment of accommodation sitting.

Question 11 – Where do you find out special deals about Subway?

If the potential customer has many responses to this question, I will then be able to promote deals in the first few months to attract customers to my franchise. Those special deals will be promoted in different ways in the advertising sector e. g.- leaflet drop-ins and newspaper. This question is to help me find out the best way of advertising. By finding out which of the existing methods used by Subway is the most effective. By doing this I will be able to use this method when advertising my business.

Question 12- When buying a sandwich what places do you prefer to visit?

This will help me identify my local competitors. Those are stores that actually sell sandwich products e. g.- Gregg's. I need to know the main reason why customers go to Subway to see whether they have actually heard of a Subway and have given a genuine reason not based on assumptions. By identifying the sandwich stores they visit, I can begin a list of my local competitors.

Question 13- Why do you go to Subway, or any other sandwich store?

I asked this question to give me a prediction of why people choose Subway over other competitors. Also whether the majority of my sales are based on impulse buying, something that businesses cannot rely on heavily to cover costs, or treats or groceries. Rather it will give me an angle to push my sale at e. g. if for impulse buying I will advertise snacks instead of heavy food.

Question 14- Do you enjoy sandwiches as a healthy alternative from other junk foods?

This will allow me to reckon whether they really find sandwiches a healthy alternative to junk foods and if they prefer eating this nutritious meal from burgers or pizzas. I would be able to see if sandwiches are a popular good to buy.

Question 15- Are you vegetarian, or don't eat certain meats?

My market is low fat in nature. If a lot of my customers are vegetarian, I can introduce no meat sandwiches. This goes the same for Halal meats. If I experience a low number of people eating meats, than instead of buying Halal meats, which are expensive, I can introduce more vegetarian meals to cater for there needs.

16. Are you conscience about the amount of calories or amount of fat you eat?

Although all my products are low in fat, this answer can help me to gain awareness. My pronouncing that my products are all low in fat, people who have answered this question yes, will seek out my product, because of its low in fat nature.

Recommendation:

These external factors that affect my business can have a positive effect, however, I believe in the short-term will have a negative effect. For example, in light of technological improvements, my business will need to have money, to take a