

# Contribution to competitive priorities marketing essay



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The purpose of this assignment is to explore, analyse and evaluate subway operational strategy and structure, with particular emphasis on the individual shop floor, and to offer recommendations that might give it a competitive advantage in the future. Focus on operation, not finances

## Section 1

Subway has one main objective to create profit, It does this by providing the customer with the best quality product using an operational structure that allows it to maintain low costs. This difference between performance and cost is how we calculate value. Subway is operated as a franchise, and has grown rapidly as a result. It looks to locate in areas of high footfall, such as shopping centres and high streets. Due to its corporate strategy, which recommends at least two subways per twelve thousand people, a strong cohesive brand has been built on the “ Eat Fresh” slogan despite a small marketing budget[i]. Subway looks to utilise staff capacity and low cost technology to offer customers a valued product at a low cost.

## Para 1

In order to achiev high profits Subway must reconcile market requirements with operational costs, achieving a fit between the two and avoiding any possible risk of misalignment. Subway is an interesting case study because, of the method by which the strategy is formed.

(Diagram - Show 4 views of strategy, Slack. N)

Different authors perceive that importance of different factors in the formation of firm’s operational strategy. This can be demonstrated in Nigel  
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Slacks diagram, the four views of strategy (see fig 1). We believe Subway has used a market requirement perspective to adopt an appropriate operational strategy. They have also used a bottom up perspective, where by the operational processes have evolved from the shop floor, in turn affecting company wide change.

The fast food market was increasingly demanding healthier food options. In order to corner this expanding market, subway sought to maintain this healthy customer image and standards while simultaneously cutting processing times and reducing costs to make it competitive against traditional rivals McDonalds. In 2007, as recession hit the UK, Subway sought to capitalise on the loss of business suffered by other food outlets[ii]. It started offering more ethnic foods and meal deals. However, due to reduced consumer spending and inflation of food prices it was becoming increasingly harder to maintain profits whilst offering good value to its customers. Essentially the market wanted a healthier cheaper option, that maintained the variety and convenience of traditional fast food outlets, this market led perspective meant that a revision of operational strategy was needed.

In addition to this market based perspective subways operational strategy is influenced from the bottom up i. e. from the shop floor. This is evident in the case of Stuart Frankel, a franchisee owner from Florida, who after a period of slow business and losses introduced a \$5 Foot long to great success, so much so that it was rolled out US wide[iii]. Arguably, Subway is successful due to the influence that its ground operations have in corporate strategy. Whilst Subway offers advice to their franchisees their retailers still retain a remarkable amount of choice in how they operate[iv]. The strength of a <https://assignbuster.com/contribution-to-competitive-priorities-marketing-essay/>

bottom up strategy is clearly demonstrated in Hayes in Wheelwrights Four stage model of operation contribution[v].

(Insert Diagram - Four stage model)

Subways operational capabilities are externally supportive of company strategy, putting it in stage four of the model. This explains Subways leading market position, where its increased contribution has led to a redefinition of industry expectations. In 2010 Subway overtook McDonalds to become the largest restaurant chain in the world, in 2011 there were 33, 749 subway franchise in comparison to 32737 McDonalds restaurants[vi].

## **Contribution to competitive priorities**

In an ideal world subway would be able to offer premium quality, delivery, flexibility and service at an affordable price, whilst maintaining industry leading profits. In reality it must prioritise in order to best achieve market requirements. In order to judge Subways current prioritisation efficiency we have collated an importance performance matrix from a survey of ..... people (see figure 3). The ranks a variety of factors on a scale from 9-1, comparing critical, qualifying and less important customer expectations to actual performance. This will show a best fit between consumer expectations and present company delivery. This will help Subway prioritise their resources most effectively.

In addition to this importance performance matrix, which indicates a model of ' best fit', Subway must sustain its competitive advantage in the long term. By analysing the critical, qualifying and less important objectives we can identify which factors " directly and significantly contribute to a winning

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business”[vii]. These, ‘ order winners’ and ‘ order qualifiers’ are what maintain competitive benefit in the long term. In Bath Subways case the ‘ order winner’ is the BMT sandwich, which according to the Deputy Manager is significantly the most popular ‘ sub’ available[viii]. People consistently purchase other products with their BMT sandwiches, and new custom is attracted by their reputation, further contributing to outlet profits. Subway competes with other fast food ‘ order winners’ by regularly introducing new products and ranges, in the hope of ‘ delighting’ customers. These delighting factors, if successful, can become new ‘ order winners’ drawing in new customers. Subway also has a number of order qualifiers, such as the cookies, wraps, salads and customisable sandwiches. The lack of drink variety indicates that it is of less competitive advantage, allowing them to prioritise on their order winners and qualifiers.

Sacrificing one thing for the benefit for another can lead to various trade-offs and uncertainty. This can be demonstrated in Subways varying staff levels. Subway must make a calculated risk, whereby they balance a greater utilisation of capacity with greater queue lengths; which as shown on the importance performance matrix is a key customer expectation. Subway Bath predominantly manage staffing levels at store level, however franchising requirements require a minimum of four staff to be working on the sandwich line from 12 o’clock to four o’clock[ix]. Subway would rather not reach 100% capacity, instead maintain their brand image as a fast, convenient restaurant.

(insert diagram 4 operations triangle)

Nevertheless, despite an underutilisation of staff, subway has been able to fulfil company objectives to maintain profits while simultaneously maintaining customer expectations. It has done this by following market requirement and bottom up operational strategies. Throughout the rest of this report we will outline and analyse the efficiency of Subways processes to deliver its company objectives.

## **Observations**

In order to assess the process by which the company sought to adhere to its key objectives, we observed a number of factors. By observing the operation's efficiency at peak and off peak times and recording order composition and customer cost, we were able to complete an operational analysis, from which we can draw a number of recommendations and conclusions.

Peak and off peak process mapping:

A surface analysis of the process map indicates an emphasis on decision making processes. Although this aligns with Subway's brand strategy of increasing visibility and variety for the customer, this adds inefficiency to an otherwise lean process. The human factor is Subway's greatest variable, conversely, its emphasis on variety is its greatest competitive advantage. Additionally, there is a large number of value adding operations, indicating that Subway's current operational apparatus is relatively effective, cutting costs in production in order to maintain low consumer prices, whilst maintaining variety and profitability.

By comparing peak and off-peak operational process maps (Figure 5 and 6), we can see a notable difference in total throughput time. Average peak throughput time was recorded as 474 seconds in comparison to an off-peak average of 337 seconds.[x] However, when taking off average queue time, which is significantly ( $P < 0.0001$ ) greater for peak than off-peak, we can see that operational time is in fact greater for the off-peak process than for the peak process. This infers that when time presents a constraint, the product is produced on average 72 seconds quicker. This suggests that there is an underutilisation of staff capacity during off-peak periods.

Further analysis of the process timings reveal that this seemingly efficient system is significantly slowed by customer decision making, non-value adding activities and delays. This is demonstrated by variation in the average value added time between peak and off-peak periods. In peak periods, 26% of time is spent on value adding activities, whereas in off-peak, this is more than doubled to 54%. This reiterates our theory that in peak times, a proportionally longer period of time is spent in non-value adding activities, such as queuing and waiting, than in off-peak periods.

When drawing conclusions from our data it is important to consider the great variation in customer decision-making time which we observed. Data ranged from a decision making time of 0 seconds to 330 seconds. This suggests that some customers are more familiar with Subway, their products and the operational process. These customers order faster than other customers with little knowledge of these areas. Results can be particularly pronounced when you combine new customers with long queues that normally occur in peak-periods. Tie this into market led perspective of operations strategy.  
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However, even when taking into account customer focused inefficiencies, there remains process inefficiencies that need to be explained. These operational inefficiencies cause bottlenecks in the process that could be reduced. With reference to Figures 7, if we exclude queuing which is caused by a combination of operational inefficiency and customer demand, we can observe two operational bottlenecks, namely toasting the product and adding salad. Additionally, when considering the process map, we can see that these processes occur in sequence, adding to the detrimental effect of the process as a whole. If we were to separate also mention employee number fluctuation, link back to subway enforced staff levels. Figure 7, with ghosting oohoooho

Line-layout, figure 8, link to visibility and variety.

Lean:

Subway operates a lean production strategy that aims to create profit by eliminating waste and improving processes.[xi] Subway prides itself on being a high variety food outlet, this offers the customer more choice, but offers challenges to the company. In order to offer this variety whilst maintaining value, Subway has adopted a lean process of production. The 'pull' system allows the customer to choose the filling and sandwich they want on demand. There are no ready-made sandwiches, and orders are made following the 'just in time' principle. This reduces storage costs, whilst maintaining product quality and the level of production visibility that characterises Subway's brand. The pull system also affects the process layout and mapping, in that the correct components are sequentially located



in front of the appropriate staff member. In an effort to streamline the process, Subway Bath uses a self-service drinks options, thereby removing the possibility of inefficiencies in the drinks stage of the operation. Lean draws its inspiration from the manufacturing industry, which sought to solve the problem of overproduction of vehicles, increased storage costs and reduced variety. By adopting a lean process, subway gains similar advantages in inventory management, variety and quality control. There are however, less lean processes at Subway. These include the preparation and baking of the bread, which is produced in weighted batch processes that favour the more popular bread types;[xii] this is an example of a non-lean push system. One of the main priorities of lean is cutting down on the seven types of waste.[xiii] Through our observations we have noted that the waste produced through defectiveness is critical, as the linear production process is unable to cope. If a defect occurs, then the process must be repeated from the beginning, theoretically doubling the total operation time.

Order Winners and Qualifiers:

Figure 9 and 10 (pie chart)

According to J. Peggler, the order winner for Subway Bath is the BMT sandwich.[xiv] When examining figures 9 and 10 we can see that this not consistent with the data we have recorded. In off peak periods the BMT represents a 21% leading share, whereas in peak periods this drops to 8%, with the spicy Italian having a 19% leading share. Although the BMT is not consistently the best seller through our observations, it is important to know that the spicy Italian has similar ingredients to the BMT. This suggests that

there is no single order winner, rather that it is cured meat products that customers favour. These cured meats are order winners, and are supported by order qualifiers such as the drinks, cookies and wraps. In addition to the Spicy Italian and BMT, we have identified Chicken Tikka and Meatball Mariana fillings as consistent top-five sellers; the success of the Chicken Tikka option is indicative of Subway's conscious, strategic alignment with changing consumer behaviour.

Additional order winners for subway include their meal deal options (see figure 10) which is particularly popular during peak service times. 75% opted to have a meal deal during peak hours, 32% opted during off-peak. We believe that the popularity of the meal deal is due to the variety of meal deal options which are available to the customer, its perceived value and the customers' demand to have an accompaniment with their sandwich; our survey is complimentary to this theory. Singh , P. (2012) Subway and its Operations , Interviewed by Agam Khanna [in person] Subway Bath, 25/11/12. [xv] During peak lunch-hours 86% of customers choose to accompany their sandwich with a drink, this drops to 32% in off-peak periods. This is an example of an order qualifier, ie the drink, becoming an order winner when combined into the meal-deal during lunchtime. Subway has offered greater choice and flexibility, thereby extending their range of order winners, making it a more attractive choice for changing consumer patterns.

[i] D. Fertman website 26/11/12

[ii] Website 26/11/12 Oboulo

[iii] P133 Dennis Pitta Subway

[iv] D. Fertman website 26/11/12

[v] Hayes and Wheelwright

[vi] Website 26/11/12 Money. cnn

[vii] Slack et all

[viii] Interview Subway

[ix] Interview Subway

[x] See diagram 5 and 6

[xi] reference

[xii] Interview J. Pigglet

[xiii] textbook

[xiv] Peggler

[xv] Agam's survey