

Subway analysis of strategy, marketing and competition



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This assignment provides brief understanding about sandwich industry and what are the innovations and the new technology managed within the organisation lets analysis in what factors Subway Sandwich Shop makes it standpoint on own. Subway Sandwich Shops was established in 1965, and has remained franchised into the minds and tummies of kinfolks all around the places. This exceedingly fruitful sandwich shop stood the fantasy of high-school former student Fred DeLuca. Through the economic support of long-time comrade Dr. Peter Buck, then in 1965 Fred starts the head Subway Sandwich Shop in Bridgeport Connecticut. By the time of late 1974, the couple had started more than sixteen shops everywhere Connecticut and some other sources indicate more than sixteen. After the long-long span in the year of 2004, the SUBWAY sequence passes in its 39th year of process. And believed to be one of the world's leading submarine sandwich chains with more than 20, 000 restaurants in 75 different kingdoms and countries. As a substance of point, the SUBWAY sequence functions more and more divisions in the United States and Canada than McDonald's organises. Subway presently functions 23, 982 restaurants in 85 different countries, and for the reason that of its' merchandisable achievement, the establishment was designated to be the matter of a marketing exploration.

The fast food landscape continues to evolve, and one of the most dynamic segments within the Quick Serve Restaurants market continues to be sandwiches, subs and wraps. Driven by consumer interest in healthier food choices and a growing demand for premium ingredients, sandwich chains are expanding locations as well as variety. In real terms, the sandwich, subs and wraps market has grown 70% since 1999, or from \$9. 9 billion to an

estimated \$16.8 billion in 1999-2004. Primarily Subway, Quiznos, and Panera Bread have fueled growth and momentum. Regional chains have also seen significant revenue growth, contributing further momentum to the marketplace. Growth is driven through a combination of aggressive franchise strategy coupled with tactical marketing campaigns and innovative menu concepts that appeal from both a demographic, as well as a health standpoint (Mintel Int'l Group, 2005).

As mentioned in the introduction part in mid-year of summer 1965, Subway began its humble start in the quick service restaurant industry (QSR) in Bridgeport Conn. Fred Deluca was a young man looking for a way to pay for school, and Dr. Peter Buck was a man willing to write a one thousand dollar check that started the original Subway Sandwich shop. Today that one-thousand dollar investment is worth 5.7 billion worldwide sales, and over 21,000 shops, in 75 countries, which makes Subway the largest Sandwich Franchisee in existence (www.subway.com). Unlike many other restaurants these days, Subway is still a privately held company, which is not traded on the stock exchange. The only way to be part of the Subway chain is to join the well-structured franchisee program, which has presented some unique challenges, and advantages to the operation.

With a target audience of adults ranging from ages 18 to 34, Subway is now targeting those individuals who are looking for fast food that is healthy. Subways fast food varies from other fast food chains in that it is a more healthy option that is made to each person's specifications. Subway has been careful not to alienate any consumer's preference by offering options that include regular sub sandwiches, low-fat options, Atkins friendly wraps, <https://assignbuster.com/subway-analysis-of-strategy-marketing-and-competition/>

salads, snacks, and desserts. Subway is happy to advertise that with all their sandwich features, there are over 2 million different sandwich options that are available to their consumers (www.subway.com).

The strategic marketing issues facing Subway Restaurant is the question of how to continue grow their market share with many other fast food options entering the marketplace. Subway currently competes with Burger King, McDonald's, Wendy's, Taco Bell, KFC, Blimpie, D'Angelo's, Arby's, Pizza Hut, Papa Gino's, Applebee's, Hardee's, Mr. Sub (Canada), Quizno's, Panara Bread, and any small mom and pop type sandwich shops.

Subway is the name of a franchise fast food restaurant that mainly sells sandwiches and salads. It was founded in 1965 by Fred De Luca and Peter Buck. The corporation that owns the trademarked name of Subway is Doctor's Associates, Inc. (DAI). The company has over 28, 400 franchised units in 87 countries as of September 2007 and is the fastest growing franchise in the world. It is currently the third largest fast food chain globally after YUM! Brands (34, 000 sites) and McDonalds (31, 000 sites).

In this essay I will be generating my argument that Subway is an example of innovation in action through its products, processes and growth.

Subways strategy for growth lends itself to the cooperative nature of innovation. Subway has no company owned outlets, they are 100% franchised. This has allowed Subway to be a very good example of diffusion of innovation with the company being placed in the model rather than the consumers. Each subway franchise acts as its own business or is part of a mini chain of franchises; nonetheless this allows a large degree of innovation <https://assignbuster.com/subway-analysis-of-strategy-marketing-and-competition/>

to occur since individual stores will become increasingly creative to meet the needs of their individual markets. This then allows the company as a whole to fit in to the diffusion of innovation model as innovators, early adopters and early majority. Below I will provide examples to clarify my argument.

Being part of a highly competitive and dynamic market, SUBWAY faces a strategic marketing challenge as to what specific marketing mix to use in order to sustain a differential advantage while maintaining sales growth and, above all, profitability.

Subway effectively competes with burger chains and others that are in the fast-casual segment of the market. Including healthier meals into its menu and giving much attention to obesity and diabetes have supported consumers' choice for Subway (Tarantino, 2005). However, Subway has not been satisfied thus far; instead, more intensified efforts have been made to improve business during the dinner hour. Additional menu options have also been added to answer competitors' trends and to place more focus on the children's segment.

Consumers' interests for hamburgers and fries have been steadily decreasing to favours sandwiches, which gives Subway a competitive advantage over competition such as MacDonald's or Burger King, for example. While most fast food restaurants react to this phenomenon by modifying their menus to include healthier choices, Subway benefits from the 15% annual sales growth of sandwiches compared to a lean 3% growth for hamburgers and steaks (McCarty, 2007). The United States sandwich

industry is estimated at more than \$121 Billion as of the end of 2007 (Eyre, 2008).

Restaurant Industry sales are expected to reach \$580. 1 billion in 2010, with the Industry employing almost 12. 7 million individuals in 945, 000 restaurant and Food Service Outlets nationwide, according to the National Restaurant Association's 2010 Restaurant Industry Forecast. The Forecast projects that while overall restaurant industry sales will increase in current dollars by 2. 5% over 2009 figures, the numbers translate to an inflation adjusted decline of just 1/10th of 1percent. Despite the economic downturn, the Industry will remain a cornerstone of the economy, representing 4% of the U. S. Gross domestic Product and employing 9% of the U. S. workforce. Restaurants will continue to adapt to the latest menu trends and consumer preferences.

Subway reached a milestone in 2002 when it surpassed McDonald's in number of locations in the U. S. Today Subway is the world's largest submarine sandwich franchise with over 13, 000 U. S. units and over 20, 000 worldwide units.

Subway Restaurants has been serving consumers great tasting food since 1965 when it began in Bridgeport, Connecticut as Pete's Submarine Sandwiches. They began using the Subway name in 1968 and the first Subway submarine shop was franchised in 1974. In January 2004, the Subway Restaurant chain was named the No'1 franchise opportunity, as it has been for 12 of the past 16 years in Entrepreneur Magazine's annual Franchise 500.

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In late 2003 Subway announced an agreement with the Coca-Cola Company that will make Coca-Cola beverages available in more than 20, 000 Subway restaurants worldwide.

The United States fast food market has seen a healthy rise in growth within the last three years which forecasts can be sustained. The fast food market is forecast to maintain its current growth expectations, with an anticipated Compound Annual Growth Rate (CAGR) of 2. 3% for the five-year period 2005-2010. This is expected to drive the market to a value of \$57. 6 billion by the end of 2010. Drivers of growth include increasing numbers of Americans in the workplace, which reduces the amount of time spent on preparing meals at home. In 2010, the United States fast food market is forecast to have a value of \$57. 6 billion, an increase of 12. 1% since 2005.

In 2010, the United States fast food market is forecast to have a volume of 37 billion transactions (Figure 1). This represents an increase of 5. 3% since 2005. The CAGR of the market volume in the period 2005-2010 is predicted to be 1%.

Success factors for fast food franchisees will include products and marketing targeted to healthier menu selections, brand consistency, low start-up costs, franchisee support, and consumer convenience. Subway ® represents a poignant example of a fast food franchisee ready for success in the future fast food market. Their strategies transcend the fast food market and apply to many other markets and products.

Subway sandwich shops are well positioned to leverage their strengths and address reasonable threats, weaknesses, and opportunities. The table below highlights these Strengths, Weaknesses, Opportunities, and Threats.

Subway is not without competitive pressures. Chief competitors include Yum! Brands, McDonalds, Wendy's, and Jack in the Box. Yum! Brands are the world's largest, with 33, 000 restaurants in over 100 countries. Four of the company's highly recognizable brands, KFC, Pizza Hut, Long John Silver's and Taco Bell, are global leaders of the Mexican, chicken, pizza, quick-service seafood categories. Yum! Has a workforce of 272, 000 employees and is headquartered in Louisville, Kentucky.

McDonald's Corporation (McDonald's) is the world's largest foodservice retailing chain with 31, 000 fast-food restaurants in 119 countries. The company also operates restaurants under the brand names ' The Boston Market' and ' Chipotle Mexican Grill'. McDonalds operates largely in the US and the UK and is headquartered in Oak Brook, Illinois employing 447, 000 people.

Wendy's International (Wendy's) operates three chains of fast food restaurants: Wendy's (the third largest burger chain in the world), Tim Horton's, and Baja Fresh. Wendy's operates over 9700 restaurants in 20 countries, has been included in Fortune magazine's list of top 500 US companies, is headquartered in Dublin, Ohio, and employs about 57, 000 people.

The increase in sales of the sandwiches has been a result of decreases in consumer interest in hamburgers and fries and increases in demand for <https://assignbuster.com/subway-analysis-of-strategy-marketing-and-competition/>

healthier options. Sales of sandwiches are growing 15 per cent annually, outpacing the 3 per cent sales growth rate for burgers and steaks.

A new breed of restaurant is making big gains against the market-saturated hamburger establishments. Termed “ fast-casual,” these restaurants are dominated by Mexican chains, and sandwich restaurants offering fresh-baked breads and specialty sandwiches.

Responding to evolving consumer expectations for health, fresh, custom-made sandwiches; Subway’s marketing program addresses these expectations through a number of approaches. The most notable were the television commercials featuring Jared. These commercials emphasize the healthy aspects of a Subway sandwich by highlighting the 245 pounds Jared lost by eating a Subway sandwich diet. Subway also markets through a national sponsorship in events such as American Heart Association Heart Walks and local events such as triathlons, and children’s sports teams.

The Subway example represents marketing and product strategies that are classic examples of focusing on market demand, consumer trends, product leveraging, and innovation. The marketing strategies of creating clear brand recognition, brand and product association, and market demands, have strategically positioned Subway to advance market share into the near future. These marketing strategies are also repeatable fundamental marketing strategies transcending the fast food market

Market Smart Advertising, a full service ad agency, was utilizing a broad multi-media mix for their clients in Southern Virginia, the owners of 117 local

Subway franchise operations. In addition to broadcast television and radio,
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their aggressive marketing plan had included ADVO direct mail for two years. Market Smart was interested to see if Valpak would produce a positive lift in sales whereas Valpak serves up success for Ad agency's clients

It became immediately apparent after the first mailing that the Valpak campaign was going to be far more successful than the previous direct mail program had been. Over the three-year period that Market Smart has been using Valpak as part of their overall marketing campaign, average store sales have experienced a +45 per cent growth rate compared to similar campaigns when ADVO was part of the marketing mix.

The combination of an extraordinarily successful lift in sales, the Valpak specialized billing system and the high level of customer service from the local

Valpak sales team, have consistently produced positive sales results for market Smart and Subway.

Valpak has proven to be a long-term viable and compelling part of the Market Smart marketing plan for Subway. Now in its fourth year with Valpak, the

Subway campaign has remained so successful that it has become the agency's standard direct mail buy, reaching the total market of 445, 000 households each month. In Future it will be getting higher its chain by presenting more openings in many other states.

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