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Hour: \_\_\_\_\_

# ***Subway Marketing Plan***

## ***Marketing Plan, Part I Summary***

Subway was started in Connecticut in 1965 by seventeen-year old Fred DeLuca and his family friend Dr. Peter Buck. In 1974, after growing to 16 restaurants, DeLuca decided to franchise. Through hard work and dedication, Subway gradually became the largest submarine sandwich chain in the world, with more than 14,500 restaurants located in 75 countries.

Subway's mission statement is "to provide the tools and knowledge to allow entrepreneurs to successfully compete in the QSR (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" (Subway.com). We have been able to do this by unique qualities that include fresh ingredients, the ability to watch your sandwich being made to order, and seven subs with six grams of fat or less. We feel that this has set us apart from our major competitors who include Wendy's, McDonalds, Taco Bell, Burger King, and Blimpie (Subway.com).

The major goals of Subway are to maintain customer satisfaction and to become the largest fast-food chain in the world. Currently, we are second only to McDonalds in size. Other goals include offering high-quality food with good service and good value, continually improving all that we do, and serving each other, our customers, and our communities (Subway.com). We feel that if we do this, we will have a good chance of becoming the largest fast food restaurant in an industry that makes more than \$110 billion dollars a year. This is more money than customers spend on movies, books, magazines, newspapers, videos, and recorded music all combined (NYtimes.com).

## ***Marketing Plan, Part II Summary***

For Subway to be successful, we must meet the needs and wants of our customers. We feel that we can meet those needs and wants with our variety of sandwiches. However, it is important to know who our potential customers are and what they desire. The majority of our customers will be the students, faculty, and guests of the Mississippi College campus. Customers of Subway enjoy a wide range of combinations in which our sandwiches can be purchased. The Subway menu includes a wide variety of hot and cold submarines sandwiches made with an assortment of freshly baked breads including Italian, Wheat, and Hearty Italian. We also offer a delicious range of deli-style sandwiches, salads, wraps, crisps, freshly baked cookies, and muffins. Also, for parties and events we offer six-foot subs or deli trays.

Technology is also helping Subway serve its customers, and is also helping to run our operation to be more efficient. By January 2001, all Subways had a PC-based point-of-sale cash register. It now is not necessary for customers to pry with cash like they did a few years ago. They can now use debit cards for their purchase. On this same note, we hope to work with Mississippi College to allow the students to use their I.D. cards for their purchase, because the use of these cards will greatly benefit the convenience for the students at MC. Currently at Mississippi College there is not a chain or fast food restaurant located on the campus. With that in mind, and our target market being the



Name: \_\_\_\_\_

Hour: \_\_\_\_\_

students and faculty of Mississippi College, the market we are trying to enter is wide open.

This past year, despite the economy being in a recession, Subway has had one of its most remarkable years. In 2001, Quick Service Restaurant Magazine named Subway as outpacing Arby's, Sclotsky's Deli, Blimpies, and others. We expect the healthy aspect of the restaurant to give us a competitive edge due to the fact that teens and young adults are very self-conscious about their appearance, and therefore, when away from home like to have a healthy alternative in food choices. The emphasis on eating healthy is not to overshadow the fact that no matter whether you want to eat healthy, or eat something that is maybe not so healthy, Subway has something for every type of consumer that tastes great.

Subway offers hot sandwiches and cold sandwiches of all different types. Some that would be for the less health conscious consumer and some for the "healthy eater." This option for either type of consumer is a feature most fast food restaurants do not have. We would like to differentiate our product in the consumer's mind from traditional "fast food" restaurants. When the consumer is looking for a fast, nutritious, and satisfying meal Subway hopes to be the only logical choice.

### ***Product***

Subway's product is considered a shopping good because most consumers compare price, quality, style among other things when looking for a place to eat. Due to this, Subway offers a variety of benefits to the customers to make them choose Subway. We feel that our greatest benefit lies in the healthiness of our food. Subway offers seven sandwiches with six grams of fat or less. Our combination of sandwiches that taste great and are good for you, along with the added benefit that they are "made to order" right in front of you, differentiates us from our competitors. Subway has recently begun trying to associate the nutritious features of Subway with its brand name in the mind of the consumer. Subway's packaging goes along with the quick service and healthy aspect of the product it serves.

Subway's sandwiches are wrapped in deli paper and placed in a plastic bag, both of which have the Subway name on them. This is convenient for consumers due to its sturdiness compared to paper sacks that tend to tear when soaked with grease, which is another problem Subway doesn't have. These bags leave room for chips if the consumer so chooses so everything can be carried in one bag. Last, the cups that drinks are served in along with the napkins advertise the low-fat sandwiches and list the fat grams in them as compared to a BigMac or a Whopper.

### ***Pricing***

Subway prices vary with each product. Six-inch classic subs range in price from \$3.25 to \$4.75. Six-inch low-fat subs range in price from \$2.75 to \$4.75. Six-inch Subway selects are priced around \$4.75. To make any of the subs mentioned a foot-long you add \$1.50 to the price of the six-inch. You can make any sub a wrap for the same price as the six-inch sub price. You can also make any sub a salad for the same price as the six-inch plus an additional \$0.50. Deli-style sandwiches range in price from \$1.50 to \$2.00. Cookies are \$0.39 each or three for a dollar. Last, you can make any sandwich or wrap a meal by adding \$1.25. We plan to have a 75% mark-up on our product.



Name: \_\_\_\_\_

Hour: \_\_\_\_\_

Our location of Subway, since it will be located on the Mississippi College campus, will have seasonal patterns. These patterns will reflect the enrollment of students at Mississippi College. We expect higher sales in the fall and spring semesters and a dip in sales in the summer term.

In comparison to our major Quick Service Restaurant competitors, our prices are higher. However, this is due to the higher quality of product we have compared to our competitors. When compared the only other sandwich restaurant in Clinton, McAlister's, consumers can get more food for the same monetary amount.

### ***Place***

Subway uses direct marketing channels since it deals directly with its consumers. Although Subway's product is a shopping good, it uses selective distribution. This is due to the fact that Subway only allows its products to be sold in corporate approved Subway locations as opposed to selling Subway products wherever possible as in intensive distribution.

The location we have chosen for our Subway is near the coliseum on the Mississippi College campus. This will put the new Subway near most classrooms on campus along with near the majority of dorms on campus. This location will also allow it to be seen from the main highway in Clinton, Highway 80, which will help draw customers not associated with the Mississippi College campus. Lastly, it will be near most of the sporting events that will take place on campus, which will help with sales to visitors of the campus. We intend to lease this location since Mississippi College will not sell the land to us.

### ***Promotion***

Advertising plays a role in the marketing of almost every business, including Subway. The grand opening advertising budget for Subway is required to be \$2,000. Owners need to spend a portion of gross receipts to promote the individual store. This is to increase personal sales. Also, all franchisees contribute a percentage of weekly store sales to the Subway Franchisee Advertising Fund Trust (SFAFT). SFAFT operates for the advertising benefit of all Subway restaurant owners. Systemwide promotions, media plans and professional materials are developed and implemented by SFAFT with assistance from the national ad agency to promote Subway restaurants and their quality products to millions of consumers around the world (Subway.com).

We plan to do local advertising in the Collegian, on the new MC television station, in the Clinton newspaper, and on certain radio stations. Each Subway store belongs to a local SFAFT market that elects an Ad Rep. or Local FAF board, depending on the number of stores in the market. Every owner has access to an Ad Advisor to answer questions about advertising materials and promotions. Subway uses more of a push strategy because the national level requires the local stores to carry all new products. The local stores in turn promote their products to the consumers (Subway.com).



Name: \_\_\_\_\_

Hour: \_\_\_\_\_

***Breakeven Projections***

In order to open a Subway restaurant there are capital requirements that must be financed. Most of these requirements are one-time expenditures but are very expensive expenditures. These capital requirements along with the total required invested capital are listed in Table 1 (Subway.com).

Franchise Fee	\$10,000
Real Property(including first month's rent)	\$12,000
Equipment	\$45,000
Leasehold Improvements	\$80,000
Security System	\$2,500
Freight Charges	\$3,400
Outside Signs	\$8,000
Opening Inventory	\$4,300
Insurance	\$2,000
Supplies	\$1,000
Training Expenses	\$2,500
Legal and Accounting	\$4,500
Opening Advertising	\$2,000
Miscellaneous Expenses (business licenses, utility deposits, small equipment and surplus capital)	\$8,000
*Additional Funds - 3 months	\$41,000
Total Investment (before taxes)	\$183,700
Total Investment (after taxes)	\$222,800

\*This includes the salaries for employees for the first two weeks.



Name: \_\_\_\_\_

Hour: \_\_\_\_\_

**Operating Income for  
the first five years**

	2003	2004	2005	2006	2007
<b>Receipts</b>					
Gross Sales	\$672,000.00	\$705,600.00	\$ 740,880.00	\$777,924.00	\$816,820.20
<b>Total Receipts</b>	\$672,000.00	\$705,600.00	\$ 740,880.00	\$777,924.00	\$816,820.20
<b>Operating Expenses</b>					
Fixed:					
Salary/Wages	\$210,000.00	\$216,300.00	\$ 222,789.00	\$229,472.67	\$236,356.85
Rent/Lease	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00
Utilities	\$ 6,000.00	\$ 6,000.00	\$ 6,000.00	\$ 6,000.00	\$ 6,000.00
Maintenance	\$ 2,400.00	\$ 2,400.00	\$ 2,400.00	\$ 2,400.00	\$ 2,400.00
Insurance	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00
Loan Repayment	\$ 19,816.44	\$ 19,816.44	\$ 19,816.44	\$ 19,816.44	\$ 19,816.44
Variable:					
Inventory/Supplies	\$168,000.00	\$168,000.00	\$ 185,220.00	\$194,481.00	\$204,205.05
Royalties	\$ 53,760.00	\$ 56,448.00	\$ 59,270.40	\$ 62,233.92	\$ 65,345.62
Advertising/Mktg.	\$ 23,520.00	\$ 24,696.00	\$ 25,930.80	\$ 27,227.34	\$ 28,588.71
Sales Tax (7%)	\$ 47,040.00	\$ 49,392.00	\$ 51,861.60	\$ 54,454.68	\$ 57,177.41
<b>Total Operating Expenses</b>	\$575,536.44	\$588,052.44	\$ 618,288.24	\$641,086.05	\$664,890.08
<b>Net Operating Income</b>	\$ 96,463.56	\$117,547.56	\$ 122,591.76	\$136,837.95	\$151,930.12



