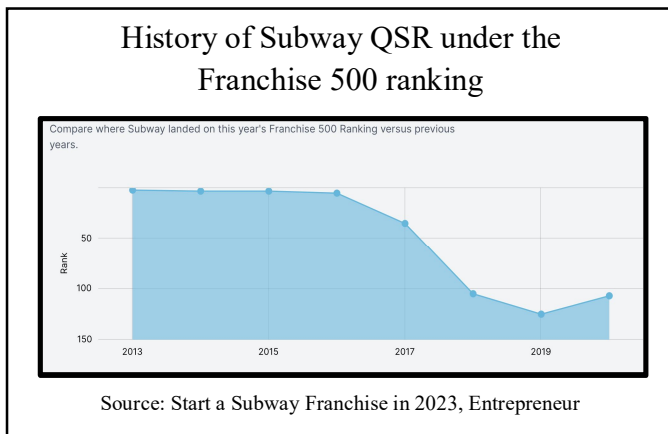
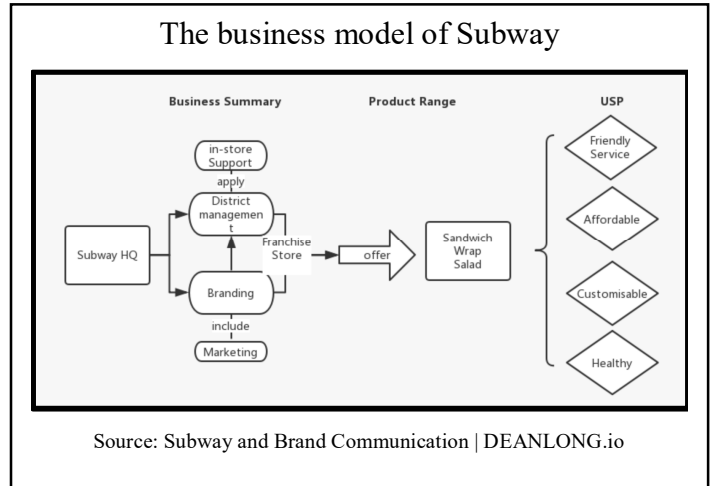
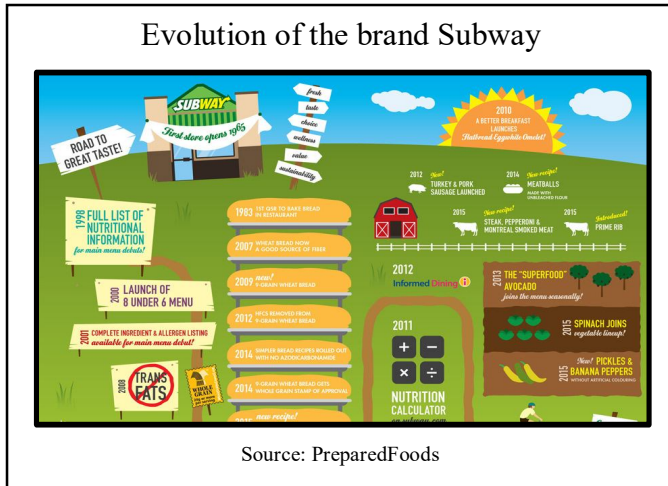


# Analyzing The Subway Quick Service Restaurant (QSR) Franchise Business Model

Research Author: Vidhan Vardhan Agarwal



### Investment details for Subway India

Purpose	Requirements
Minimum investment	Rs. 25-30 lakhs
Franchise fee	Rs 4.5 lakhs Rs 2.25 for the next
Advertising and Royalty fees	3.5% and 8%
Minimum area requirements	170 sq. ft. for a food court, and a minimum of 350 sq. ft. for a non-food court
No. of personnel required	least 8 people required
Running cost	Rs.1 Lakh
Anticipated profit or return on investment	not less than 40 to 50% annually

Source: How to Start Subway Franchise In India: Cost, Profit and ROI,

## Executive Summary

The distinguished American-origin QSR restaurant chain, Subway, has evolved globally through its franchise business model. Launched in 1965 the Subway chain has ripened as one of the greatest culinary franchises worldwide, in terms of the number of restaurants and is recognized for its fresh, healthy, made to order and affordable eateries. This research paper highlights the background history of Subway and its franchise business model and analyzes the expenditure and income structures, specifically for India. It further talks about the norms related to the potential Subway franchisees; restaurant area, layout and workforce prerequisites for store locations; customer demographics and the aid strategy proposed by the Subway Development Agents to franchise outlets. The white paper identifies the marketing mix strategies the brand adopts, its unique selling proposition, a comparative analysis with other competitive brands and a SWOT analysis of Subway’s business model. This paper concludes with the future perspective of Subway India.

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# Key Facts On The Subway QSR Business Model

## **SUBWAY** eat fresh. **BUSINESS MODEL**



## VALUE PROPOSITION



- **Healthy Fast Food** – Submarine Sandwiches, Wraps, Salad, Paninis, Baked Goods, Cookies, Doughnuts And Muffins And Pizzas.
- It introduced **gluten free bread and brownies**.
- It also cut the salt content of its sandwiches by **15%**.
- It saves **time and cost**.
- Subway released a commitment to transition to a **100% cage-free egg supply chain by 2025**.

## OVERVIEW



- Subway is an American restaurant franchise.
- It sells submarine sandwiches (subs), pizza (some locations) and salads.
- It was founded on August 28, 1965 Bridgeport, Connecticut, U.S. by Fred DeLuca and Peter Buck.
- Its headquarters in Milford, Connecticut, U.S
- It has 41,512 restaurants in more than 100 countries.
- It also is the largest single-brand restaurant chain, and the largest restaurant operator, in the world.

## TARGET CUSTOMERS



- It serves the Age group 18 -19 years
- The low fat menu containing a range of subs with 6 Grams of Fat or less for fitness freaks.
- Kids meals- vitamin juices instead of carbonated drinks, etc
- Core menu is same with some cultural difference. E.g., Halal menu in middle east countries,
- Vegetable without beef in India and
- More sauces in America



## BUSINESS MODEL



- Subway relies exclusively on franchising.
- Subway has more flexibility in terms of location
- As the food comes precooked so no real cooking is involved.
- It can be fit in smaller spaces as well.
- Manual operation is the unique advantage where customers can choose bread, sauces, vegetable, etc all by themselves.
- Low initial franchise fee compared to other fast food chain.
- The restaurant is marketed as a health-conscious restaurant chain.

## REVENUE STREAMS



- Revenue from Franchisees
- Sale of food
- Corporate image

## COST STRUCTURE

- It is the second largest fast food advertiser in U.S.
- Distribution cost
- Lease contracts
- Taxes

## CUSTOMER RELATIONSHIPS



- Limited time only-promotions
- Subway reward cards allow customers to earn points for free food and sandwiches
- Self-service
- Customized
- Personal assistance
- Co-creation



## KEY ACTIVITIES



- Advertising
- Logistic network
- Training franchising management
- Contracts and deals
- Cooking
- Packaging
- Serving
- Customer service
- Quality control



## KEY RESOURCES



- It is the fastest growing franchisee in the world with 44,000 restaurants in 110 countries and territories.
- US alone has 26,646 outlets
- Logistic network
- Secret recipes
- Its core product is submarine sandwich
- Best selling sandwich is B.M.T
- "Five dollar footlongs" quickly became the company's most successful promotion ever.
- Staff
- Regional variations

## CHANNELS



- Restaurant chains
- Malls
- Airports
- Social Media
- Website
- Mysubwaycard.com
- Kiosk machine
- Television



# Background History Of The Subway Chain

The Subway fast food brand is an American-origin franchise launched by Peter Buck and Fred DeLuca in 1965, in Bridgeport, Connecticut, under the name of Pete's Super Submarines. It was later renamed Subway in 1968 and incorporated under a holding company called Doctor's Associates. This business association oversees the entire Subway chain of restaurants across the globe.

Fred DeLuca was keen to pursue his career dream of becoming a doctor, for which he needed financial aid. His family friend Dr. Peter Buck gave him a loan of \$1,000, suggesting that he should start a submarine sandwich shop and become DeLuca's business partner. Jointly they established a restaurant called Pete's Super Submarines and targeted setting up 32 additional stores over the next 10 years span. In 1968, the submarine sandwich shop was renamed "Subway" and began its franchise operations in 1974.

After the establishment of Subway's franchise business model, the brand prospered rapidly. The first Subway unit outside the United States was opened in 1984 when it went international by launching a franchise store in Bahrain. Since 2007, Subway has continued to rank high in Entrepreneur's Top 500 Franchises list. More than half the firm's locations are in the USA. It also is the largest single-brand restaurant chain and restaurant operator in the world. Figure 1 depicts

the growth in the Subway franchise model across the globe between 2014 and 2018.

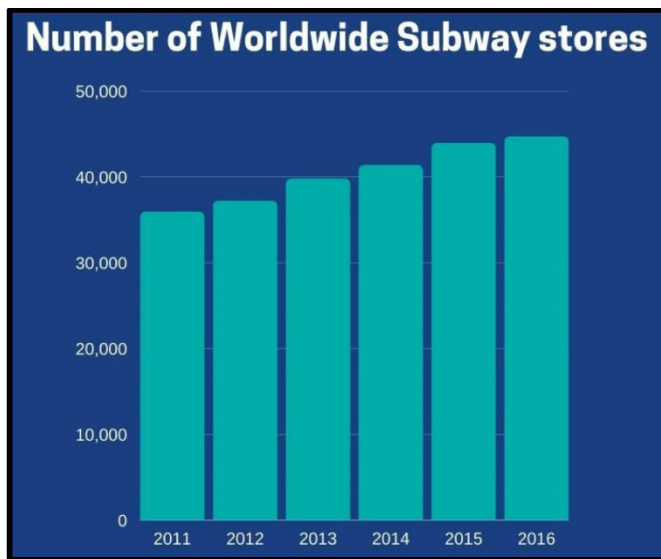
Figure 1: Subway restaurant locations



Source: "Subway Franchise Information". Entrepreneur

Though Subway's founder Fred DeLuca died in 2015, the business institution remains under the ownership of Doctor's Associates Inc. The Subway brand functions as a franchise, permitting individual entrepreneurs to own and operate their outlets under the firm's branding and licenses. The expansion of the Subway brand franchise peaked success from 2011-16, after which its growth rate shrunk. Figure 2 depicts this trend.

Figure 2: Subway location units globally from 2011-16, during the peak of the brand's success



Source: How Subway became a popular restaurant franchise? [Case Study], startup talky

According to the "Subway Franchise Information", Entrepreneur, as of June 2021, the Subway brand is spread across nearly 44,600 locations in 104 nations all independently owned. The franchise-based business association shares ownership of the units with its franchisees and development agents who operate Subway in specific areas.

Also, the Subway brand entered the Indian market in 2001 and 17 years after its establishment in the country, the corporation has evolved to grow into 611 franchise outlets in over 70 cities and aims to develop its QSR Franchise in the nation to 2000 franchise outlets.

Subway QSR is identified for delivering "Made To Order", a custom-made cuisine, craved by the "Subway Sandwich Artists". The Subway food franchise chain globally markets appetizing as well as nourishing, healthy, fresh and wholesome food products, namely submarine sandwiches, salads, wraps, hot and cold beverages and other bakery products. This global leading fast-food brand specializes in the concept of speed, healthy and comfort fast food. Subway believes in fulfilling the vow of "Eat Fresh, Healthy and Hygienic" delivering favorable customer service.

# The Subway Brand Marketing Strategy

## Product Development Techniques

- Extensive menu - submarine sandwiches, salads, wraps, breakfast foods, beverages, chips & cookies
- Fresh, nourishing & healthy fast food category. Meets the requirements of young & health conscious clients, who govern this market sector
- Special kid meal packages to attract families as clients
- Catering to local preferences & tastes through its menu, for example, in India, Subway cafes have placed a 'no beef or pork' slogan & the brand has introduced a profusion of vegetarian dishes, including local favorite flavors
- Offer vegan product range & have created separate kitchen equipment for vegetarian & non-vegetarian food commodities

## Competitive Pricing Outlook

- Due to its cost management strategies the Subway brand is the world's second-largest fast-food restaurant chain after McDonald's
- Provides meals at competitive pricing values, economical and reasonable
- Constant endeavors of the brand to introduce value meal combos, promotions & festive discounts to enhance revenues

## Location Strategic Planning

- Widespread globally, 44,600 location units across the world and is considered as the world's second-largest quick-service restaurant (QSR)
- The brand develops both conventional and non-conventional locations, for example, location units in shopping malls and cinema halls (conventional locations), and hospitals and airports (non-conventional locations)
- Location units can be either outdoor or indoor seating, including drive-thru, kiosks and online ordering, giving customers the flexibility to enjoy their meals at a specific time or location utilizing these forms

## Advertising & Promotion Technologies

- Uses digital advertising techniques, social media platforms and effective marketing tools to build brand loyalty and consumer interest
- Deep market research to gain knowledge of consumer demands
- Subway is enhancing its food products and services based on existing customer tastes and tendencies
- The worldwide applauded Subway chain lays priority on maintaining an eco-friendly environment by minimizing the ecological footprint by utilizing sustainable practices and markets this strategy to gain popularity

# Comparative Analysis Of Subway Fast-Food Brand With Other Competitive Brands

Subway has capitalized on successfully catering to the needs of fast-food fans as well as health-conscious patrons and has demonstrated that their eats deliver the satisfaction of consumer intentions, founded on the code that clients acknowledge value, taste and health. The Subway brand has experienced international sensation and its Indian subsidiary has also encountered moderately admirable success across the nation. Figure 3 demonstrates the position of Subway among other fast-food global brands. It scores highly under the fast food fresh and healthy category and is evaluated to be in the mid-category price range under the QSR classification.

Figure 3: Position map of fast food joints



Source: Subway and Brand Communication, DEANLONG.io

Furthermore, Subway's pricing structure is extremely similar to its biggest competitor McDonald's, except for one product category. Figure 4 illustrates the comparative price structure between Subway and McDonald's in 2018, which

depicts higher prices by Subway Family Pack versus McDonald's Catering/Platters.

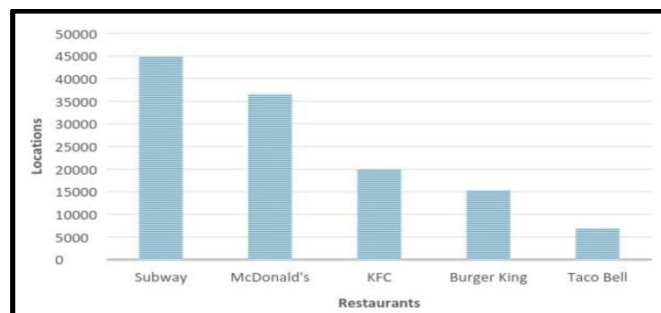
Figure 4: Comparison of competitors' price analysis - Subway vs. McDonald's



Source: Subway and Brand Communication, DEANLONG.io

Also, during the peak of its success the Subway brand had the highest number of location units as compared to its competitors. Refer to figure 5 which provides the comparative analysis study for location units for various brands.

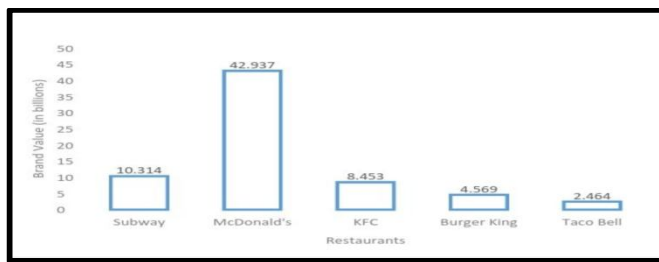
Figure 5: Comparative analysis of QSR locations globally in 2016, when the Subway franchise chain was at its peak success



Source: Marketing91

Figure 6 signifies the disparity in brand value between Subway and its competitors in 2018. McDonald's was the global leader, leading with a huge margin and then followed by Subway.

Figure 6: The brand value of Subway and its competitors in 2018



Source: Marketing91

Also, listed here is the comparative analysis of Subway's website's pros and cons in comparison to other brands and the individual website traffic for the concerned brands. Figure 7 talks about the study of Subway's website in the Australian region, even though the website is successful in promoting the brand value it fails to provide intense customer engagement. Figures 8 and 9 portray different social media marketing platforms the Subway brand employs and their impacts in Australia. The outcome discusses that Subway is lower in acceptance as compared to its competitors, but by combining communication channels Subway is building brand equity.

Figure 7: Comparison analysis of fast food websites

Brand	Website	Website Stats	Screenshot	App	URL
Subway	No website localisation Updated creative and logo - fresh ingredients and natural feeling logo Poor layout Floor navigation - Invalid hyperlinks/found three mail links Seeking to inform, persuade and convert but fail to engage the customer by its social activity Promote brand value, fresh health, promote loyalty program to increase customer retention rate	Branding Metric: 25% direct traffic Monthly Visits: 9,520M Avg. Visit Duration: 00:02:55 Pages / Visit: 4.93 Bounce Rate: 44.33%		✗	<a href="https://www.subway.com/au">https://www.subway.com/au</a> Invalid links: <a href="https://www.subway.com.au/Site/Fresh-Club/Login?ReturnUrl=/Fast-Fresh-Club/au/2/FreshClub">https://www.subway.com.au/Site/Fresh-Club/Login?ReturnUrl=/Fast-Fresh-Club/au/2/FreshClub</a>
McDonald's	Good, accessible navigation High social content demonstration to show performance, imagery Demonstrate core brand value - care for the society Seeking to inform, persuade and convert Promotion-orientated Promote app	Branding Metric: 42% direct traffic Monthly Visits: 2,338M Avg. Visit Duration: 00:04:03 Pages / Visit: 5.84 Bounce Rate: 37.02%		✓	<a href="http://mcdonalds.com.au">mcdonalds.com.au</a>
Hungry Jack	Good navigation High social content demonstration to show performance, imagery Tend to demonstrate values, freshly-made, burger expert Seeking to inform, persuade and convert Image-orientated Promote app	Branding Metric: 33% direct traffic Monthly Visits: 680,775 Avg. Visit Duration: 00:03:02 Pages / Visit: 4.49 Bounce Rate: 43.28%		✓	<a href="http://hungryjacks.com.au">hungryjacks.com.au</a>
KFC	Good navigation Low social content demonstration to show performance, imagery High engagement in local news, Australia culture and cause-related campaign Seeking to inform, persuade and convert Digit-orientated - encourage online and apps. Promote subscription	Branding Metric: 25% direct traffic Monthly Visits: 981,759 Avg. Visit Duration: 00:02:41 Pages / Visit: 4.25 Bounce Rate: 48.39%		✓	<a href="https://www.kfc.com.au/">https://www.kfc.com.au/</a>
Grill'd	Good navigation High social content demonstration to show performance, imagery High engagement in local news, Australia culture and cause-related campaign Seeking to inform, persuade and convert Image-orientated, up-to-date content	Branding Metric: 28% direct traffic Monthly Visits: 220,862 Avg. Visit Duration: 00:03:38 Pages / Visit: 4.72 Bounce Rate: 28.46%		✓	<a href="https://www.grilld.com.au">https://www.grilld.com.au</a>

Source: Subway® and Brand Communication, LinkedIn

Figure 8: Social media marketing platforms the Subway brand utilizes and their impacts

Social Media	Facebook	Instagram	Twitter	Youtube
Content	Food shot, short videos in promotion, combo, memes, events, ads. High-vis rich media content High post engagement Update in a daily basis Demonstrate healthy, upbeat, sporty, tasty value in this channel. More importantly, the channel demonstrate high upbeat interaction with users.	Mostly Static images, 90% content is identical to Facebook Food shot, happy people with Subway product, Staff photos, sponsor events, memes, jokes Link in bio is broken Low post likes considering the scale of the business. Update in a daily basis Demonstrate healthy, upbeat, sporty, tasty value in this channel	Recently updated for 10 posts. Mostly customer service line before 2018 Food shot, happy people with Subway product, Staff photos, sponsor events, memes, jokes	Product, promotions, sport events
Engagement	811,626 follows 200-300 likes on each post 85 minimum comments in a post 1,695 people in weekly interaction Medium	13.8K follows Average 120 post likes 4-20 comments low	9,328 Followers low	2.2K subscribers low
Benchmark	McDonald Australia 8m - high interaction Hungry Jack's 478k - medium interaction KFC Australia 53m - high interaction Grill'd 171k - low interaction	McDonald Australia 137k - high interaction Hungry Jack's 51.8k - medium interaction KFC Australia 133k - high interaction Grill'd 171k - medium interaction	McDonald Australia 32.2k Hungry Jack's 11.4k KFC Australia 29.3k Grill'd 16.4k	McDonald Australia 18k Hungry Jack's 3.8k KFC Australia 8.2k Grill'd 363
Impact	People are highly engaged in Subway facebook channel and Instagram, compared to the rest of the channels available Facebook and Instagram have high quality content and tell a good story But compare to the competitors, Subway is clearly perform lesser. Which means customer perception of acceptance and belonging are lesser in Subway channels (Clark, Alpo & Green 2017).			

Source: Subway® and Brand Communication, LinkedIn

Figure 9: Different advertising modes and their impacts on the brand

Communication	Digital Ad	Print Media	Social Media	Rebranding	Store/Menu Makeover	Event Sponsorship
Content	Talks about how people live their individual lives; everybody wants to be an individual	Food shot Catchy line Promotion	See social media analysis	The new logo stands up tall, bold and confident, capturing the overhaul and modernize essence of the brand in its 'cases' image in a fresh, contemporary look.	In 2017, Subway made an ambitious pledge to overhaul and modernize its 'cases' image in an effort to capture a bigger market share	On World Sandwich Day buying a sub became the Subway Live Feed - a publicly visible and socially shareable donation to feed the hungry via a real-time sales tally.
Impact	Remarketing, brand reinforcement	Create brand identity and awareness Convey the brand value of fresh, healthy and delicious	Create affection and resonate customer feelings - getting response	Creates a nice identity that builds over the merit of the name and the product itself	Demonstrate brand performance and imagery. Re-telling the brand story and brings up the topic	The objective was to get people talking about and craving a Subway sub on World Sandwich Day. Conscious consumption is on the rise and brands are expected to live not just talk, their
Snapshot						
Citation	Unfortunately, Subway is lacking digit advertising on social media. In this report, the author did not see the retargeting display ad at all.	Self Compliance 2019	Self Compliance 2019	(Coffee et al. 2019)	(GSR 2019)	(Thompson 2019)
Link		Self Compliance 2019	<a href="https://www.facebook.com/SubwayAustralia/">https://www.facebook.com/SubwayAustralia/</a>	<a href="https://www.adweek.com/agencies/subway-new-bold-rebranding-campaign-promises-a-different-taste-for-everyone/">https://www.adweek.com/agencies/subway-new-bold-rebranding-campaign-promises-a-different-taste-for-everyone/</a>	<a href="https://qammedia.com.au/design/news/subway-announces-store-and-menu-overhaul-delivery-plans">https://qammedia.com.au/design/news/subway-announces-store-and-menu-overhaul-delivery-plans</a>	<a href="https://www.marketingmag.com.au/hubs/casestudy-subway-mk1018/">https://www.marketingmag.com.au/hubs/casestudy-subway-mk1018/</a>
Communication	Creative	Loyalty Program	Mobile APP	Summary		
Content	Food, Lifestyle, happiness, catchy lines	New loyalty programme to reward its loyal fans	New mobile app that will make ordering sandwiches, wraps, salads, cookies and drinks more convenient than ever	By combining communications in different channels, Subway is able to maintain brand equity in other words, it is about making sure that the consumers have the desired knowledge structures so that the brand remains relevant and appreciated by its target customers (Coleman, de Chernatony & Christodoulides 2011)		
Impact	Create affection and resonate customer feelings - getting response	Increase the retention rate. Building a meaningful relationship with loyal customer Offering a gift that fits with the product and using high equity brands is a wise strategy to positively influence purchase intentions				
Snapshot						

Source: Subway® and Brand Communication, LinkedIn

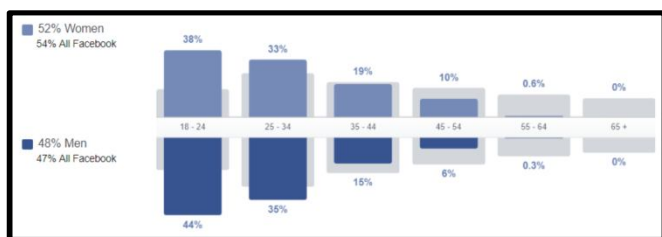
## Subway Brand's Consumer Categories

Subway's nourishing, fresh and natural products satisfy all age groups of customers. Due to its economical and healthy eats, the target customers aged 18-55 group constitute 90% of Subway's



potential markets. The age groups of 7–18 years consumers are targeted with the Kids’ pack product category. Furthermore, working professionals are highly targeted by this brand. No religion or meat-sensitive regulation is required as the brand franchisees are sensitive to these factors depending on the store locations and regions. Figure 10 depicts the survey results to gauge the adult age group and gender division of Subway clients in Sydney, conducted on Facebook. The majority of Subway clientele in Sydney is between 18-44 years.

Figure 10: Facebook survey results to study Subway adult consumer demographics in Sydney



Source: Subway® and Brand Communication, LinkedIn

## Robust Franchise Business Model

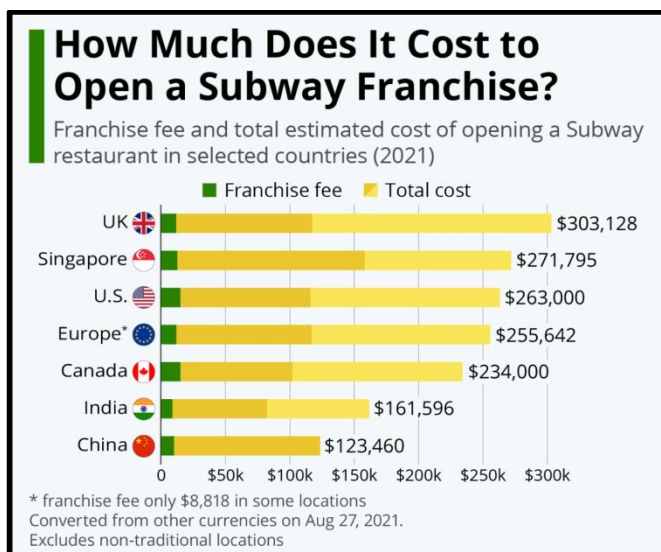
Subway’s franchise business model is an economical proposal to partner with and proves to be a low-risk venture. The Subway fast-food giant is likely to be a secure means of reaping reasonable revenue as per the rate of investment.

- ❖ The second largest international QSR after McDonald's, partnering in a franchise model is likely to be a profitable business venture. The Subway brand is among the fastest-growing franchises in India and attracted investors.

- ❖ Customizing Subway's menu, utilizing the fresh vegetables and ingredients the brand supplies the healthiest, freshest and highest quality food.
- ❖ The franchise agreement contract for Subway guarantees marketing assistance, personnel training aid and support from the Indian Subway franchise headquarters. The franchisee model offer is adaptable and accommodating keeping in mind the area requirements for the franchise offer.

The cost structures in Subway’s franchise business model are centered on food supplies, franchise support, real estate, rent, labor, marketing and advertising, and logistics. Revenue streams for the head franchisor are yielded largely via franchise royalties, franchise fees, and the direct sale of food and beverages at company-owned stores. However, the franchise fee is only a tiny fraction of the total cost associated with the business venture which is paid by the franchisee. Refer to figure 11 which portrays the total costs across the globe to establish a Subway franchise store in 2021, along with franchise fee component.

Figure 11: Subway franchise cost in multiple nations in 2021



Source: Statista

## Franchisee Terms And Conditions

The International Subway franchise model has global brand recognition and is ascertained as a favorable business model.

- ❖ The franchisee must have the ability to pay the Subway franchise fee requirements.
- ❖ The franchisee and its employees should be forthcoming to learning on-the-job opportunities and compulsory training by the Subway master franchisor for the smooth functioning of the QSR.
- ❖ The franchisee should have an entrepreneurial spirit, some knowledge and experience in the F&B business, be customer-oriented, and have a belief in the Subway business model and eateries.
- ❖ The franchisee must be committed to investing in the Subway business venture selecting the optimal location, vendor assigning and organizing necessary

equipment, pursuing installation details and administrating required layouts and outlet décor.

- ❖ The Subway brand provides a 2-week training program for the franchisee which covers all facets of store development. The franchisee learns about store design, layout and floor plans from the brand Subway to maintain similarities in in-store appearances and hence must construct as per these requirements.
- ❖ Subway supports its franchisees to earn impetus by proposing marketing remedies through advertising on regional and national media, cooperative advertising, and promoting multiple marketing findings and judgments.
- ❖ The local field agents appointed by the brand aid, guide and support franchisees on all operational matters and how to launch the store. A tech support system assists in accounting, tech matters, equipment service and formulae access during store development.
- ❖ The franchise coordinators assigned by the organization act as point-of-contact and serve the franchise unit.

## Subway India Revenue And Cost Structures

Establishing a Subway franchise in India involves incurring minimal start-up expenses and functional expenditures, and a franchise fee of INR 6,50 lakhs. These operating costs include location and rent, building modifications and decor. Also, the Indian Subway franchise charges 12.5% of the gross sales less the sales tax including advertisement and royalty charges - 8% is treated as a royalty fee and 4.5% is used to meet advertising expenses. Figure 12 portrays the total capital requirements of the Subway franchise cost in India. Figure 13 depicts the evolution in the Indian subsidiary Subway's revenue structure from 2013-16.

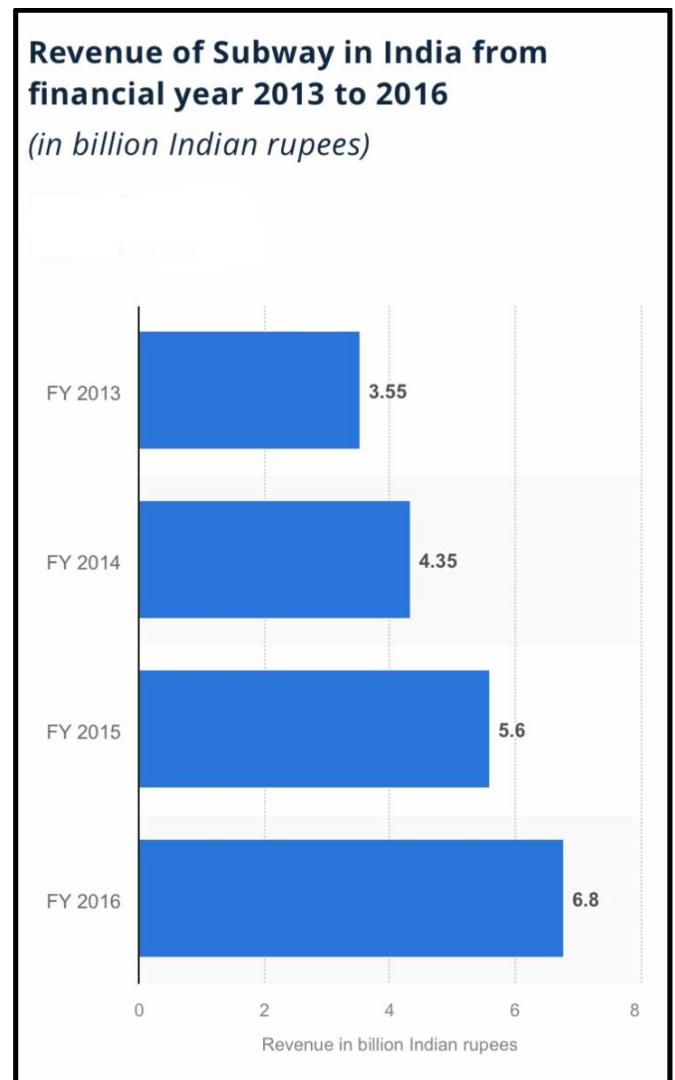
Figure 12: Subway franchise fixed and working capital requirements in India

Particulars	Amount in ₹ low-cost	Amount in ₹ moderate cost	Amount in ₹ high cost	When to be invested
Initial fee for Franchise	625,000	625,000	625,000	One time lumpsum fee on signing the agreement
Building and improvements	600,000	850,000	1,380,000	Depending on the construction schedule and on a pro-rata basis
Equipment	3,000,000	4,060,000	5,964,000	On placing the order lumpsum payment
Installation of security system with no monitoring included.	40,000	60,000	60,000	On placing the order lumpsum payment
Location-based freight charges	45,000	50,000	155,000	On placing the order or delivery lumpsum payment
Outside signage	75,000	75,000	75,000	On placing the order lumpsum payment

Inventory	120,000	170,000	250,000	Lumpsum payment within a week of opening
Insurance	25,000	28,000	35,000	Incurred before store launch
RM supplies	20,000	25,000	50,000	Incurred before store launch
Training, lodging & travel expenses.	100,000	100,000	100,000	Incurred during training
Accounting & Legal fees	40,000	50,000	70,000	Incurred before store launch
Launch and advt costs	80,000	100,000	150,000	L/S near the launch of the store
Misc spends like registrations, deposits, licenses, working capital, small equip., etc.	50,000	50,000	200,000	Incurred when required
Additional WC for 3 months	350,000	350,000	500,000	Lump sum as required
Est. Total Costs	5,370,000	7,043,000	10,414,000	
Real estate lease	200,000	450,000	800,000	Lumpsum upon signing

Source: Complete Guide to starting a Subway Franchise in India, khatabook

Figure 13: Revenue structure of the Indian Subway industry from 2013-16



Source: Statista

For a proper ROI, the franchisor mandates franchisees to have their stores function for a minimum period of one and a half years to two years to break even. The expected mean monthly earnings from a Subway franchise store is approximately INR 20 lakhs, with an ROI of 3-4%. The normal period for a franchisee to recover their initial investments is about 7-10 years.

# Store Location Layout And Labor Prerequisites

The location of the Subway franchise store is one of the most crucial aspects influencing earnings. Subway franchises have an option of non-conventional and conventional locations for their units. A minimum space of 300-600 square feet with a relatively apparent frontage is needed for this QSR business.

Conventional location units are located on exceptionally prominent streets or in shopping centers, while non-conventional locations include restaurant units at rail stops, schools or colleges, which also have additional business interests. Franchisees should only launch a franchise store in a non-conventional location if they know about dealing with franchises or corporations in a locality with harsh rivalry.

Eight to ten employees are required to run a Subway restaurant and their wages and allowances are accounted for in the working capital as concurrent running expenses.

# SWOT Analysis

## Strengths:

- Worldwide recognition, second-largest restaurant chain globally, with 44,600 restaurant locations across the world in 104 nations
- Subway has more than 600 restaurants in India in 70 Indian cities
- Total customization of food menus to cater to consumer requirements
- Nourishing, healthy and economical QSR
- Localization of menus according to region, culture & traditions & food habits to satisfy different consumer demands
- Utilizing high-quality fresh ingredients
- A wide menu of bread selection & freshly bread baked on-site
- Strong franchise model to promote expansion
- State Development Agents provide training development for franchisees & their respective employees, through field executive personnel
- Robust marketing strategies, advertising techniques & promotions organized by Subway country head organizations & development agents

## Weaknesses:

- Since the brand believes in franchising, the possibility of inconsistent services varies from store to store
- Restricted flexibility in brand management pricing procedures
- A slow rate of adoption of technology to popularize e-sales
- Based on the cold quick food concept, rare cooking options are available in-store
- Increased degree of worker turnover globally, as Subway Sandwich Artists, is a low-paying & low-skilled opportunity but involves considerable training costs



## Opportunities:

- Subway chain voted the most popular quick-service sandwich chain in the US in 2022
- The brand is amongst the top-performing & fastest-growing franchises in India
- A report published by the Statista Research Department in 2022, claims 75% of customers reported satisfaction with Subway meal
- Conventional & non-conventional restaurant locations with flexible franchise agreement terms & the space prerequisites to launch restaurants
- “Eat Fresh® Refresh,” strong brand reputation & recognition
- Partnerships with Britain and American Heart Associates who proclaim the brand as a health product
- Low-fat menu options like gluten-free bread & brownies in some locations, to enchant the youth & health-conscious clients
- The brand has vegan food options which is the new trend
- Majority of restaurants are owned by franchisees, so restricted risk hazards & limited investment by the primary business organization
- Introduction to drive-thru joints, third-party delivery agents & home delivery services to expand revenues, especially in developing economies

## Threats:

- Franchise Woes, closed more than 1,043 stores in the US which it opened in 2021, due to tussles with franchisees over controversial advertising campaigns & allegations of corrupt regional managers
- Saturated fast-food markets in the advanced world markets, decline in Subway's global proliferation after 2016
- Brand spokesperson Jared Fogle's criminal charges damage Subway's stature, future sales & loss of consumer confidence & trust
- Lawsuits against Subway, for example, soy protein in chicken products in Subway Canada
- Non-cereals in diet trends lead to a decrease in demand for sandwiches, wraps & bakery products
- Low franchise fees, hence Subway restaurants seem to be at a close distance from each other locally, causing internal brand conflict
- Price wars with big-time competitors like McDonald's, Domino's Pizza & KFC

## Appendix Section: Future Of Subway In India

In India, the Subway subsidiary during its initial years experienced teething problems, with the concept of cold and raw food. However, after its initial opening and evolution, the brand has developed successfully in the Indian fast-food chain. Localization of the food menu to suit the Indian palate, such as enhancing the vegetarian menu selection and introducing new dishes which will be easily accepted in the Indian market such as Veggie Patty, Paneer Tikka and Aloo Patty Subway, gave the brand a headway start and supported it to fight competition. Also, the explanation behind Subway India's success is the enormous size of the Indian market with a tremendous proportion of the youth population, which has an incredible fondness towards foreign brands.

Presently, the Subway brand has developed more than 600 restaurants in India and the nation is evaluated as the eighth biggest market for it in terms of the volume of restaurants globally. Subway is strengthening its delivery network chains in the country by partnering with distinguished food aggregators like Zomato and Swiggy and analyzing conventional and non-conventional location units in smaller cities in the interior of the country. Furthermore, Subway is inclined to promote potential customers through its diverse advertising campaigns and introduce cell phone ordering in the Indian market. Figure 14 demonstrates the accelerated growth of the QSR industry at a CAGR of 9.2% in India

between 2022 and 2027 and the promising future for Subway India, as the Subway franchise business is simple and economical to establish in the nation. This can be attributed to intensifying urbanization, rapid proliferation in food delivery services particularly during the pandemic, rising youth & working population, prospering magnitude of dual-income families and rocketing disposable income.

Figure 14: Anticipated growth for the QSR industry in India between 2022 and 2027



Source: India Quick Service Restaurants Market (2022-2027) by Service Type and Outlet, Competitive Analysis and the Impact of Covid-19 with Ansoff Analysis, Research and Markets

Furthermore, the QSR market is primarily categorized into food and beverage segments with the food component comprising the majority share in this market. Figure 15 examines the substantial provincial development of the QSR market in India since 2015-25F. The share of northern, western and southern India is considerably larger in the QSR market as compared to Eastern India. Subway Group in India signed a master franchise

agreement with the private investment firm Everstone Group in 2021, to enhance business in India, Sri Lanka, and Bangladesh. The Indian market news in 2021 expressed Mukesh Ambani-led Reliance Industries Limited, which owns a 6% stake in the Indian QSR market, the third-largest share in this market, is seeking to acquire Subway's Indian subsidiary.

Figure 15: Regional growth of the QSR market in India since 2015-25F



Source: India Quick Service Restaurants Market Size, Share & Forecast, TechSci Research



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