



Subway Benchmark Report

Executive Summary

Subway is the largest sub sandwich chain by far with the 2nd largest ad spend in all of QSR behind McDonald's with core brand equity in the form of: customization (made-to-order); interaction between sandwich artists & guests; tasty sub sandwiches which include lots of veggies; and bread baked in-house. However, a very long sales and traffic decline highlights the brand's struggles with: stagnation of its menu, marketing & facilities; heightened competition around its fresh/healthy halo with the emergence & growth of upscale sub chains; and a value equation weakened by increased QSR discounting & aggravated by Subway's cumulative menu price increases. Adaptation has not come easy and the brand continues to struggle with finding its true North in terms of where exactly it fits in today's consumer landscape, particularly as it relates to the brand's core middle income demo. Specifically, the brand is challenged to find a proper price value formula that can reverse traffic declines while also restoring store-level profitability. This would require Subway to process more lower priced (i.e. affordable) transactions at faster speeds and could necessitate operational changes. In any case, the chain has finally embarked on a new course with initiatives like: a new premium wrap platform which is a first step in innovating with flavor & quality towards more Millennial friendly fare; a 2019 roll-out of its Fresh Now platform (Signature Flavor & Fresh Pour Beverage stations) which will be fully funded by the franchisor; and an ongoing roll-out of its Fresh Forward remodel decor package which features: vivid color palette; new ordering kiosks; and digital menu boards. The system further benefits from plans to cull and relocate its weakest stores, providing a needed sales boost to existing stores in search of capital to pay for the remodels. **In conclusion, while it is difficult to assess how long it will take the chain to reignite sustainable sales given that Subway is currently in the early stages of a brand repositioning, at least it has overcome the most difficult challenge, that is, to start the process of change.**

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