

**Business Strategic Report**

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# Executive Summary

This report provides identification and analysis of the current and prospective strategies in fast food business, specifically Subway. The strategies consist of Subway’s strength, weakness, opportunity, threat as well as the external factor that impacted, such as, social, technology, economic, environment, politic, legal, ethics and also another specific element, like the threat of new and existing business as well as the power of buyer and supplier. Those strategies are beneficial for the business itself to compete with others business in the scale of fast food industry. Furthermore, Subway’s main expertise and management practice also identified to get additional information about business’s strategies in order to create recommendation that beneficial for the future development of this fast food business.

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# 1. Introduction

## 1.1 Background

Subway is a franchised fast food restaurant that offers varieties of sandwiches, salads and baked goods. It has been established since 1965 in Bridgeport, Connecticut, USA by Fred DeLuca whose inspired by his physicist teacher, Dr. Peter Buck in order to help him to pay his tuition fee. Subway’s Headquarter located in Milford, Connecticut, USA. There are more than 44,000 franchised stores in 110 countries, where most of the stores are located in the United States (Subway, 2018). From that, the company gets approximately 8% of the profit from each franchise store around the world (Forbes, 2017). This restaurant has purpose to become number one fast food restaurant in the world yet still maintain the taste as well as qualities of the products served. Furthermore, all Subway stores provide their customer with casual dining in experience, take away, and advance online order to avoid queue as well as make them easier to customize their own meal, which only available in the Unites States.

## 1.2 Purpose

The purpose of this report is to identify and analyze business strategies, specifically Subway in order to expand as well as improve their performance in competing with other fast food business. Some strategies analysis described in order to get better understanding about internal and external factors that affect the future of business.

# 2. The Strategies Analysis

## 2.1 SWOT Analysis

SWOT stands for Strengths, Weaknesses, Opportunities and Threats. Where the strengths, weaknesses are the internal factors and opportunities, threats are the external factors that help the organization itself to reach their own goals (Team FME, 2013).

The strengths for Subway are, where compared to others fast food business, Subway is the healthiest one. As it offers varieties of healthy menu options using fresh ingredients. Therefore, it could give health benefit for the consumers (Bhasin, 2018). Besides that, different from others restaurant that sell sandwiches, subway allows the customers to be able to customize their own sandwich according to their preference.

However, this business also has some weaknesses, which regarding with the service as well as customers’ satisfaction. Since Subway is a franchised restaurant, there might be some differences in commitment as well as demand of every stores around the world (Jurevicius, 2013). Those factors could not be equated because of diversities in culture, habits and demographic in each area.

Furthermore, to cover the weaknesses, there are several kinds of opportunities open for business’ future. Which are, improve customer experience by being more innovative with menu options. Additional menu that has been adjusted with specific target market in each area could be added, just like what other’s fast food restaurant doing. Other than that, this business could provide more convenience through facilitating delivery service and drive-thru.

Lastly, the threats that have to be faced come from other fast food restaurant that also have loyal following (Nagarajan et al., 2017). Where if those restaurants also provide healthy foods option, it could damage Subway’s market. According to Peterson (2016) Subway’s rank went down as the second biggest fast food restaurant to the third place. One of the causes is lack of innovation as well as little menu option offered in Subway. Apart from that, the rise of new local business within same model as Subway also including in this case, as it is easier for them to influence local people as well as fulfill the demands within regional base.

## 2.2 Porter Analysis

According to Porter (1980) porter analysis consists of threat of new entrants, power of buyers, power of supplier, threat of substitution and rivalry between existing competitor. It helps the business to identify their chances to develop organization’s market. It also beneficial for business while determining their strategies (Team FME, 2013). By that reason, organization’s manager must comprehend with the process in order to be able to take a part.

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| **Porter Analysis** | **Subway** |
| Threat of new entrants | * There might be growth number of fast food restaurant, particularly that has the same model as Subway. Since it is easier to establish fast food restaurant as the startup capital is not really high and also has little barriers to entry compared to other type of restaurant (Liutu,2010). Therefore, the chance of new entrants is getting bigger. * The industry has lots of competitors, including McDonald’s, KFC, Pizza Hut, Domino’s and Burger King (Datamonitor, 2010). However, compared to other fast food restaurant, Subway standardized itself to provide fresh ingredient, healthy food as well as environment to be successful in fast food industry, especially for consumer that concerning about their health (Bloom, Hummel, Aiello & Li, 2012). |
| Bargaining power of buyers | * Customers have the biggest role in determining the success of a business. Therefore, price, product and service need to be met with their expectation. * Subway provides fresh ingredients foods with medium prices, where budgeted customers could get cheaper foods with less fresh ingredients yet tasted the same. Other than that, in accordance with Min and Min (2016) due to little choice of menu option, it potentially makes customers try other brands of fast food. * Therefore, Subway create $5 value pack menu which consist of 6 inches sandwich and a drink based on preference (Will, 2018). The value pack used to attract more customer by adding more value as well as lower the price. |
| Bargaining power of supplier | * Besides customer, supplier also determine the success of a business. As they control the price, quality as well as availability of the ingredients or raw materials used. * All main ingredients that used by Subway are easy to get, such as vegetables, meat, fruits and sauces. Hence, it might not hard for them to find suitable supplier that offer good qualities products with best prices. Moreover, because of Subway’s fame and high number of customers, the supplier would not likely want to lose this business as their partner, as Subway’s objective is to give best product using fresh ingredients. For that reason, the bargaining power of Subway’s supplier classified as low (Ottenbacher & Harrington, 2009). |
| Threat of substitution | * Customer has the freedom to decide which products or services are more suited to their standard as well as condition. * Compared to other fast food restaurants, Subway’s classified not really expensive. The price ranges are around $5 to $10. * The threat in this case arise when the customers choose for eat home cooked meal instead of eating out, decided to eat another fast food restaurant since Subway is not really innovative in terms of menu options and choosing casual restaurant that provide varieties of menus as well as comfortable place to dining in with a big group. Besides that, in terms of the food, casual restaurant is still healthier even if compared with the healthiest fast food restaurant. * The threat of substitution is high for Subway (Berke, 2018). Nonetheless, they could decrease it by adjusting the menu option towards their target market. For example, majority of Thailand people like tasty and spicy foods. So, Subway could create special spicy menu in order to enhance their market in Thailand. As by fulfilling market needs and wants, the customers could remain loyal (Maharjan & Khadka, 2017). |
| Rivalry between existing competitor | * The level of rivalry between existing competitor in Subway classified as high, due to availability of other option of fast food (Lubin, 2016). * The main product that offered by Subway is customized sandwich, which suitable with western people food habits and also different from burger that offered by most of fast food business. However, compared to other fast food business, such as KFC and McDonald’s, Subway is less innovative in term of menu option. |

*Table 1. Porter Analysis of Subway*

## 2.3 STEEPLE Analysis

STEEPLE consist of the external factors that impacted the business. It stands for Social, Technological, Economic, Environmental, Political, Legal and Ethics (Walden, 2011). This analysis helps business to predict future environment condition in order to understand factors that will have impacts on the business itself in the following years (Conner, 2010).

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| **STEEPLE Analysis** | **Subway** |
| Social Factors | * Social factors in this case related with the lifestyle of the market. According to Pratap (2016) there is an increase of people awareness about their health. Therefore, many people intend to live a healthy lifestyle. * Subway offers varieties of sandwiches, salads and baked goods using fresh ingredients which could promote this business. And also, based on the products offered, Subway sells healthier products than others fast food business. However, Subway still needs to maintain their quality in order to keep their reputation as fast food business that offers fresh foods. * Moreover, this factor also affected by the amount of people who has busy lifestyle and prefer to eat out. Which resulting big chance for fast food restaurant like Subway. |
| Technological Factors | * In this globalized world, technologies play a big role in every scope, including fast food industry. The development of this factor need to be adapted in order to follow the current trends as well as customers’ demand. For instance; online ordering, where the market is able to customize their sandwich while staying at home. * Besides that, the use of internet (website and social media) also beneficial for Subway’s marketing strategy as well as future improvement. Through internet, business could promote their newest innovation and gain market’s engagement. Where future improvement could be seen from consumers’ feedback and review collected from social media as well as some website (Zomato, Yelp, TripAdvisor). |
| Economic Factors | * Subway price range classified as medium in the scale of fast food restaurant. Thus, since Subway scattered around the world, the GDP (Gross Domestic Product) of a country where Subway is operated could be the main economic factor that impacted the business (Warsi & Nisa, 2005). Where if the country has high level of GDP, it could result more food chains of Subway. * Price adjustment that combine with supplier selection in a country could also define Subway’s profitability. By that reason, choose supplier that supplies good quality product with cheaper price without affecting the taste. |
| Environmental Factors | * Concerning environmental factors, being sustainable towards environment is an important thing that also being a trend in this era (Wichaisri & Sopadang, 2017). * Subway encourage every franchise owner to be environmental friendly by implement sustainable practices, such as, energy efficiency, waste management, water and resource reduction, sustainable sourcing as well as supply chain management. * Nonetheless, an induction and proper training are required for all the employees in order to educate them to be able to contribute. |
| Political Factors | * Political factors are related with government’s attitude to the business’ performance (Pratap, 2016). * Subway is a franchised fast food restaurant that goes international. Therefore, this could be political factor that affect Subway, since every area has different requirements, particularly in terms of salary, hygiene as well as health and safety. * Regarding salary, the minimum standard in every country is diverse. Where if the salary rates are high, the labor cost also high. * Moreover, hygiene as well as health and safety are also something that need to be concerned. This is because of the government could possibly change those requirements anytime to improve health quality in a country. For example; the change about food packaging requirement in order to maintain the quality of the food. |
| Legal Factors | * Legal factor could be linked with others Porter factors. Where if the legal requirements change, other factors might be impacted. For instance, requirements about food quality and nutrition, waste management (Frue, 2018). * All of those resulting changes on the marketing as well as sales (Pratap, 2016). Therefore, different legal requirements in every country must kept up to date as well fulfilled and applied first through workplace policies and SOP (Standard Operational Procedure). |
| Ethics Factors | * Ethics factor is more into beliefs, norms and values in the workplace (Bakker, 2017). * Subway provides safe and healthy working environment in order to reduce the possibility of accidents and injuries. Moreover, Subway also eliminate workplace discrimination and harassment by doing selective hiring based on performance, skill and experience as well as doing induction and proper training. |

*Table 2. STEPLEE Analysis of Subway*

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## 2.4 Review of Core Competencies

Core competency is group of main elements, including behavior, skill as well as knowledge required in order to make the organization become more effective while operating (International Labour Organization, 2015). Subway core competencies are their customization system as well as the use of good quality ingredients. Different from other sandwiches shop, Subway allows customer to custom the sandwich based on customer’s preference. Where it facilitates consumer to meet their wants of current appetite and needs concerning dietary requirements. Moreover, this business has a slogan ‘Eat Fresh’ which means no use of artificial color, taste and preservatives. It gives them good reputation regarding consumer’s health and safety.

## 2.5 Human Resource Practices

According to Schuler and Jackson (1987) Human Resource Practice is a procedure that beneficial to encourage, improve, give motivation and maintain performance of employees within effective business. First of all, human resource practice could be applied by doing better hiring practices (Mimi, 2013). Selective hiring useful for determining which individual is competent within the business itself. Further, Subway’s manager need to monitor as well as give compliment regarding employee’s performance in order to motivate them to work harder. Goyal and Bala (2012) stated that Subway’s employees work 9.5 hours a day while other fast food’s employees only work 8.5 hours a day. Besides that, Subway also provide their full-time employees 1 week paid day-off after working with this company for one full year. Lastly, motivation could also come from surroundings. Therefore, build good relationship between employee in every department to create good ambience in the workplace, as good workplace’s atmosphere has big impact towards employee’s performance.

# 3. Recommendation

Recommendation consist of some points that need to be improved in order to develop business’ future in this competitive world.

## 3.1 Menu Innovation

Based on the analysis, Subway classifies as a fast food that has little innovation in regards with the menu offered. Subway adding more stores without any changes in the menu (Lutz, 2015). Therefore, they could be more innovative by adding some variation of sandwich’s topping and sauce. As it is scattered around the world, the market taste will be different in every regional store. For example, Indian likes tasty and spicy food. So, Subway store located in India could add some special sauce or topping that accordance with that tastes. However, Subway also need to adjust with the specific restriction in a region. For instance, majority of Indonesian are Muslim who are not allowed to consume pork (Kettani, 2010). Subway could eliminate all the ingredients that contain pork in regards with restriction on their religion.

## 3.2 Improve Training System

According to the analysis of Subway’s weakness, it is hard get same commitment in every region due to diversity in several aspects, including culture, habits and demographic. Which resulting different standard of customer service in each Subway store around the world. Therefore, strict and proper training must be made in order to meet the qualification while serving customer. Besides that, feedback might be provided to get self-reflection as well as decrease differences between current performance with the main objectives (Hattie & Timperley, 2007).

# 4. Conclusion

In conclusion, Subway is a franchised fast food restaurant that offers healthier menus compared with others fast food business. Different from other fast food restaurant, Subway specialize in sandwich using fresh ingredients which also give health benefits for the consumer. Regarding the wants as well as dietary requirements, Subway has a system that allows customers to personalize their order. Furthermore, apart from their superiority, there are some internal and external aspects that affect the continuity of this fast food business. Those factors need to be concerned and improved in order to adapt with this competitive era, particularly the rise of various kind fast food business. Therefore, the use of precise strategies is important, so the business is able to predict as well as overcome those challenges and take advantage of chances available.

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