

Analysis and suggestions on the market and business strategy of Subway

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Abstract. In China, Subway was not as successful as other western food brands from America, since Subway didn't make the optimal promotion and adjustment for the local market. To be more popular in the Chinese market, Subway can utilize the "word of mouth" strategy to improve its status and popularity. We analyzed the advantages of Subway and the methods suitable for Subway to improve its reputation through the contents of Professor Jonah Berger's book and the method of SWOT. Specifically, we found out that Subway can establish a "Say Goodbye to Body Shame" discussion area on the Little Red Book and cooperate with some bloggers to incite them to publish some articles on "Subway helps us lose weight and become healthier" in this discussion area. In the article, they should talk about the stories of them eating subway sandwiches for several weeks, and show the changes in their physical conditions. This strategy uses the trigger, social currency, story, and emotion theories in Professor Jonah Berger's book 'Contagious'. It not only shows the health of Subway but also improves its reputation in China.

Keywords: word of mouth; trigger; social currency; story, emotion; contagious.

1. Introduction

Marketing strategy works as the engine of vehicles that support a company or a brand pursuing the right path to success under competition with other companies. Especially for chain businesses that are wildly spread worldwide, a reliable and approachable strategy helps to set up a system for stores to follow in a manageable and countable way. To be more evidential, the application of an appropriate marketing strategy is an inevitable requirement of showing brand effects and highlighting product advantages. It continuously improves the product structure and level of the whole company through chain operation and provides more high-quality products through promotion and innovation to fit the increasing demand and taste of consumers. In terms of its solid basis of economic strength and product reputation, a chain brand's implementation of chain operation promotes its product and establishes its influence on more consumer groups [1].

Within this essay, after recognizing the importance of appropriate marketing strategy brands and companies apply, the following contents mainly attempt to discuss how some specific marketing strategies used by a chain company work useful with its word of mouth and social influence of its targeted customers as well as people within an area. Something logically divided the whole essay into five parts, except for the initial abstract, which provides a general understanding of the essay. The introduction part shows the importance of the research topic "appropriate marketing strategy" to introduce the following context. More background information is provided in the next part firm description, which particularly introduces the financial information of a specific company in terms of public data and charts on the internet. During the third part, the research starts to analyze current issues of the company's marketing strategy from two angles: the angle of social media and the angle of consumers' psychology and behavior. For recognizing issues more visually, they are turned into SWOT analysis to see the strengths, weaknesses opportunities, and threats of the company. In conclusion, it contains a summary of the previous content and finally individual exploration of the

research as well as the improbable points and a plan for further exploration of the research. Eventually, the essay ended up with a reference part that records every qualitative source.

2. Firm description

Subway originated in 1965. It is a well-known American fast-food brand. It mainly provides sandwiches, salads, beverages, and cookies in the form of fast-food restaurants. Its unique ordering form and flexible options have attracted a large number of customers. The purpose of every Subway is to provide each customer with their sandwiches. Its slogan "eat fresh" is to keep its ingredients fresh [2]. It is precisely because of these characteristics that Subway is now successful. In 2015, Subway successfully won the fastest-growing franchise in the world. By 2021, Shas opened more than 37540 stores in more than 100 countries and regions around the world. Surprisingly, 58.1% of its stores are in the United States, a country with a population of less than 5% of the global population[3-5]. Because of the expansion of Subway, it has become the third largest fast food brand in the United States, second only to Mcdonald's and KFC. The annual turnover reaches \$12 billion [6].

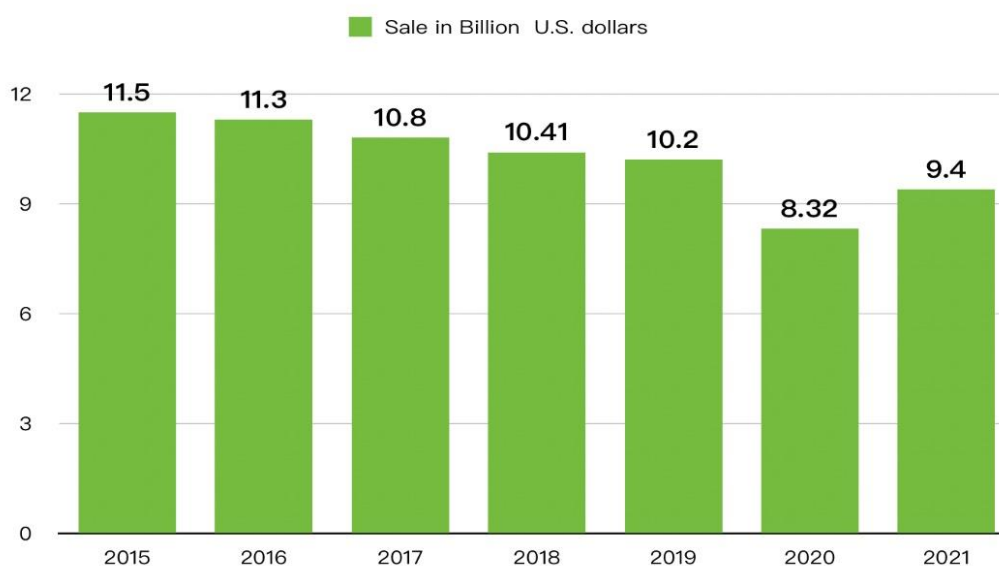


Fig. 1 Annual turnover of Subway from 2015 to 2021

However, the development and expansion of the subway have slowed down significantly in recent years, and there is a trend of retreat. From 2016 to 2018, Subway closed thousands of stores [7], and even 2400 stores around the world in 2020 alone [8]. Subway is facing a serious financial crisis. The turnover also decreases year by year with the increase in the number of closed stores. "Subway's sales have declined overall since 2015. In 2020, Subway saw a decrease of nearly two billion in sales from the previous year.[9]" The figure below shows the turnover of Subway from 2015 to 2021. In general, except for a small increase in 2021, the turnover in the past seven years has shown a downward trend as a whole.

The main reason for all this is that Subway pays too much attention to the number of its stores. As we mentioned earlier, Subway has the largest franchisee in the world, which is the problem, "to accelerate growth, 'subway has made opening a Franchise site easy and cheap,' says US radio station NPR, describing the tactics. [7]" it pays little attention to the importance and quality of restaurant location.

In China, Subway was not as successful as other western food brands from America for some other reasons. As a food company, Subway should update its menu more frequently, so that it can add new customers without losing old customers. However, obviously, the subway has not done enough in this

regard. Subway didn't make the optimal promotion and adjustment for the local market. Plus, several factors, such as price and location, are also behind the failure of Subway in China. However, the most serious problem with the subway in China is the lack of innovation and inactive marketing strategies. Therefore, we began to study the current marketing methods of subway and try to find some problems. The "word of mouth" strategy is a marketing strategy to diffuse information about the brand from person to person via word of mouth and social influence by being talked about and imitating. To be more popular in the Chinese market, Subway can utilize the "word of mouth" strategy to improve its status and popularity.

3. Marketing Strategy Analysis

First of all, as fast food is impressive with fresh and healthy qualities, Subway's price in China is higher than the products of other brands in the fast food market. In terms of the comparison and contrast of customers' unit spending between other western food brands popular in China and Subway China, the chart below highlights that costs a sandwich at a higher price per unit, while other brands offer hamburgers except for KFC, have a lower price under 30 RMB per unit. As the result, Subway's targeted customers are people who fit the commercial standard with the demand of having a fast and fresh diet. Second, it located its stores in some second and third-tier cities in China where barely targeted customers reside, which leads to the situation that it lacks observation in public with an unsatisfied number of stores.

From the perspective of social media, choosing a suitable online social platform has become one of the key points for Subway to improve word of mouth. Taking the two most influential social platforms in China—Little Red Book and TikTok—as a reference, although TikTok has more users than Little Red Book, the users of TikTok are mainly concentrated in third-tier cities and fourth-tier cities, which together account for more than 50% of users, which is inconsistent with the target consumer of the subway. Because Subway is a relatively high-priced brand in Western fast food, one of the necessary conditions for target consumers is a high level of economic and consumption. Most of the users of Little Red Book are users in first- and second-tier cities, especially in economically developed cities and provinces such as Guangdong, Shanghai, Beijing, and Zhejiang. At the same time, TikTok users are of all ages. Although young people account for more, they are generally young. The young users of Little Red Book directly account for more than 85%. So compared to TikTok, Little Red Book is a more suitable platform for Subway to improve the word of mouth. In addition, using the appropriate social media platform, they need to explore a hot topic that people are interested in paying attention to, for inspiring people to talk about Subway, and make it more available to people through "earned media". To be more specific, there is a topic "Did you ever feel anxious about your body?" Occupies 19th place on the hot topic list of Microblog, the most popular social media for Chinese people to have fun. While about 100 thousand people are talking about "Body Shame" on Little Red Book, also a popular social media among the Chinese. To create discussions about Subway, we can correlate it with "Body Shame".

To motivate people to start to talk about Subway successfully, it is necessary to predict and analyze consumer psychology and behavior through a "word of mouth" strategy, which are social currency, trigger, emotion, and story. Social currency is a tendency that people to prefer to share something with others that makes them look good and privileged. For example, there is a small eatery near Tompkins Square Park in New York City that is decorated in vintage style. People who come and eat there could find a secret door on the back of the booth [10]. This remarkable character of the eatery makes people eager to talk and share it with others, although it is a secret to tell nobody because it makes them feel like one of the few that know the secret when they tell it to others. According to that, the eatery became popular and received "word of mouth" from earned media. As for the trigger, it is a joyful idea or experience people are happy to spread the word about a particular circumstance. For example, Buzzagent, an agency firm founded by Dave Belter, employs every person as free staff to work and pays them with free trials or coupons for things they want. In this case, the staff shares it

with their friends and family simply because they think it is good [10]. Emotion and story are both ways that motivate people to feel empathy for the product. For example, Dove's campaign "Campaign for Real Beauty", brought up an already popular topic "Beauty Norm" to get people talking about Dove while discussing its unrealistic issue [10]. The campaign, tells an emotional story of the real beauty is being yourself to release a sense of being confident and powerful as a woman. The application of the "word of mouth" strategy above are the elements that compose consumer psychology and behavior mindsets. As Subway completely applies those to its marketing strategy to motivate people to talk about it, it succeeds in "word of mouth".

4. SWOT Analysis

Next, we used the SWOT analysis to identify the background information and the potential development of Subway, including strengths, weaknesses, opportunities, and threats.

4.1 Strength

Its slogan "Eat Fresh" is to convey its ingredients are fresh. In 2015, Subway attained the fastest-growing franchise around the world scale, and in June 2021, it had 37,540 locations in more than 100 countries. 58.1% of the stores are located in the United States[3,4,5]. Subway attained huge success in the United States and worldwide range. In the United States, the practical value of the brand is fresh and cheap. Subway has 21,796 stores in America, which maintain the public effect, since the more visible the store is, the higher the chance people will buy the sandwich. Subway, as an American multi-national fast food restaurant franchise, has a low franchise fee to enter, so it has fewer requirements to open new doors. The franchise fee is also the main way for Subway to earn profit in the United States. Its low price and fresh sandwich with multiple choices of topping help it to expand rapidly.

4.2 Weakness

However, in China, Subway was not as successful as other western food brands from America, since Subway didn't make the optimal promotion and adjustment for the local market. Plus, several factors, such as price and location, are also behind the failure of Subway in China. The price in China is inappropriate, which is higher than the normal fast food industry. For example, Macdonald's Hamburg only costs 20 RMB, but at Subway, the price for a sandwich is more than 30 RMB. The consideration for Chinese consumers buying western-style food in 2022 is the price, which accounts for 47.1%, partially explaining the low sales. In China, many Subway stores are located in third-tier cities or second-tier cities which do not have much traffic, and many citizens cannot afford the high price in the fast food industry, resulting in the loss of many potential consumers. Moreover, Subway lacks innovation in public, which required remarkable quality of the product, but Subway didn't adjust its menu for the local market, and the sandwiches are not attractive to the Chinese consumer.

4.3 Opportunity

To further penetrate the Chinese market, Subway could make some changes to the flavor of the sandwich, or even change the sandwich into a hamburger, which is a popular food choice in China. For instance, the Chinese like eating crayfish, so Subway can add a crayfish flavor to its menu, rather than merely change its sauce. This can make Subway match more with the indigenous market. Subway also can not be limited in an old-fashioned way to mainly focus on its stores but can explore the new market, to attract new consumers. Such as using co-branding with other businesses, like Keep, an application to teach people how to exercise. Subway can use co-branding to interact with a more fashionable brand, to change its old brand image into a new one to attract its younger consumer.

4.4 Threat

The COVID-19 pandemic is a huge threat to Subway since if it needs to open in China, it should locate in first-tier cities and relatively prosperous places in second-tier cities, so the consumer can afford the price. More specifically, the subway station is the best place with heavy traffic and people in hurry, matching Subway's target consumer. However, because of the pandemic, the policy in China will negatively affect its operation. For example, in Shanghai, people need to do the covid test to go out, and some stores can not open, so people go out less. Plus, the use of the subway and the store is less often. Most of the stores open their delivery channel to provide service. Subway targeted the fast food market, so the consumer pursues a fast-making speed, but the delivery will lower the speed of making meals.

5. Conclusion

Subway is a world-famous American fast food brand, which has tens of thousands of stores all over the world. However, the sales volume and turnover of the subway this year are declining year by year, even leading to the financial crisis. Through daily observation and online surfing, we found that although the subway has a good reputation in the United States, it is the opposite in China. Then the theme of our research is derived from this discovery: How to make the subway in China popular through word of mouth strategy. In the process of research, we mainly analyze the shortcomings of the subway, including the dishes that do not conform to the market price and the appetite of the audience. Then, we analyzed the advantages of Subway and the methods suitable for Subway to improve its reputation through the contents of Professor Jonah Berger's book and the method of SWOT. Finally, we decided to use the topic of "body shame" on the Little Red Book platform as a publicity channel.

During the research, we found that subway, as a fast-food brand, has healthy characteristics, which can be widely publicized in combination with the huge network platform, Little Red Book. Therefore, a specific strategy came up in our mind, Subway can establish a "Say Goodbye to Body Shame" discussion area on the Little Red Book and cooperate with some bloggers to incite them to publish some articles on "subway helps us lose weight and become healthier" in this discussion area. In the article, they should talk about the stories of them eating subway sandwiches for several weeks, and show the changes in their physical conditions. This strategy uses the trigger, social currency, story, and emotion theories in Professor Jonah Berger's book *Contagious*, it not only shows the health of the subway but also improves its reputation in China.

However, there is still a problem with this strategy. We can't prove to customers that the subway is healthy yet because there is no exact evidence to prove this. Therefore, in our further research, we will further use some visual data to prove this. For example, we can investigate the average calorie per meal of major Western fast food and show the data to the public. Or ask a health expert to evaluate the health index of subway sandwiches. Through these improvements and methods, the healthy characteristics of the subway will be remembered in the hearts of more people.

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