



Oxford Cambridge and RSA

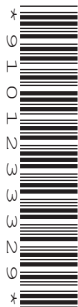
**Thursday 16 June 2022 – Afternoon**

**A Level Business**

**H431/03** The global business environment

Resource Booklet

**Time allowed: 2 hours**



**INSTRUCTIONS**

- Use the Resource Booklet to answer all the questions.
- Do **not** send this Resource Booklet for marking. Keep it in the centre or recycle it.

**INFORMATION**

- The business described in this Resource Booklet is a **real** business.
- This document has **8** pages.

## SUBWAY

### Extract A – About Subway

Subway is a restaurant franchise that primarily sells submarine sandwiches (subs) and salads.

On 17 July 2017, Subway unveiled redesigned restaurants, named 'Fresh Forward'. Features include self-order kiosks, USB charging ports at tables and new menu items. These new items include additional dressings and bread made without gluten. In 2017, the franchise closed more than 800 of its US locations. In April 2018, the franchise announced it would close about 500 more US stores that year. This is a result of three consecutive years of falling profits and customer numbers reduced by 25% since 2012.

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Changing tastes on the part of consumers mean that there is a preference for locally sourced food and ethically produced meat, served by regional firms. This is especially true in cities and is the cause of the drop in Subway's sales, as well as the loss of market share to competitors. In January 2018, Subway invested \$25 million in a re-branding campaign targeted at young consumers to revitalise its image and boost sales.

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Subway's restaurants are largely concentrated in North America, with 24 129 in the US: this is almost as many US locations as McDonald's and Starbucks combined.

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Source: Adapted from [https://en.wikipedia.org/wiki/Subway\\_\(restaurant\)](https://en.wikipedia.org/wiki/Subway_(restaurant)) (accessed 20/09/20)

**Extract B – Subway’s marketing mix strategy**

**Product** – The first product that Subway offered was a submarine sandwich and it has now increased its product range. Its restaurant menu includes a variety of sandwiches, breakfast items, snacks, ‘sides’, drinks and breads. Subway also serves baked items like cookies, doughnuts, muffins, and wraps. It has introduced an array of vegetarian products for the Indian market and has also expanded into beverages such as coffee.

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**Price** – Subway serves its products for a higher price than its competitors, but it serves food for calorie-conscious customers. Subway also claims to serve better quality food than any of its competitors, thus justifying its pricing. The quantity of food per portion that Subway serves is more than McDonald’s or KFC.

**Place & Distribution** – Subway has over 44 000 franchises across 112 countries. They are located in premium places and it has turned out to be a positive for the brand – in airports, shopping malls, amusement parks, business centres and hospitals.

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**Promotion** – Subway advertises its products, and uses personal selling, public relations and sales promotions. They use the slogan ‘Eat fresh’ to promote the freshness and high-quality food that it makes. Most of the promotions are directed at adults aged 18–35. The advertisements are broadcast during primetime and sports programming.

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**People** – Subway focuses on its people – that includes the customers as well as the employees. More than 400 000 people work in Subway’s restaurants worldwide, for whom customer service is of the highest priority. Subway serves millions of customers worldwide every day.

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**Process** – One of the USPs of Subway is the transparency it gives to the customers while making freshly made sandwiches – they are literally made directly in front of the waiting customer – demonstrating the quality. As far as other business processes are concerned, Subway has efficient food purchasing, warehousing, storage and supply chain processes.

**Physical Evidence** – For a restaurant brand like Subway, its main physical evidence is its stores. The look of the stores, the location and maintenance form the physical evidence of the brand. Actually seeing the variety and quality of food on show completes the physical evidence of the company.

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Source: Adapted from <https://www.mbaskool.com/marketing-mix/services/16886-subway.html>  
(accessed 20/09/20)

**Extract C – Subway franchises in the UK**

Subway franchise owners in the UK benefit from operating in a tried and tested system. This involves great training and a solid support structure with aspects such as site selection, leasing, purchasing, marketing and more. It is the franchisee's responsibility to find the location of the franchise; however, Subway are on hand to help.

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The decoration of a Subway store is in keeping with the brand's values, ensuring the stores are inviting and comfortable for guests – as a franchisee, you will receive assistance with your store design and equipment ordering. All new Subway franchisees are required to attend a two-week training course ahead of opening their own stores.

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Source: Adapted from <https://www.whichfranchise.com/franchisorPage.cfm?companyId=2201> (accessed 20/09/20)

**Extract D – Subway looks to expand in India**

Subway India, the second largest quick-service restaurant chain in the country by number of outlets, is looking for further growth. Currently, the American franchise has about 660 restaurants in India. 2020 will be a significant year for the brand in sub-continental Asia as it plans to get into new geographical areas, such as the region of Kashmir.

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Subway India, which puts a lot of emphasis on its fresh ingredients, adds nearly eight new products on its menu annually, with a strong focus on Indian consumption trends. For instance, it added products such as Tandoori Turkey, Tandoori Tofu and Chicken Kofta variants of sub sandwiches.

Source: Adapted from <https://www.thehindubusinessline.com/companies/qsr-chain-subway-looks-to-expand-india-footprint/article28691623.ece> (accessed 20/09/20)

**Extract E – Subway franchisees to hire 50 000 workers as it brings back \$5 footlong deal**

In 2018 Subway announced that across its franchises, 50 000 workers would be hired – as the US unemployment rate hit 13.3%. It is bringing back its promotion for a \$5 footlong sub. An offer that was popular with customers but not so popular with franchisees, who found the promotion unprofitable.

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Source: Adapted from [https://www.cnn.com/2020/06/18/subway-franchisees-to-hire-50000-workers-as-5-footlong-deal-comes-back.html?\\_\\_source=twitter/main](https://www.cnn.com/2020/06/18/subway-franchisees-to-hire-50000-workers-as-5-footlong-deal-comes-back.html?__source=twitter/main) (accessed 20/09/20)

## Extract F – The implementation of lean principles at Subway restaurants

### One-piece Flow Process:

- Options appear under the glass in front of the customer through clear viewing panels to guide customers in the sandwich-making process and help them choose accurately. Customers can choose which items to include and which to leave out, at every station. 65
- The sandwich-making process is done in an assembly line that usually includes three employees. 70
- The customers move one by one, selecting their sandwich ingredients, along the assembly line.
- Meanwhile, employees start making the next sandwich. When the first sandwich is ready, it returns to the next point in the line in order to be finished and handed over to the customer. 75
- If a customer wants the sandwich to be grilled, the customer should step back as the sandwich is pulled off the line and placed into the grill – they then return to their place in the queue.
- When they arrive at the end of the line and prepare to pay, the employee at the cash register places the wrapped sandwich into a bag. 80

Lean Inventory Management – To keep their inventory and sandwich ingredients as fresh as possible for the longest time, they apply ‘first-in-first-out’ strategy, ensuring that those ingredients displayed the longest are used first. When some ingredients run out, they can easily be replaced from pre-filled ‘reserve’ bins of ingredients. In addition, the sandwich is made just-in-time as the customer order is received. Moreover, ingredients used to make all the sandwiches are prepared prior to the store opening each day. 85

Employee Training – At Subway, experienced employees are assigned to train new employees to see their job from the customer’s viewpoint.

Billing Process – Subway manages to reduce congestion at the till by automatic billing (showing the amount on the screen as a sandwich passes through each section) and standardisation (a pre-determined quantity of meat, cheese or vegetables). 90

*Source: Adapted from <https://blog.leanrestaurant.com/en/lean-at-subway-restaurant/> (accessed 20/09/20)*

### Extract G – The internal and external factors affecting fast food restaurants

- **Available staff** – 25 years ago, there were 56 teenagers for every fast food outlet; today, there are fewer than half that number. Worse, older adults are difficult to retain in an industry with long hours, low pay and generally unglamorous conditions. The labour turnover rate is a shocking 133%. 95
- **Labour costs** – one of the challenges in fast food management is running a profitable operation. Rising labour costs often cut into what is already a thin profit margin.
- **What customers want** – ‘Millennials’ are blamed for challenging many habits of the previous generation, so why should eating out be excluded? Some well-known casual dining chains just don’t offer any interest to them. Customers also expect a lot. To be happy with a quick-service meal, they want great taste, quality and low prices. 100
- **The impacts of technology** – people who place online food orders are nearly 70% more likely to also visit a restaurant. And nearly half of smartphone owners use their phone to order food for takeout or delivery at least once a month. 105
- **Economic factors** – high unemployment and low economic growth seem to impact the high quality/priced restaurants.
- **Ethical considerations** have played a huge part in how fast food outlets source their ingredients and what they sell.

*Source: Adapted from <https://smallbusiness.chron.com/internal-external-factors-affecting-quick-service-restaurant-management-42303.html> (accessed 20/09/20)*

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