



Team Fresh:

Andrea Klemm, Eric Gibson,
Rebecca Claar, Rui Guo,
Xuanyi Zhao, Zhaolong Lu

Agenda

- Marketing Problems
- Methodology
- Segmentation
- Recommendations



Marketing Problem

**WHO IS
SUBWAY?**



Advertising Campaigns

Jared Fogle



\$5 Footlong



Athletes Everywhere



Methodology

- **Survey #1:**

- Learning about brand perceptions in the marketplace

- **Survey #2:**

- Defining the ideal experience for Subway



Segmentation

Segment 1: Health Unwise

(Low Health Conscious)

- Adults 18-54
- Live in the US
- Eats at a fast food/fast casual restaurant at least once a week
- Considers health conscious level for self very poor, poor or fair

Segment 2: Health Savvy

(High Health Conscious)

- Adults 18-54
- Live in the US
- Eats at a fast food/fast casual restaurant at least once a week
- Considers health conscious level for self good or very good

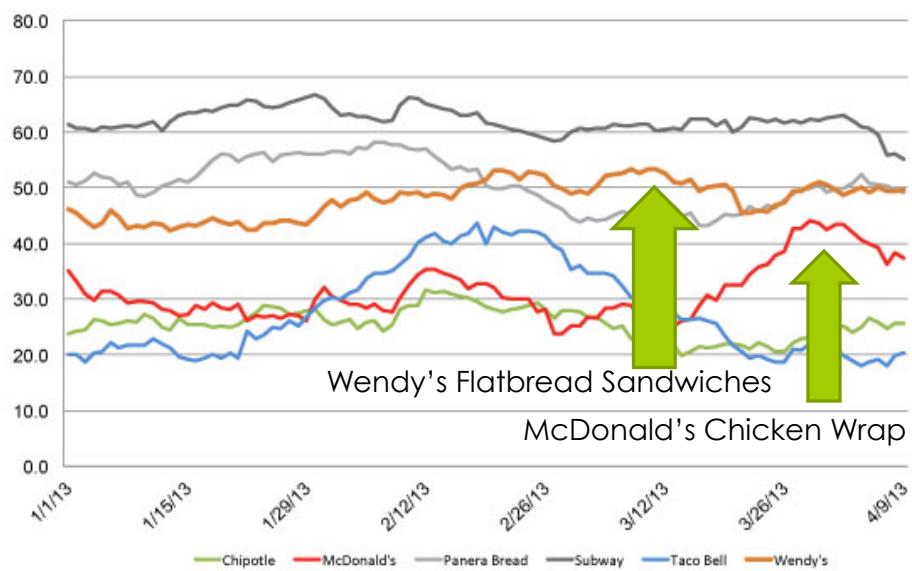


Recommendations

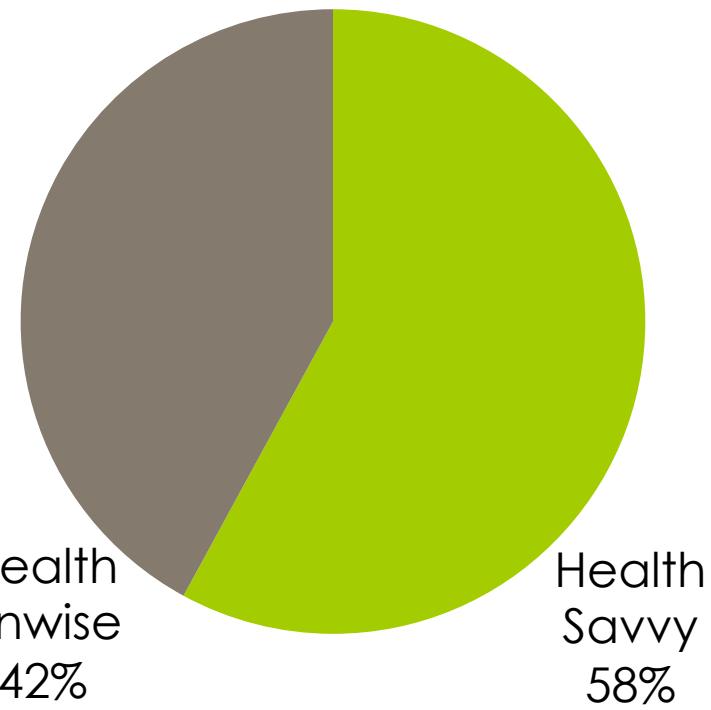


#1: Health Savvy Focus

Impression Score: Fast food eaters, excellent health*



Health Conscious Market Size



Health Savvy	Health Unwise
\$8.52	\$8.35

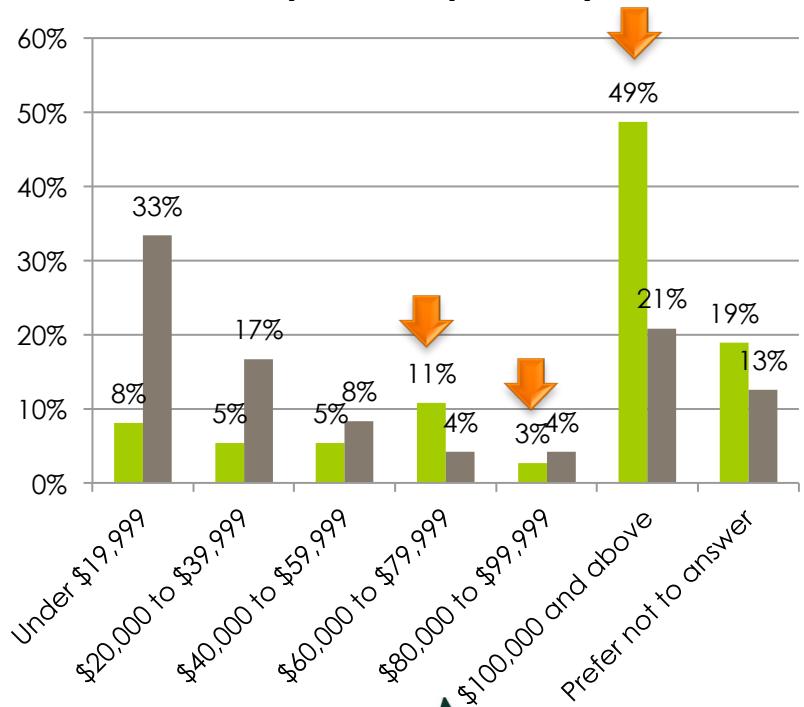


*Source: [Brand Index](#), " McDonald's and Wendy's launch healthier options", 2013

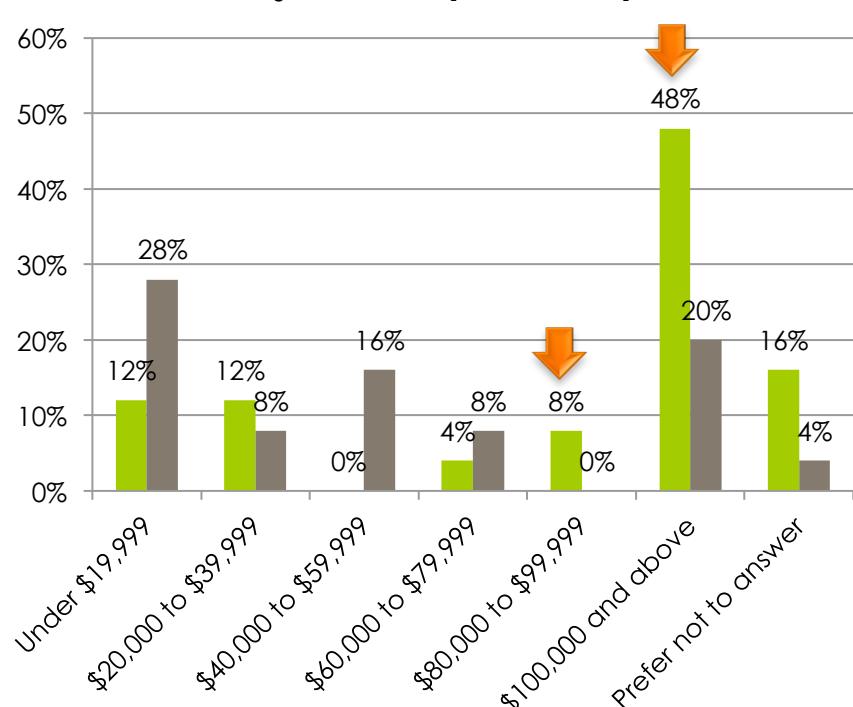
#1: Health Savvy Focus

- Household with high income tends to be health savvy

Perceptual Map Survey



Conjoint Analysis Survey

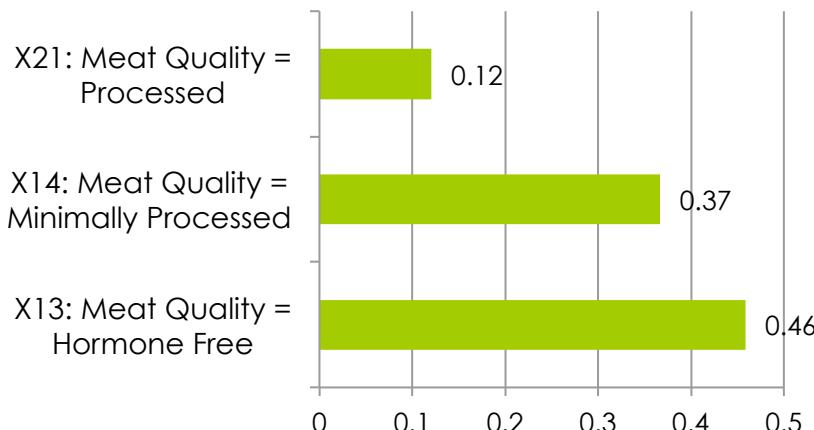


Q24. What is your annual household income?

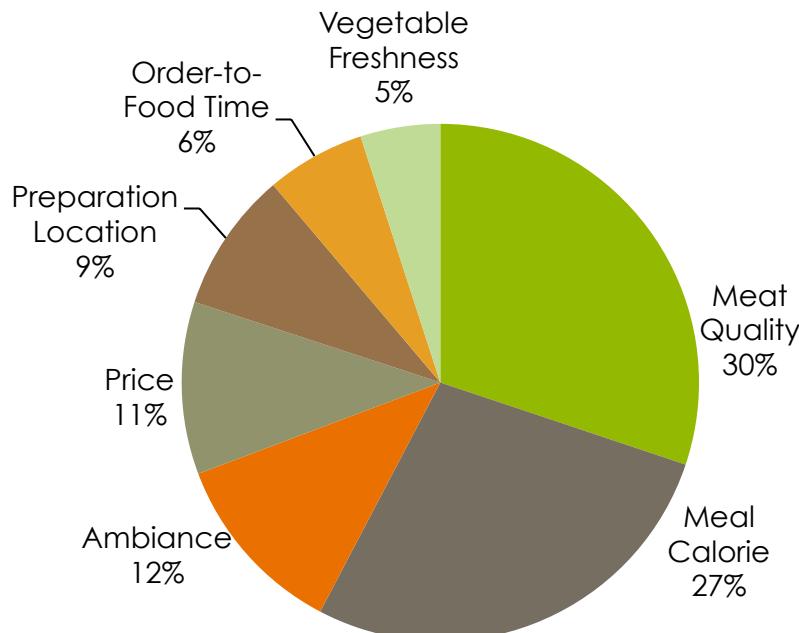
#2: Cobranded Meat

- Meat quality is the #1 importance for the target segment and #2 for the secondary target

Meat Quality- Health Savvy

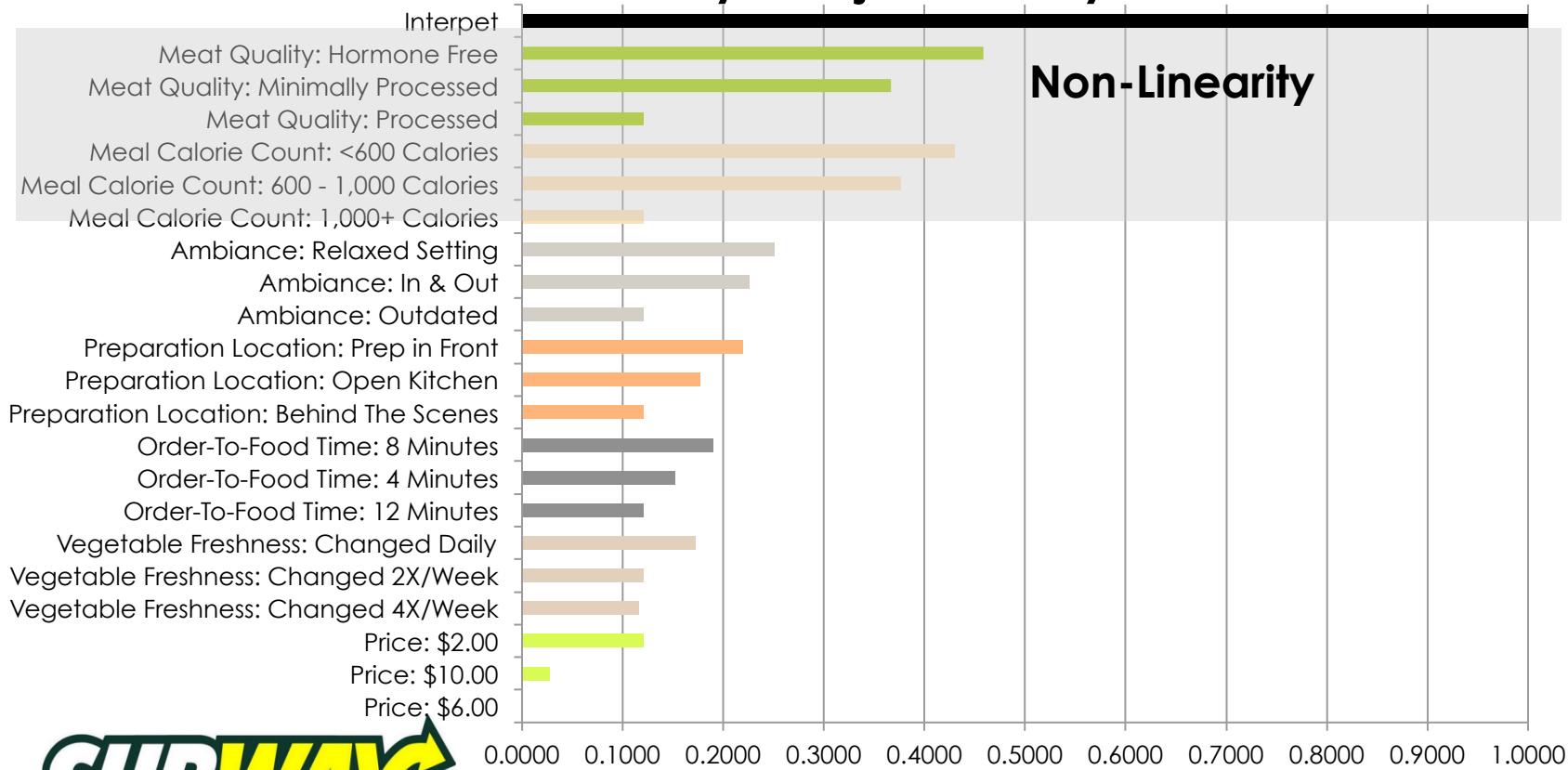


Feature Preference- Health Savvy



#2: Cobranded Meat

Health Savvy Conjoint Analysis



#2: Cobranded Meat

- Cobrand meat with either Hillshire or Boar's Head
 - Boar's Head has #2 share
 - Hillshire has #3 share
- Name recognition of partner immediately improves perception of meat quality



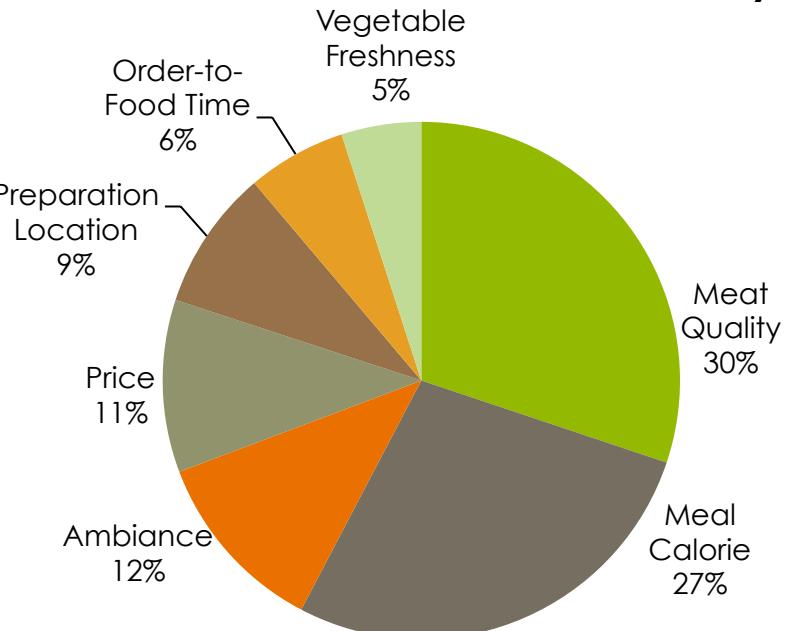
#3: New Pricing Strategy

- Health Savvy segment is willing to spend more
- Price hold low feature importance among our key target
- Cobranding will cut into margins

Health Savvy	Health Unwise
\$8.52	\$8.35

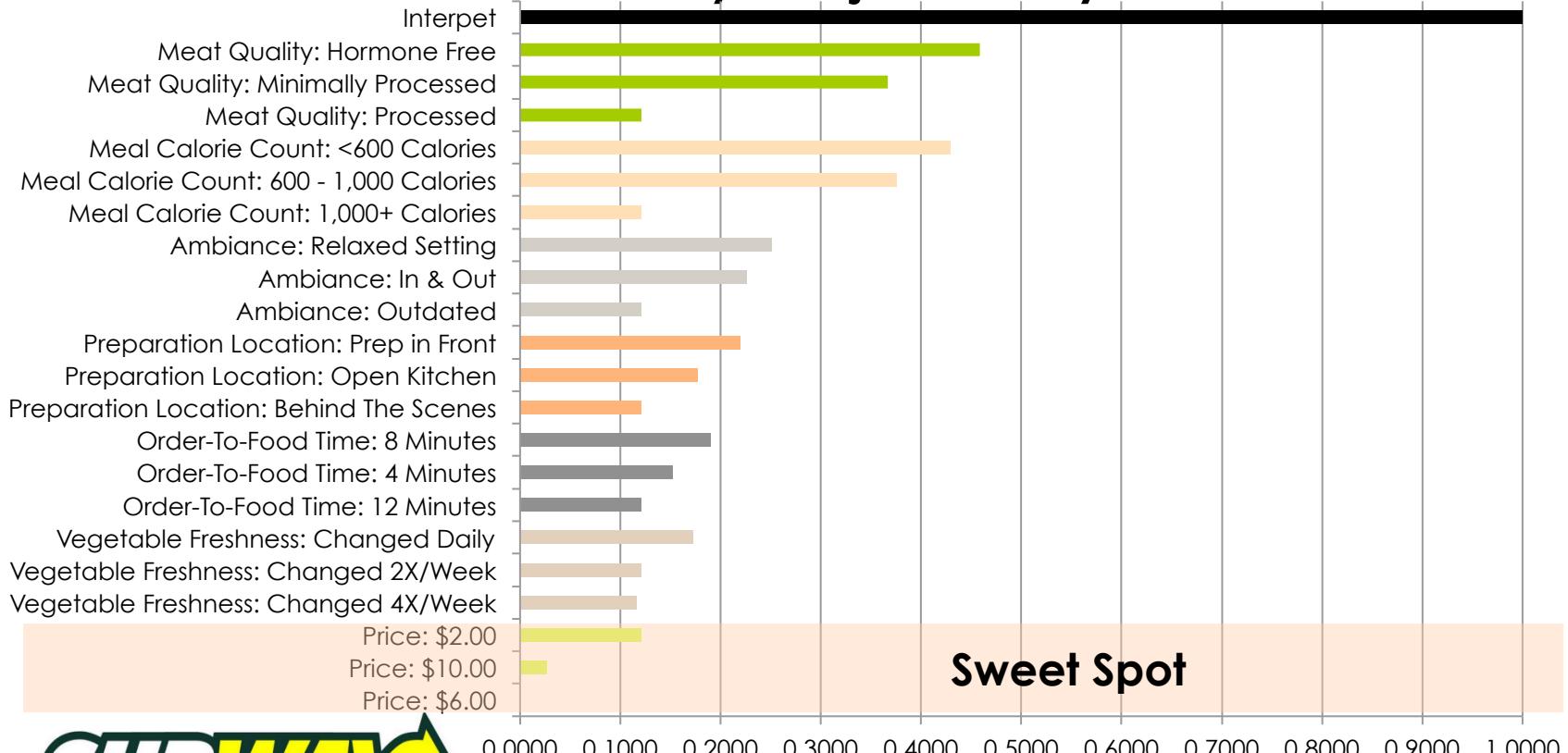


Feature Preference - Health Savvy



#3: New Pricing Strategy

Health Savvy Conjoint Analysis



Sweet Spot

#3: New Pricing Strategy

Average Sandwich Price by Protein



Source: Data Essential, January 2012

#3: New Pricing Strategy

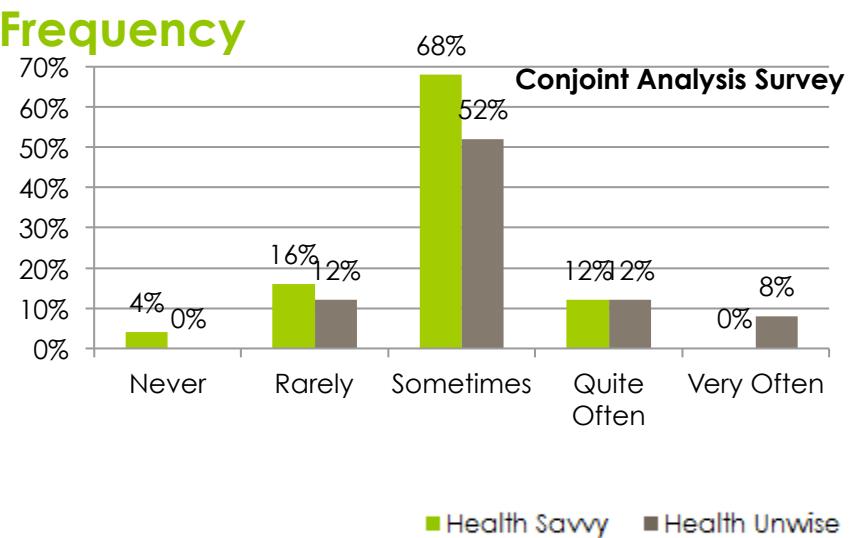
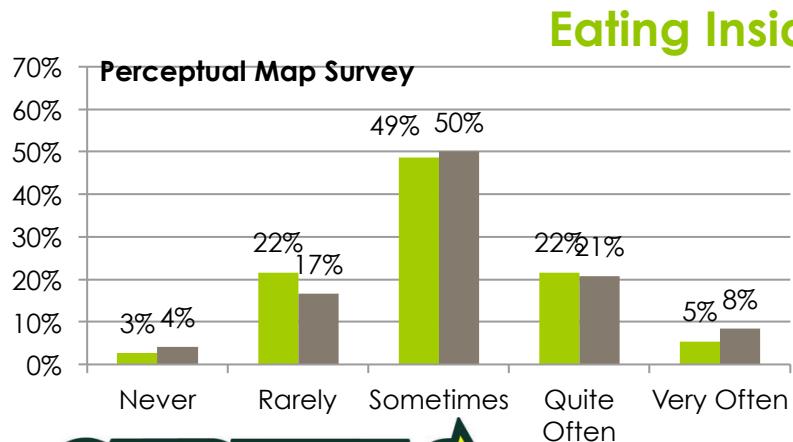
- Additions to the 'Five Dollar Menu'
 - Extra chicken and turkey choices
 - Increase salad selection options
- Increase price of all other sandwiches and salads to \$6.49-\$7.99

	Price	COGS	Margin
Current	\$6.00	\$3.30	45%
New Estimate	\$7.49	\$3.55	47%



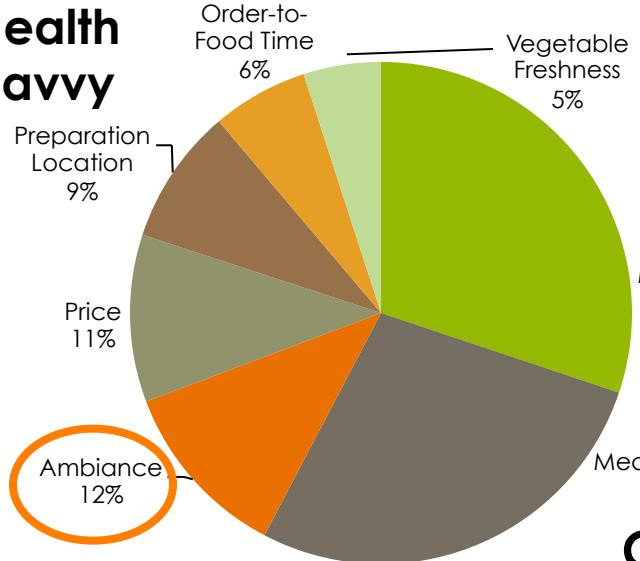
#4: Ambiance

- Bringing ambiance level up to par with other fast food/fast casual restaurants
- “Fast casual has shown that consumers respond to food quality, newness, and a fresh look.” (NPD Group)



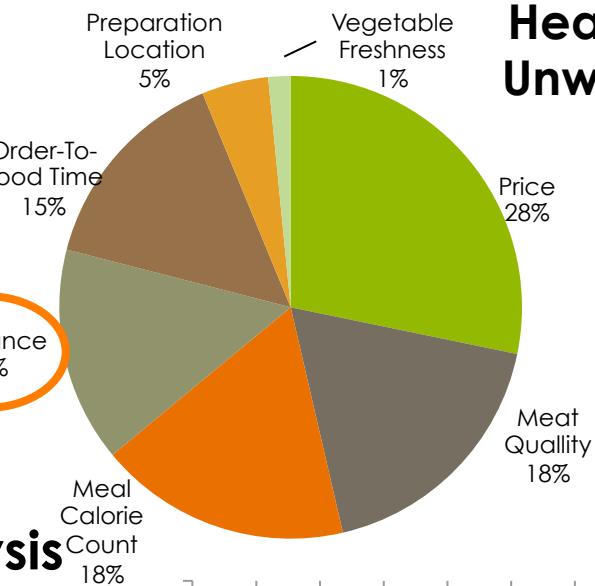
#4: Ambiance

Health Savvy

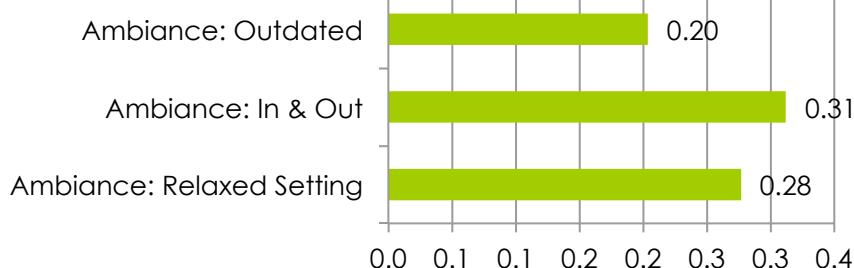
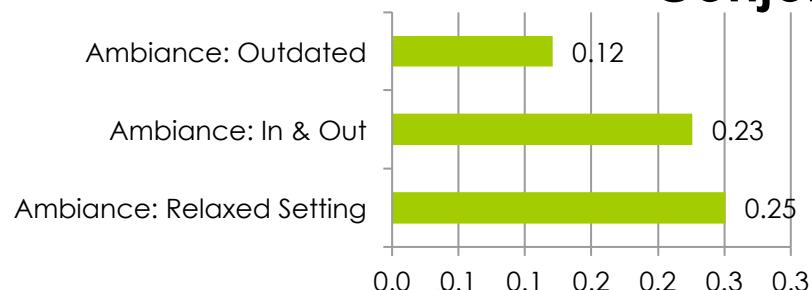


Feature Importance

Health Unwise



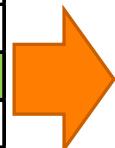
Conjoint Analysis



#4: Ambiance

- Subway's utility from ambiance could increase by shifting it up one level to be on the same level with the majority of the restaurants analyzed for the Health Savvy target

Restaurant	Ambiance Level	Utility
Chipotle	Relaxed Setting	0.2506
Jimmy Johns	In & Out	0.2260
Quiznos	In & Out	0.2260
Subway	Outdated	0.1208
McDonald's	Outdated	0.1208



Restaurant	Ambiance Level	Utility
Chipotle	Relaxed Setting	0.2506
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Subway	Relaxed Setting	0.2506
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#4: Ambiance

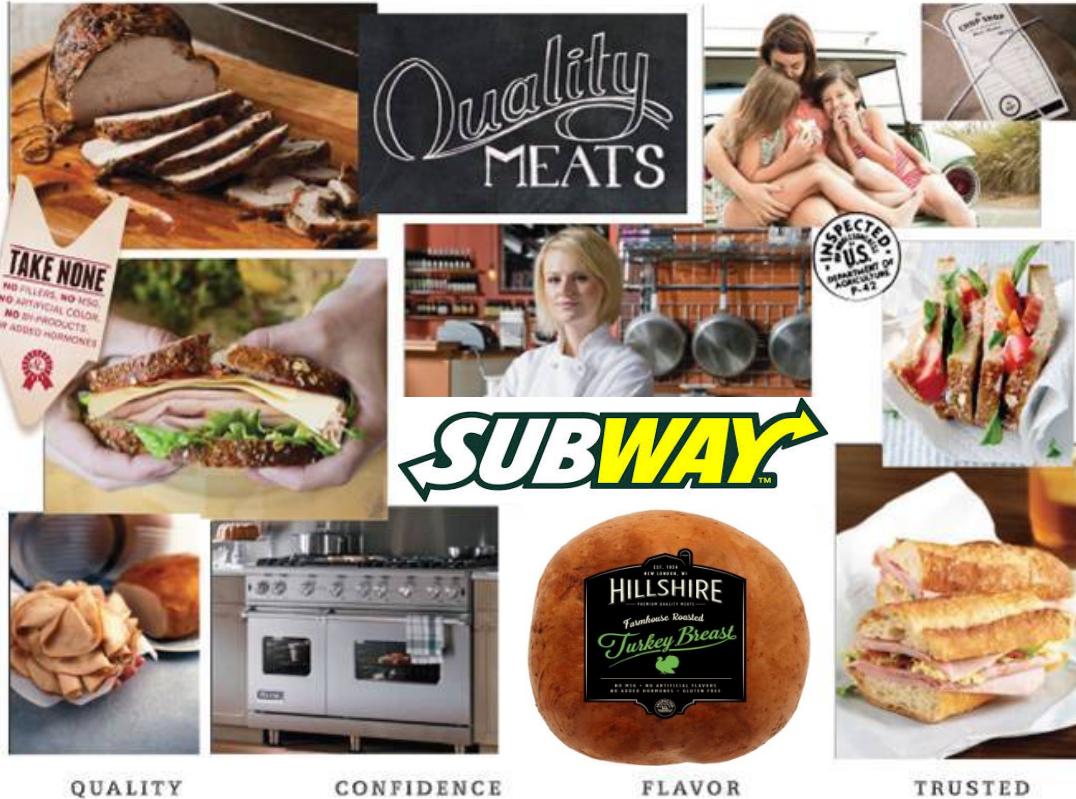


#5: Advertising Campaigns

- Conduct agency review to reimagine brand image
- Negotiate the cobranded campaign funds with meat partner
- Emphasize salad to appeal to health conscious and improve average margin



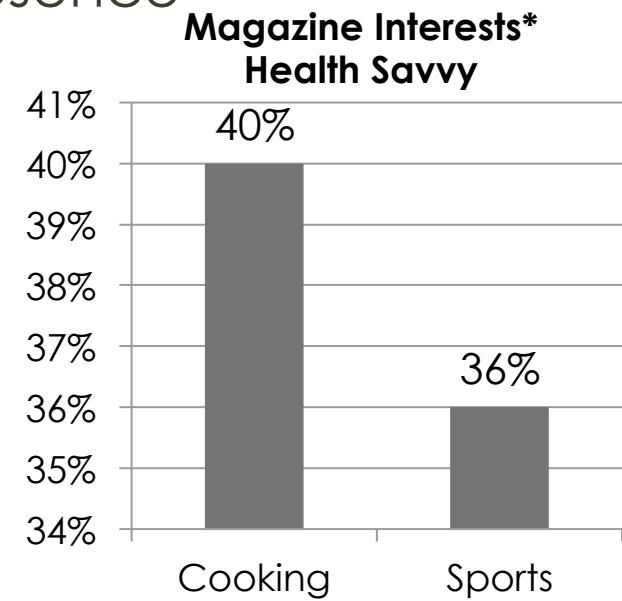
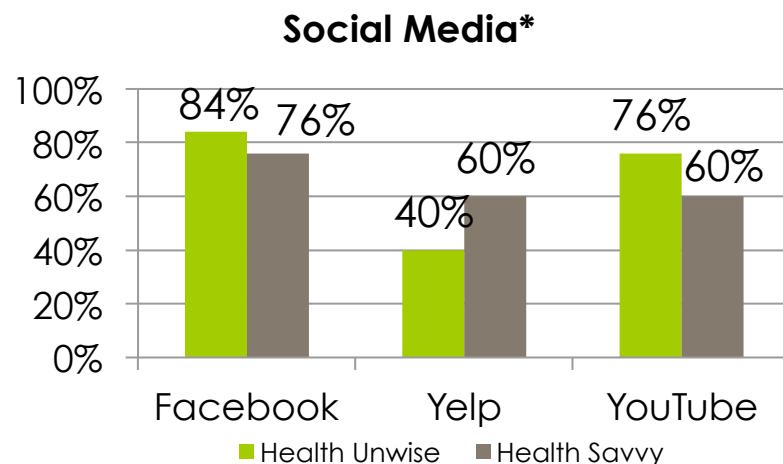
#5: Advertising Campaigns



SUBWAY

#5: Advertising Campaigns

- Media mix should include:
 - Advertise in cooking and sports magazines
 - Decrease celebrity endorsements
 - Increase social media presence



*From Conjoint Analysis Survey

#5: Advertising Campaigns



Recommendations Overview

Health Savvy
Focus

Cobrand
Meat

Edit Pricing
Strategy

Upgrade the
Ambiance

New Ad
Campaigns



Health Savvy: Total Product Utility Adjustments

Original Subway	Utility
Ambiance: Outdated	0.1208
Meal Calorie Count: 600 - 1,000 Calories	0.3758
Vegetable Freshness: Changed 4X/Week	0.1163
Preparation Location: Prep in Front	0.2192
Order-To-Food Time: 8 Minutes	0.1902
Meat Quality: Minimally Processed	0.3669
Price: \$6.00	0.0000
TPU:	1.3893

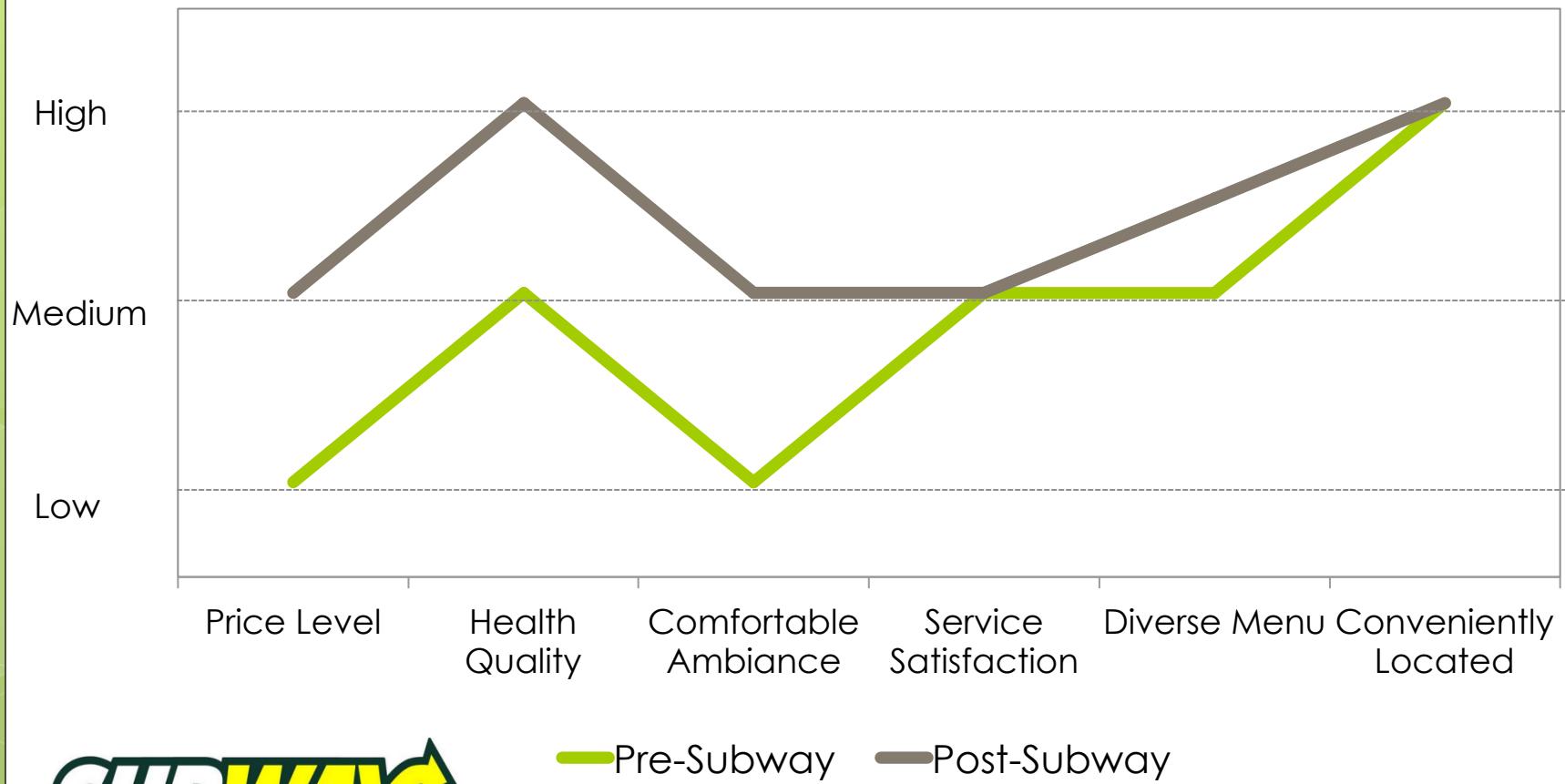


NEW
Subway TPU

New Subway	Utility
Ambiance: Relaxed Setting	0.2506
Meal Calorie Count: 600 - 1,000 Calories	0.3758
Vegetable Freshness: Changed 4X/Week	0.1163
Preparation Location: Prep in Front	0.2192
Order-To-Food Time: 8 Minutes	0.1902
Meat Quality: Hormone Free	0.4586
Price: \$10.00	0.0268
TPU:	1.6376



Subway Value Curve



— Pre-Subway — Post-Subway

Appendix

Background

- American franchise restaurant
- Submarine style sandwiches
- Founded in Bridgeport, CT in 1965
- 39,282 restaurants in 102 countries/territories*



*As of April 26, 2013

Methodology

Survey #1: Perceptual Map

- May 5-18, 2013
- Sample Sizes: 61
 - Health Unwise: 24
 - Health Savvy: 37

Survey #2: Conjoint Analysis

- May 5-18, 2013
- Sample Sizes: 46
 - Health Unwise: 21
 - Health Savvy: 25



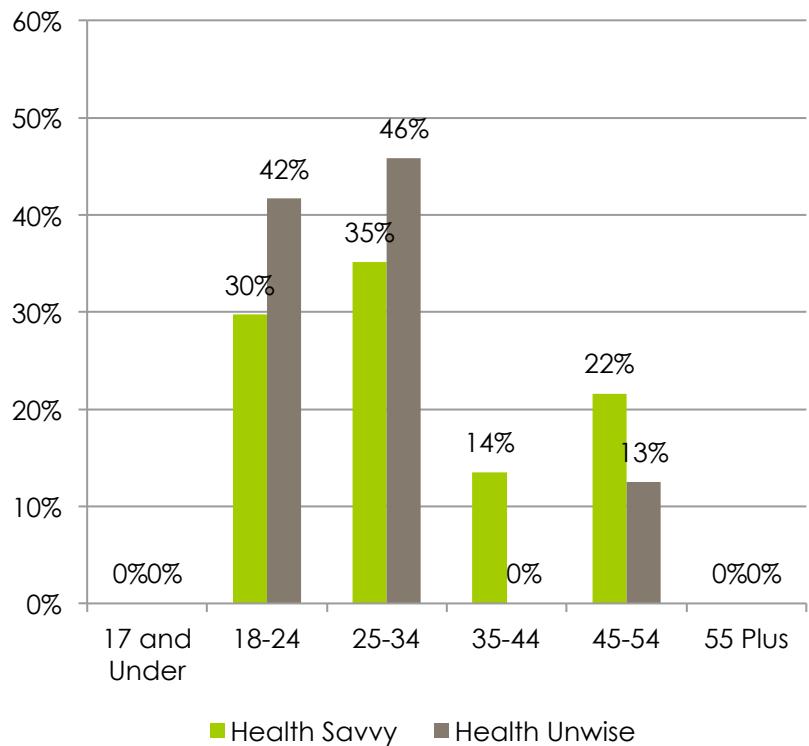
Survey Questions

Demographics, Screeners, Behavioral

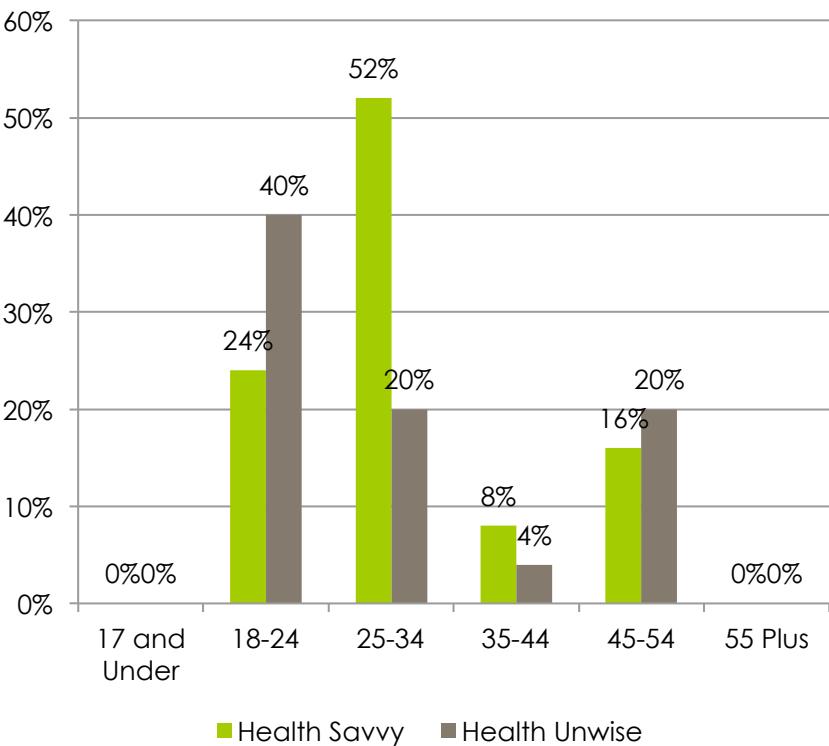


Age

Perceptual Map Survey



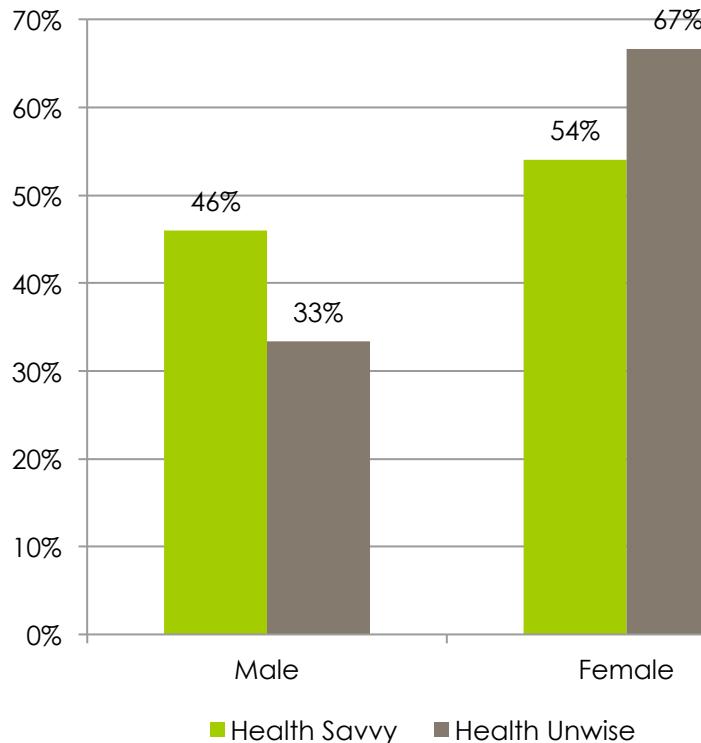
Conjoint Analysis Survey



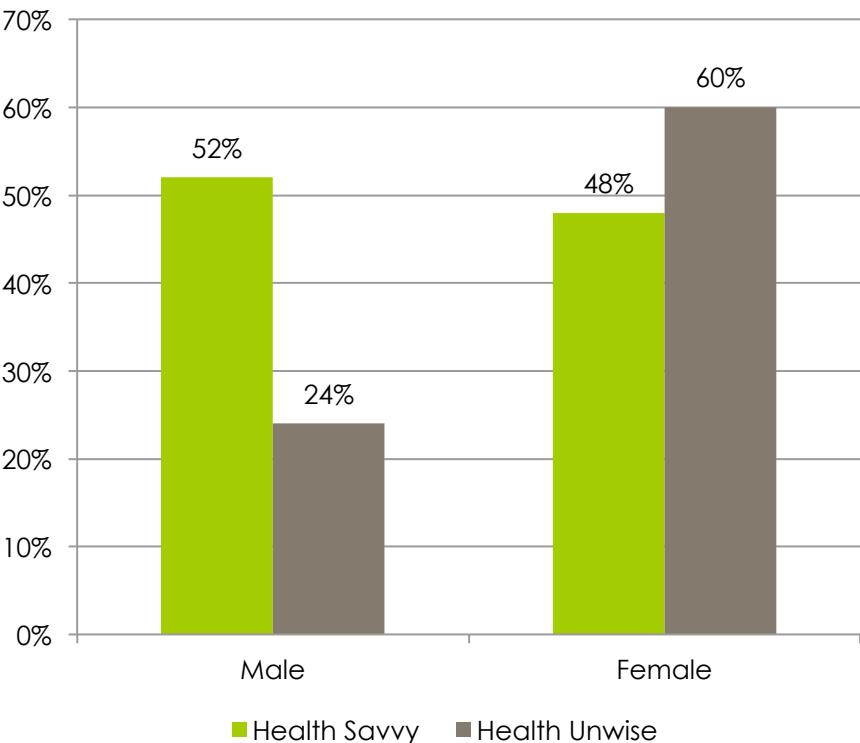
Q2. Please indicate your age.

Gender

Perceptual Map Survey



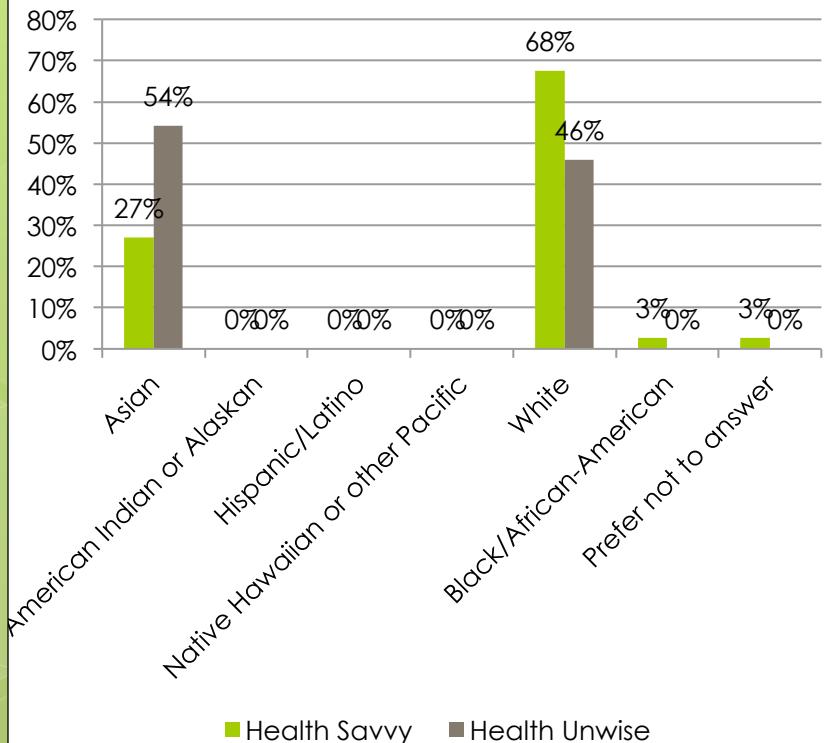
Conjoint Analysis Survey



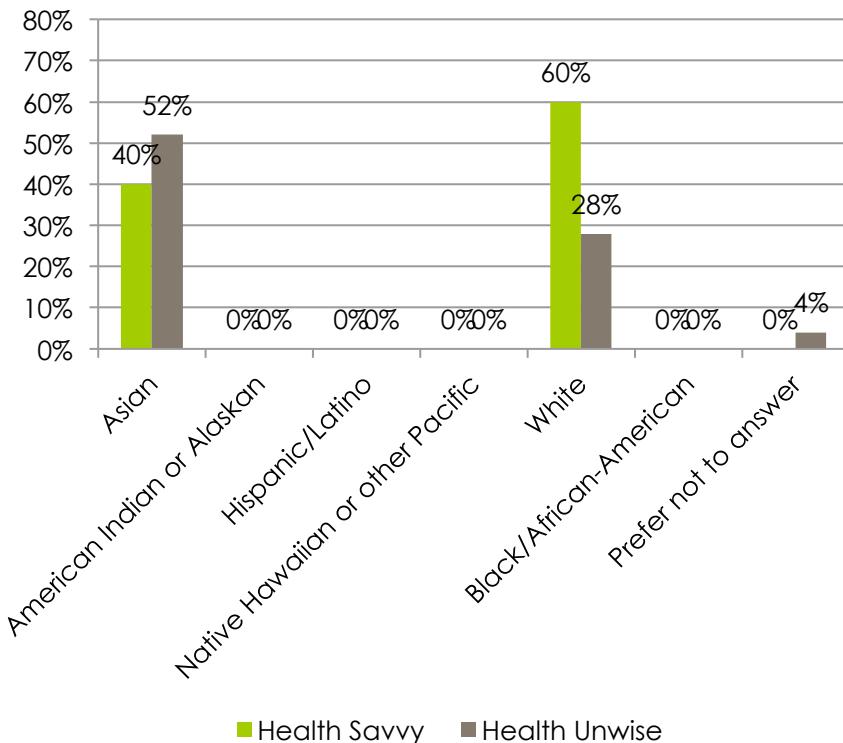
Q21. Please select your gender.

Ethnicity

Perceptual Map Survey



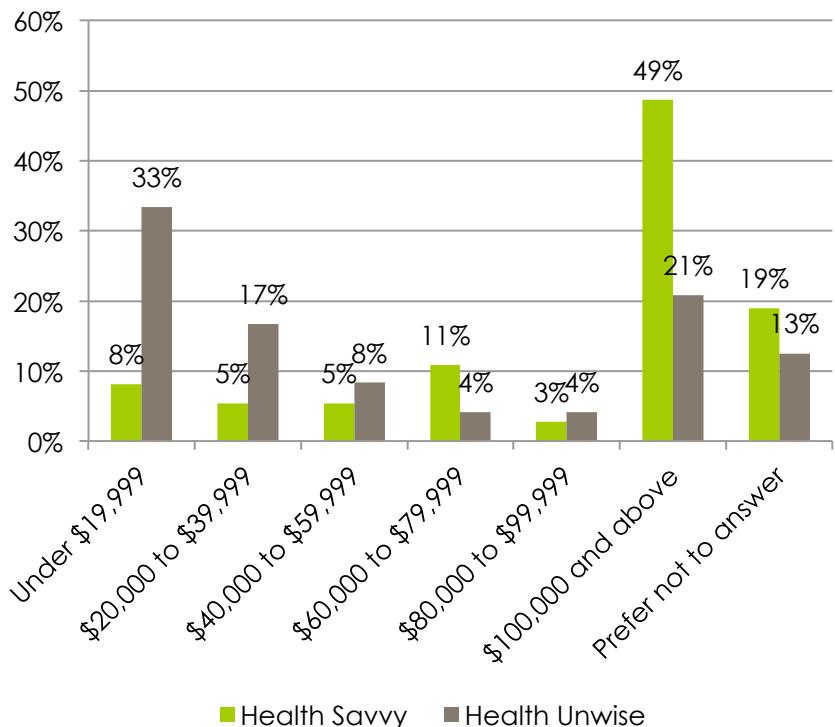
Conjoint Analysis Survey



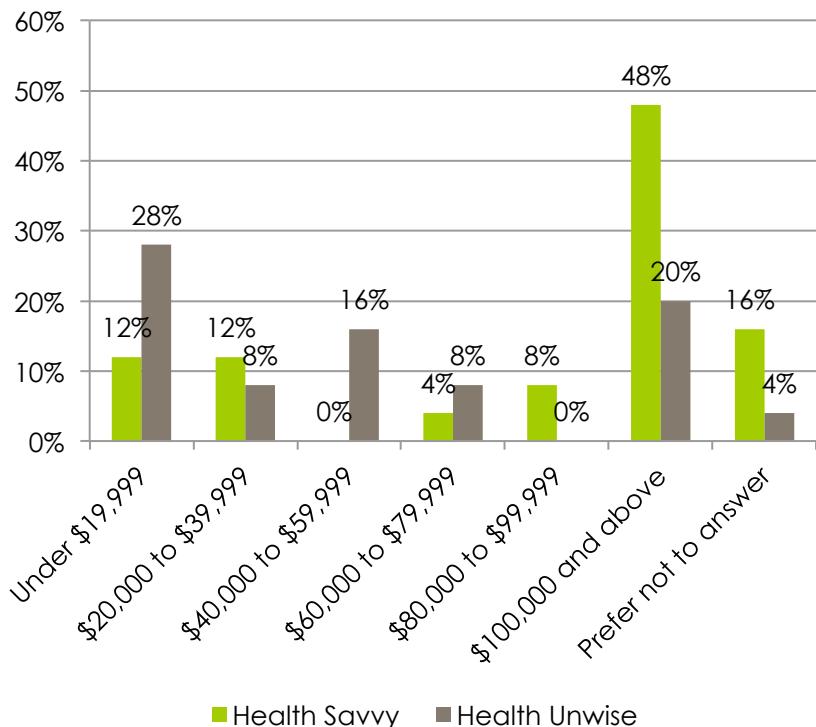
Q22. Please indicate your ethnicity.

Income

Perceptual Map Survey



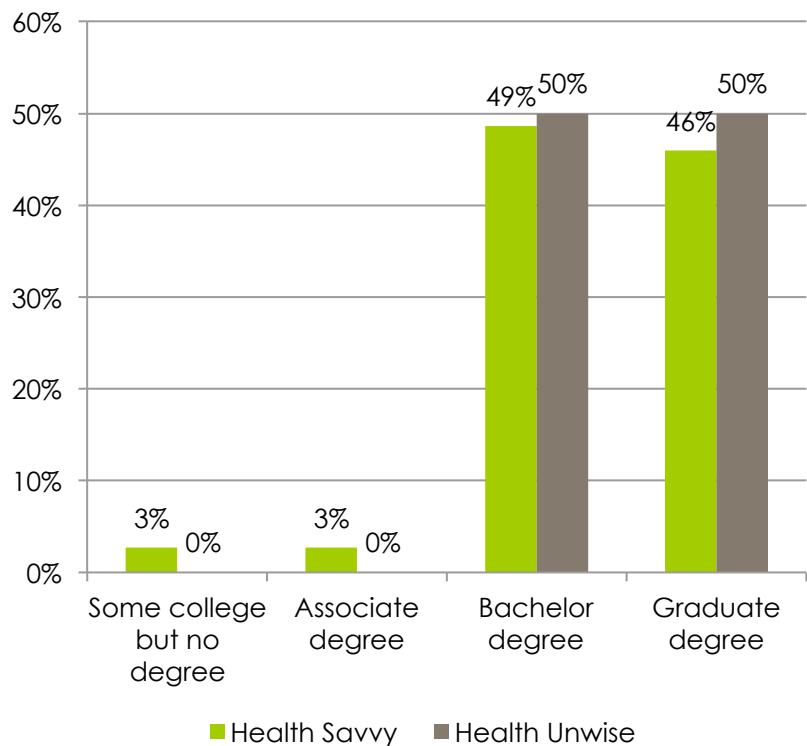
Conjoint Analysis Survey



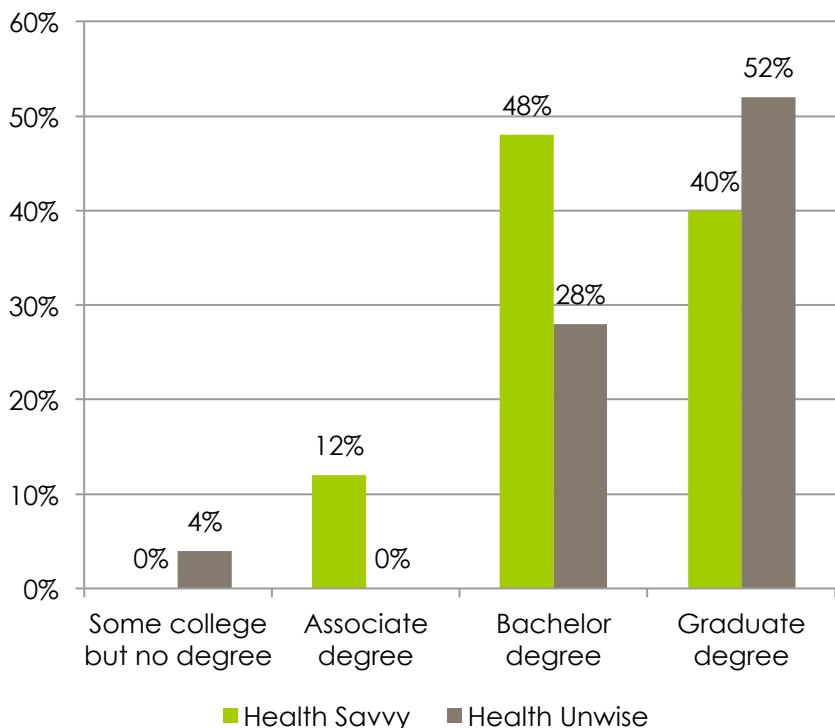
Q24. What is your annual household income?

Education

Perceptual Map Survey



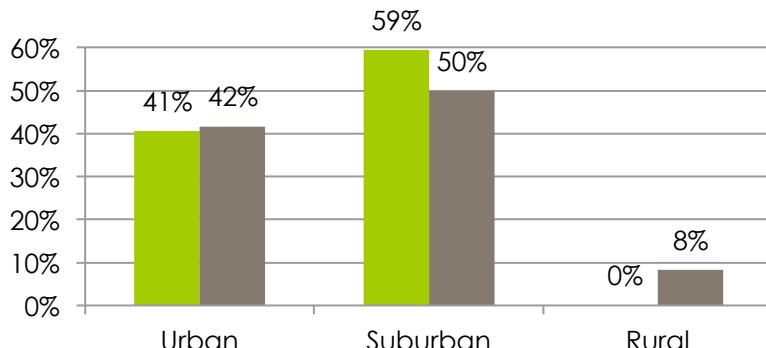
Conjoint Analysis Survey



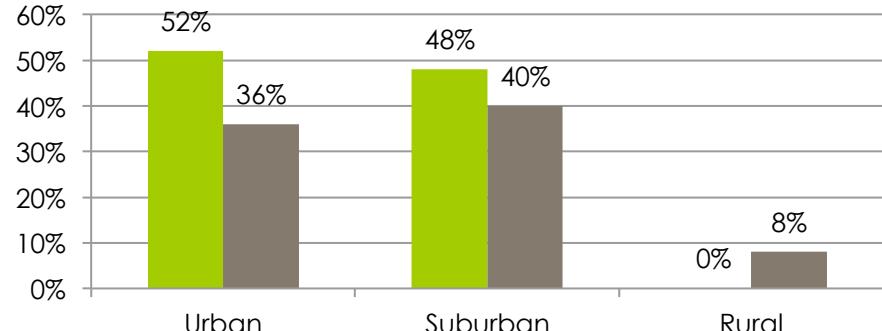
Q23. What is the highest level of education you have completed?

Work and Live Regions

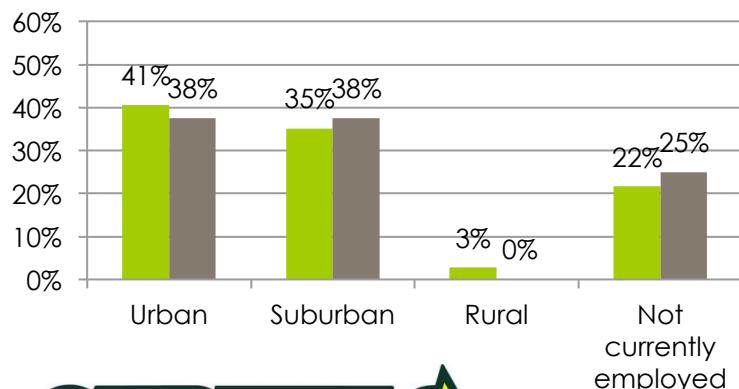
PM: Live



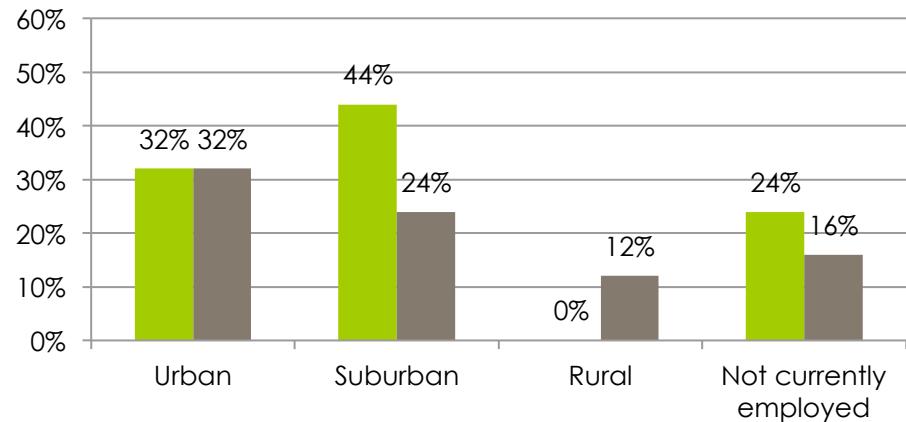
CA: Live



PM: Work



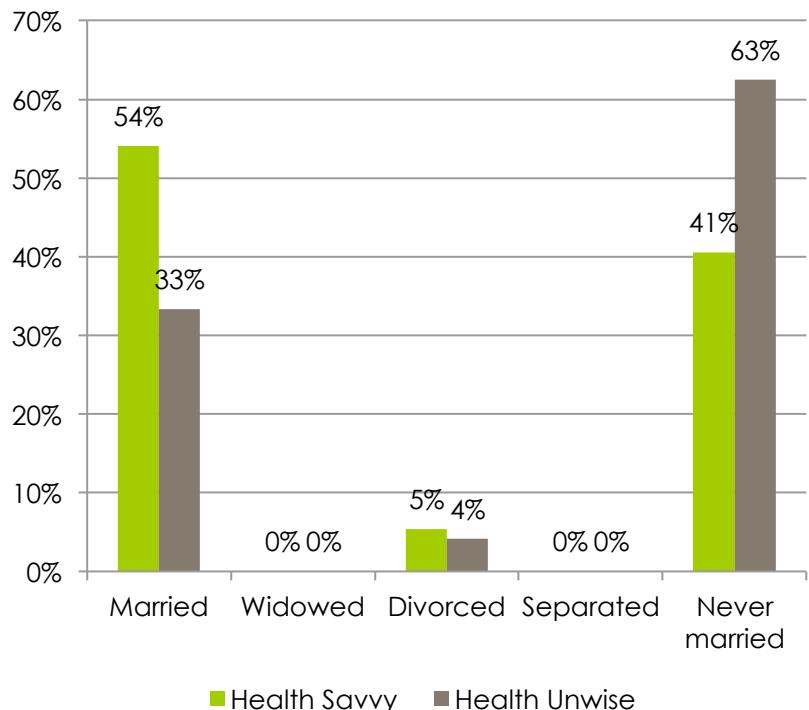
CA: Work



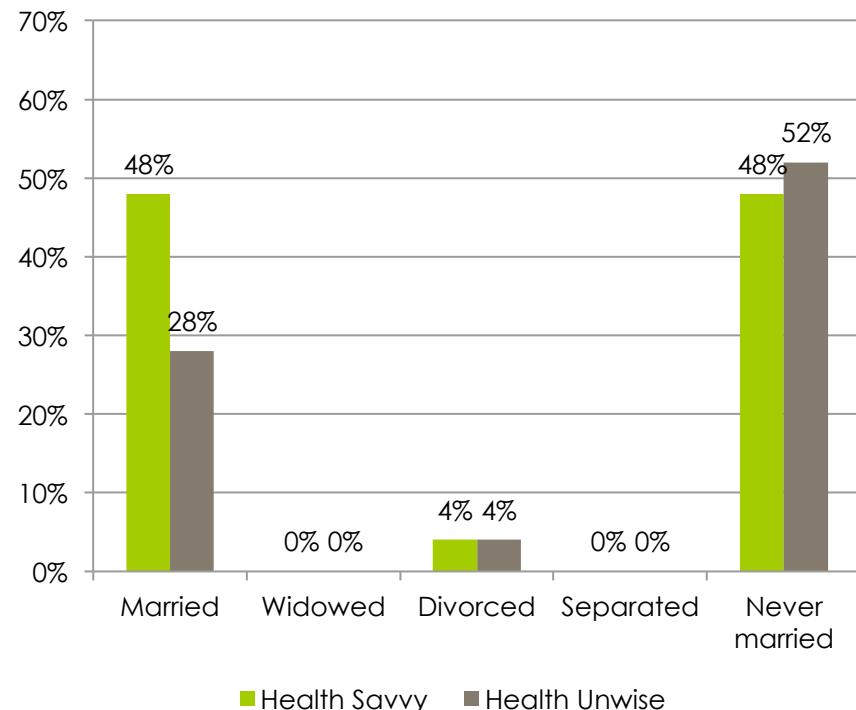
Q25. Please indicate the area you WORK./ Q26. Please indicate the area you LIVE.

Marital Status

Perceptual Map Survey



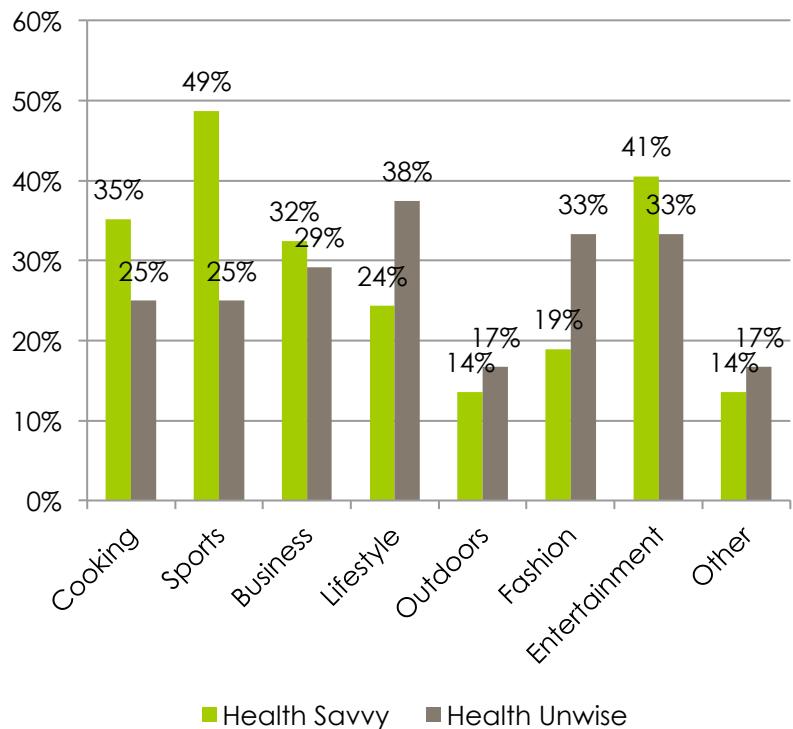
Conjoint Analysis Survey



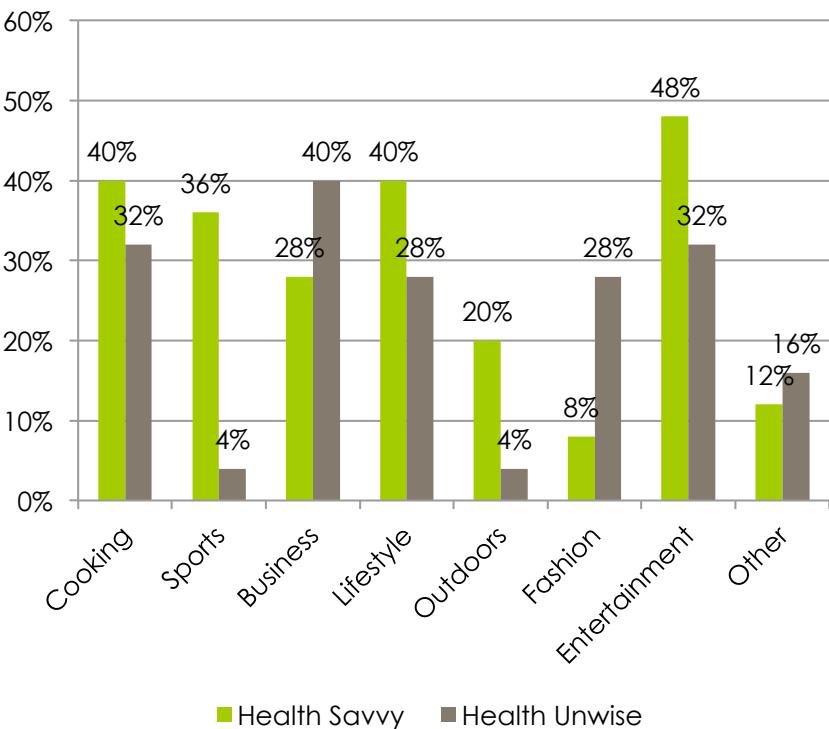
Q27. Are you now married, widowed, divorced, separated, or never married?

Magazines/Interests

Perceptual Map Survey



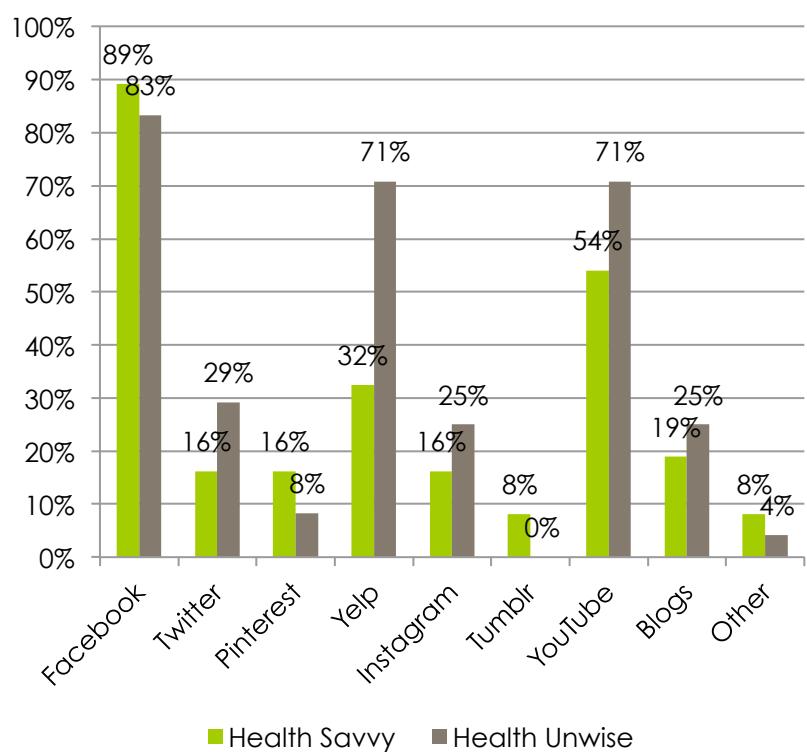
Conjoint Analysis Survey



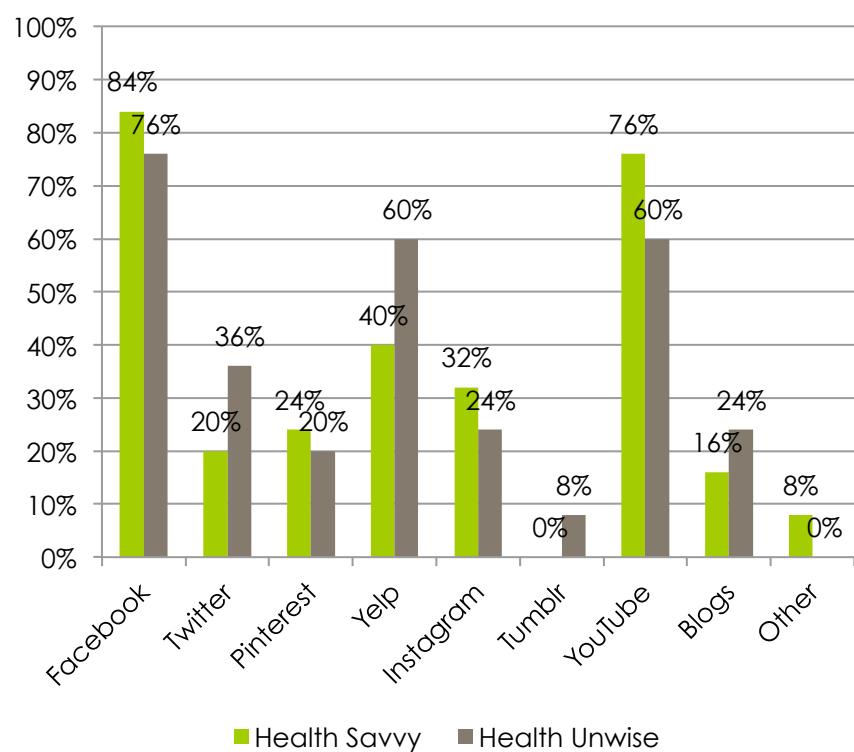
Q28. What type of magazines do you read? (Check all that apply)

Social Media

Perceptual Map Survey



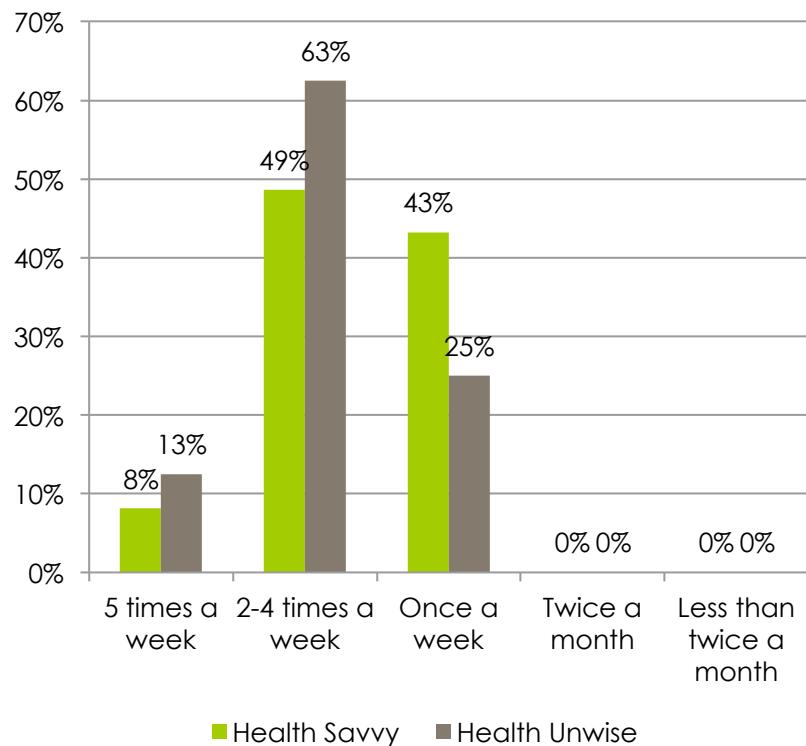
Conjoint Analysis Survey



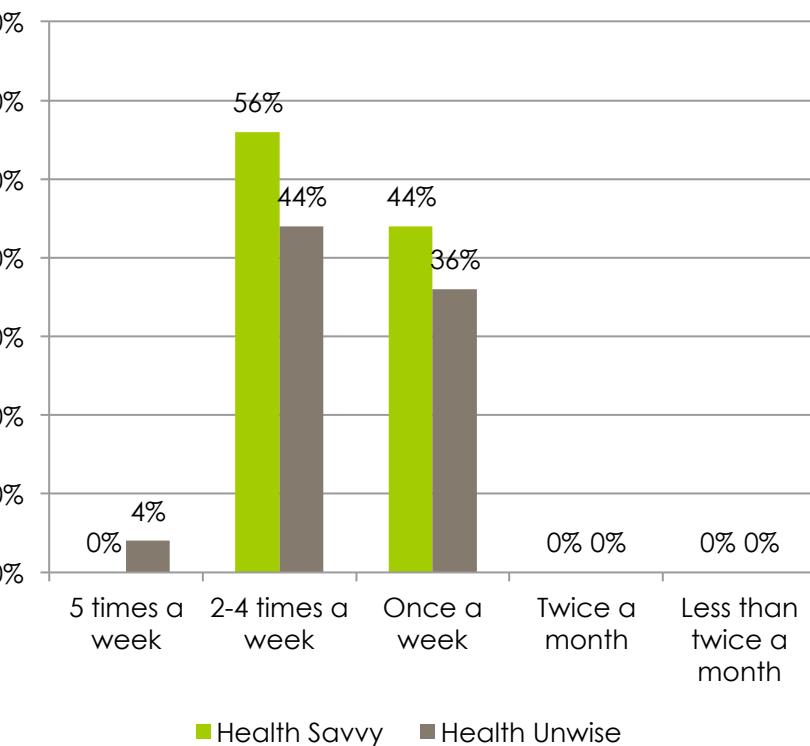
Q29. What types of social media do you use? (Check all that apply)

Fast Food Frequency

Perceptual Map Survey



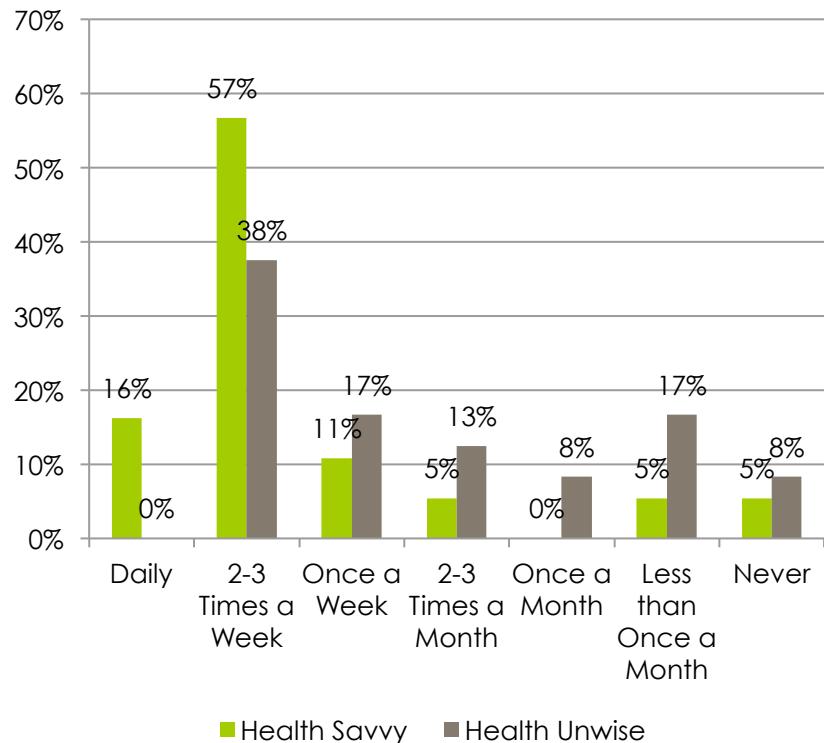
Conjoint Analysis Survey



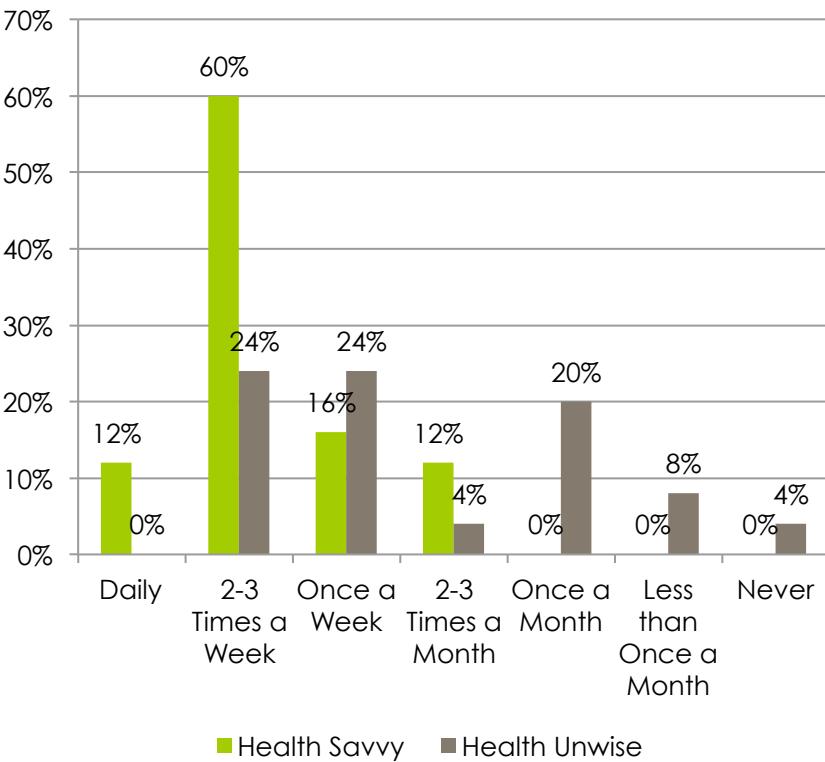
Q3. On average how frequent do you eat out at fast food or fast casual restaurants?

Exercising Frequency

Perceptual Map Survey



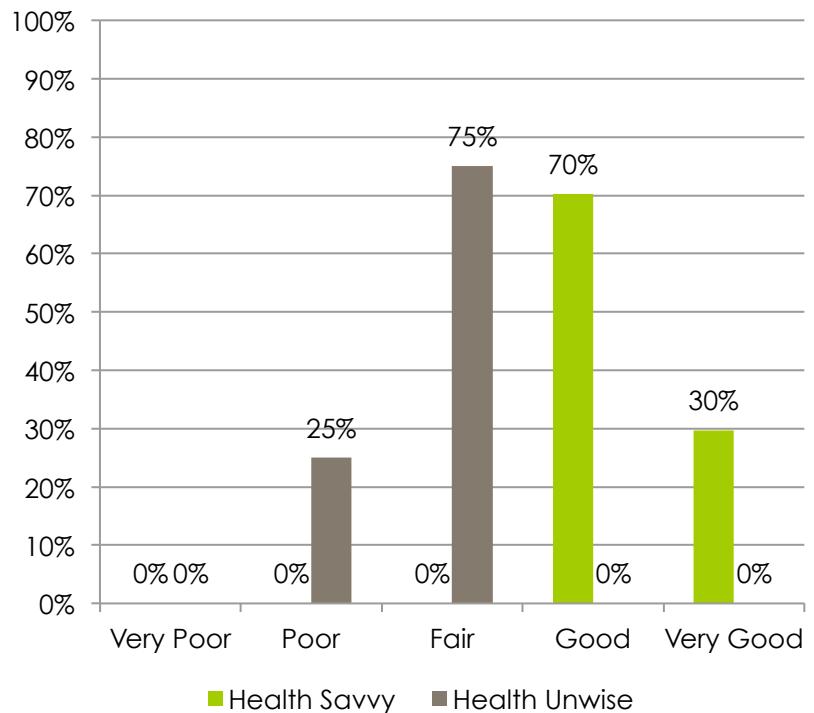
Conjoint Analysis Survey



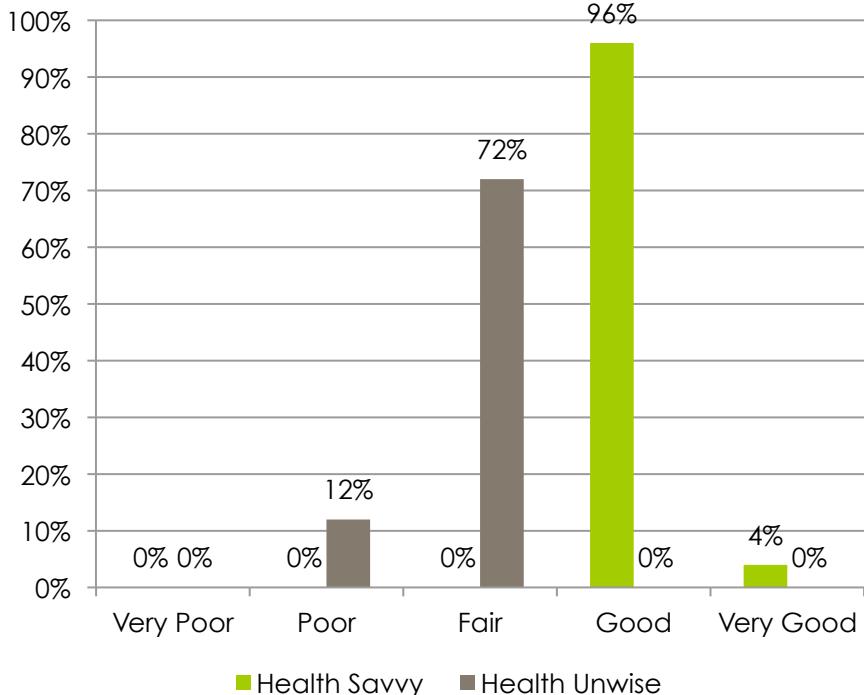
Q4. How many times a week do you exercise?

Health Conscious

Perceptual Map Survey



Conjoint Analysis Survey



Q5. How health conscious do you consider yourself?

Average Spend on Fast Food

Perceptual Map Survey

Health Savvy	Health Unwise
\$9.63	\$8.84

Conjoint Analysis Survey

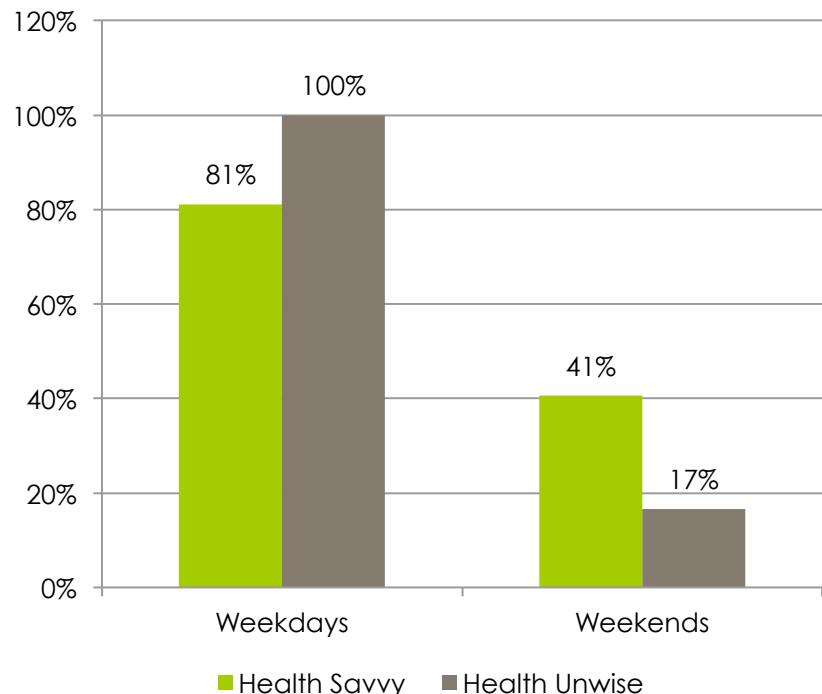
Health Savvy	Health Unwise
\$7.40	\$7.85



Q6. How much do you typically spend on a meal when eating at a fast food/fast casual restaurant?

Visiting Preference

Perceptual Map Survey



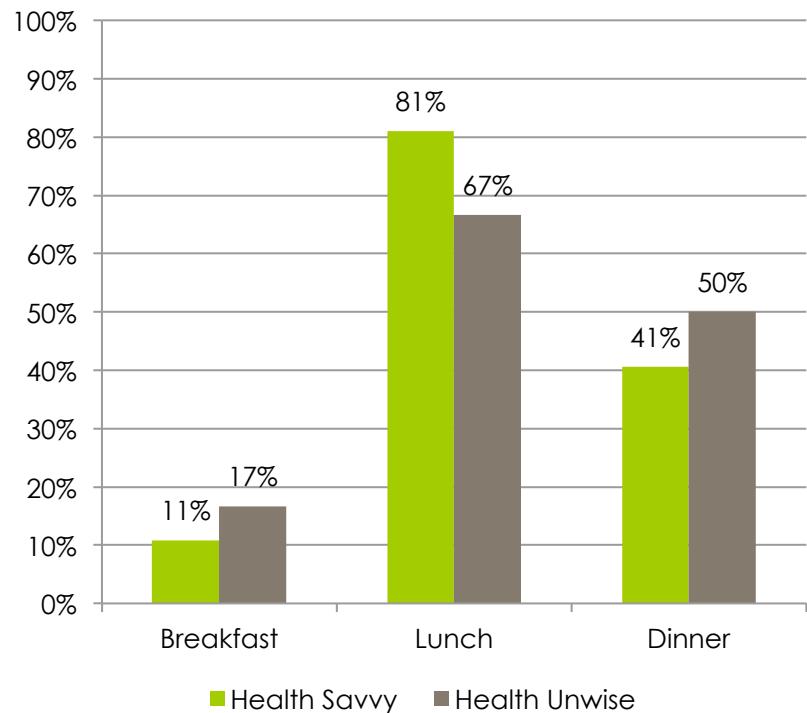
Conjoint Analysis Survey



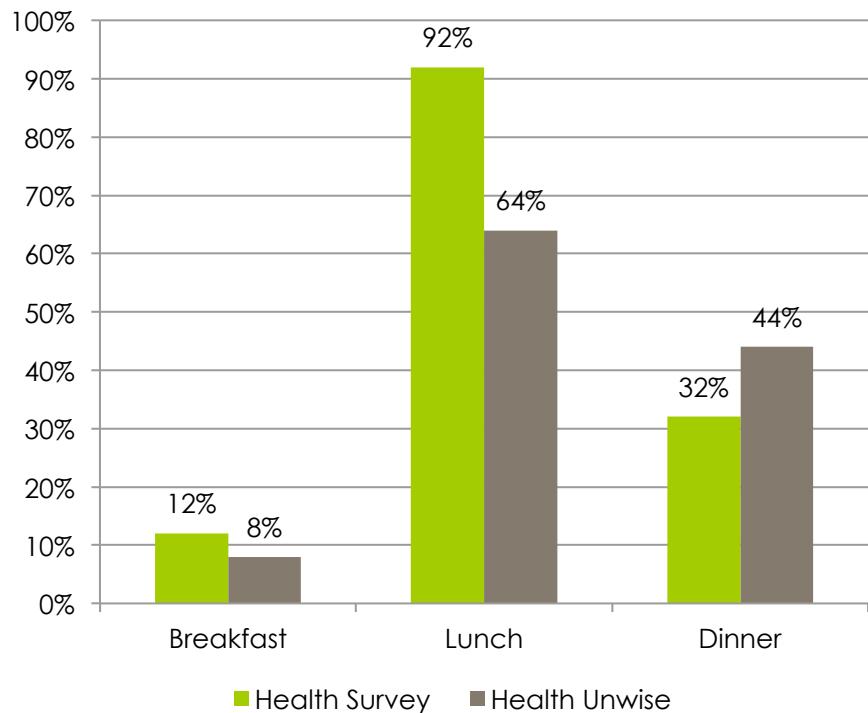
Q7. When do you prefer to visit fast food/fast casual restaurants? (select all that apply)

Meal Preference

Perceptual Map Survey



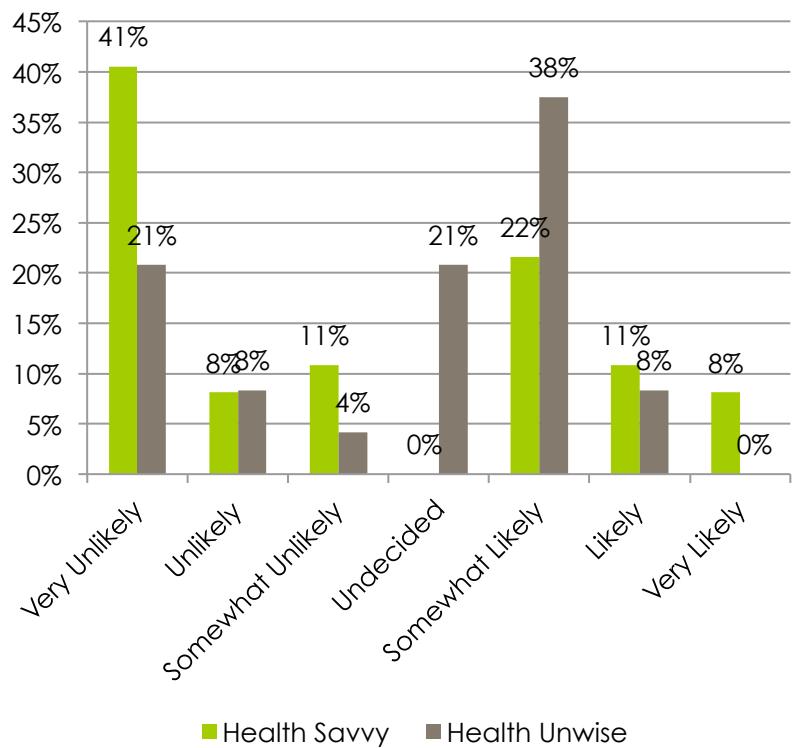
Conjoint Analysis Survey



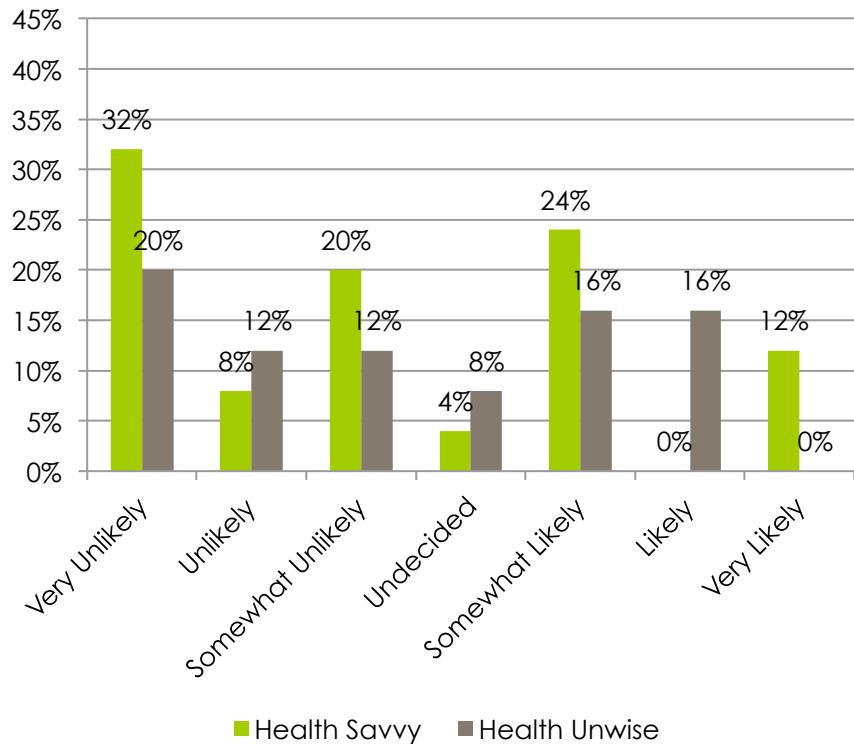
Q8. What meal do you prefer to eat out for? (select all that apply)

Drive Thru Likelihood

Perceptual Map Survey



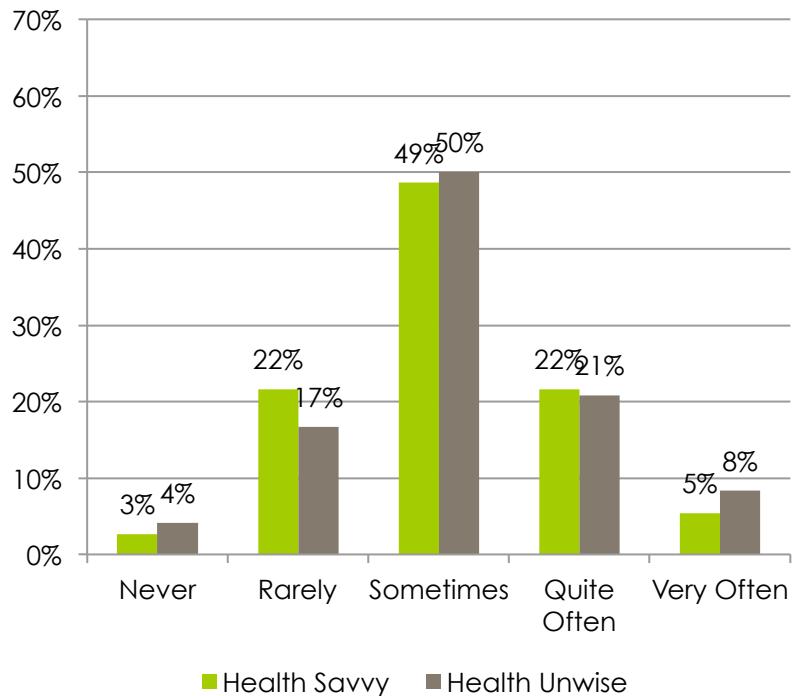
Conjoint Analysis Survey



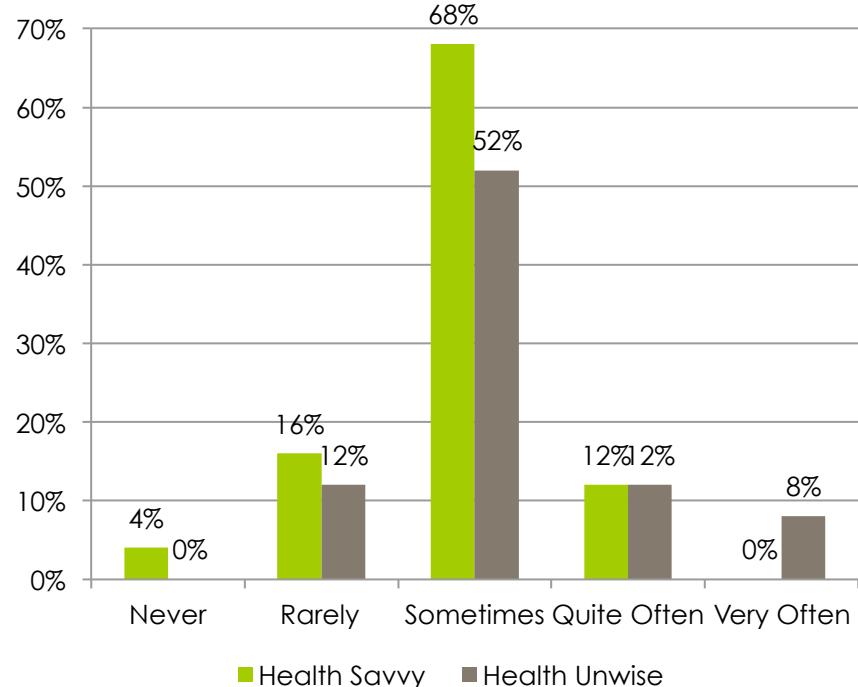
Q9. How likely are you to use the drive thru when eating at fast food/fast casual restaurants?

Eating Inside Frequency

Perceptual Map Survey



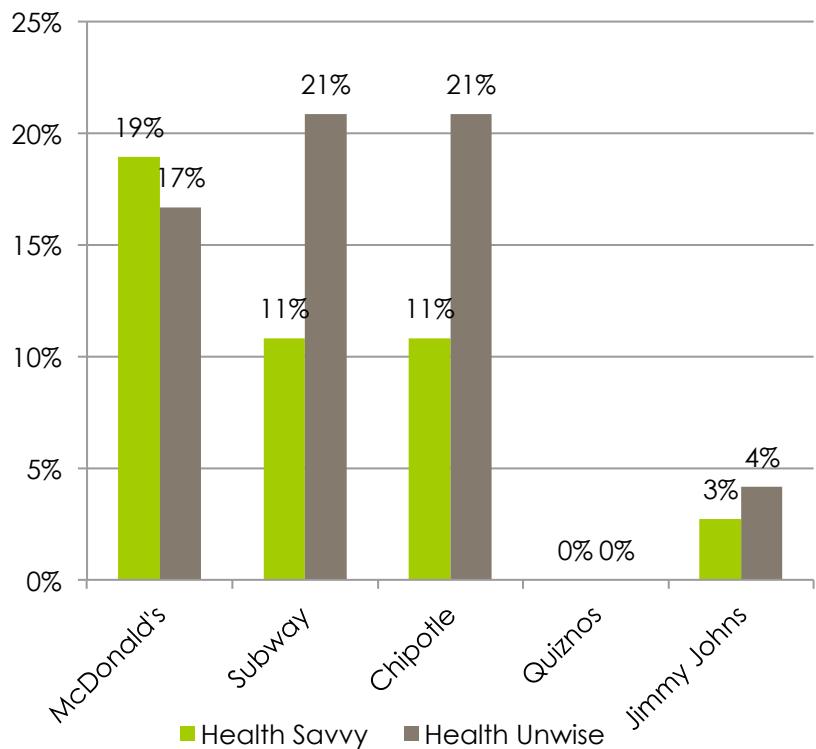
Conjoint Analysis Survey



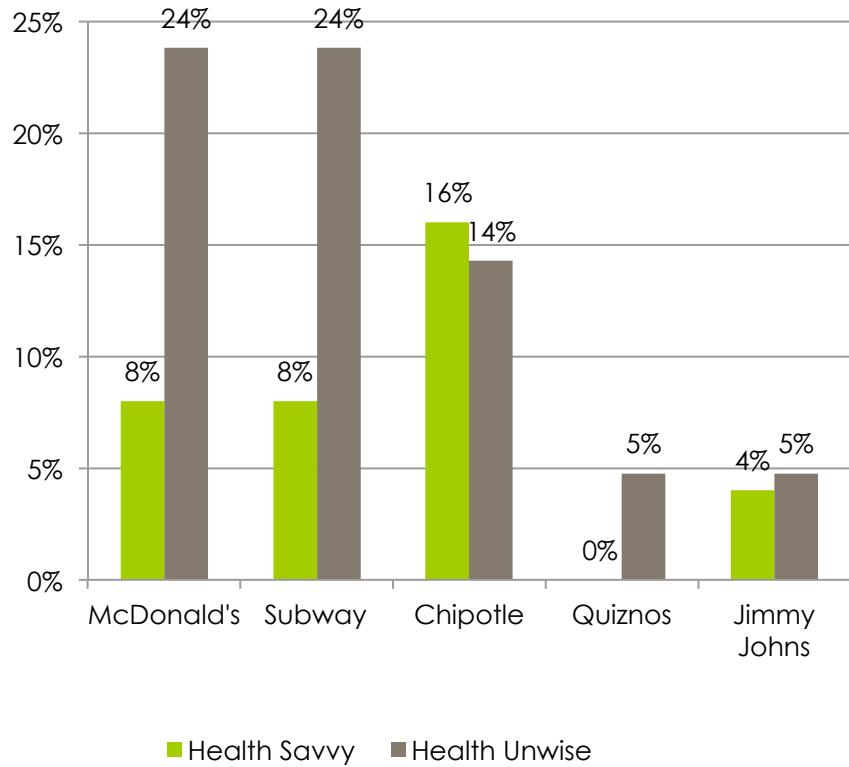
Q10. How often do you eat INSIDE a fast food/fast casual restaurant?

Restaurant Frequency: T3B

Perceptual Map Survey



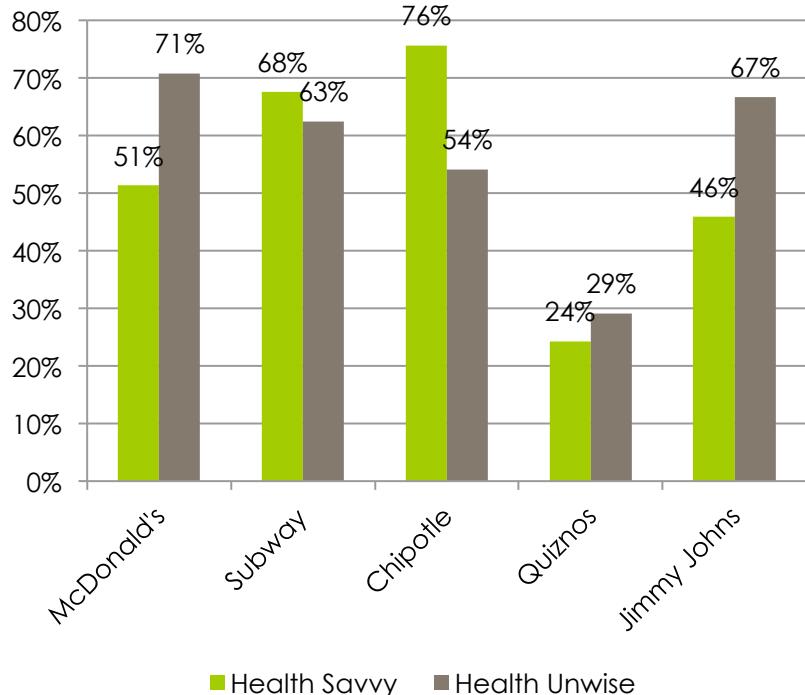
Conjoint Analysis Survey



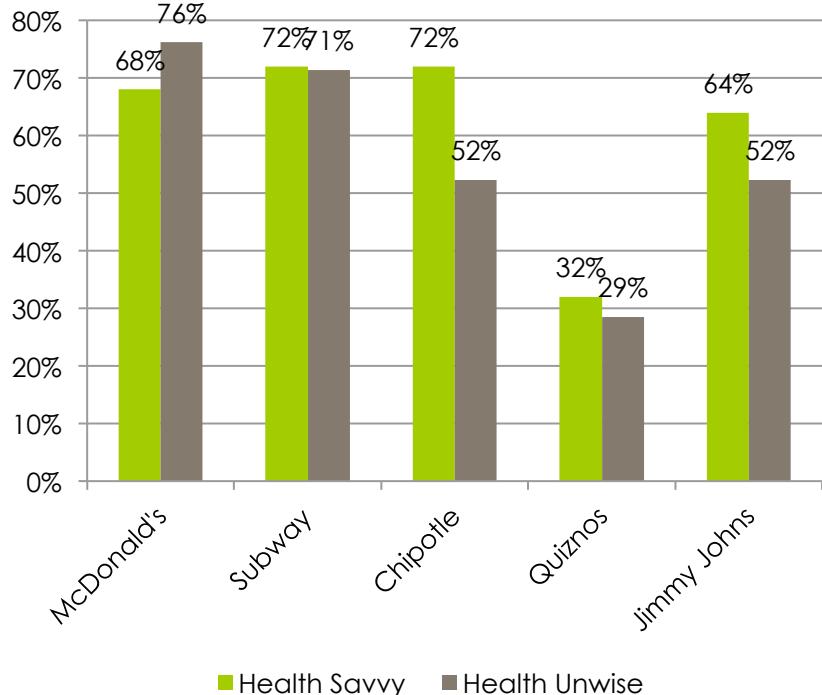
Q11. How often do you frequent the restaurants below?

Restaurant Frequency: B3B

Perceptual Map Survey



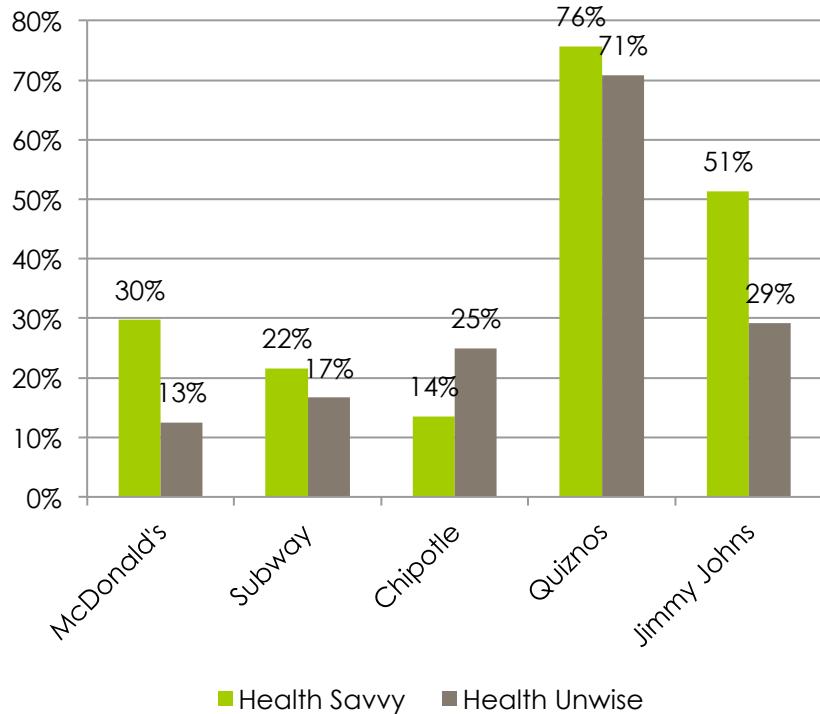
Conjoint Analysis Survey



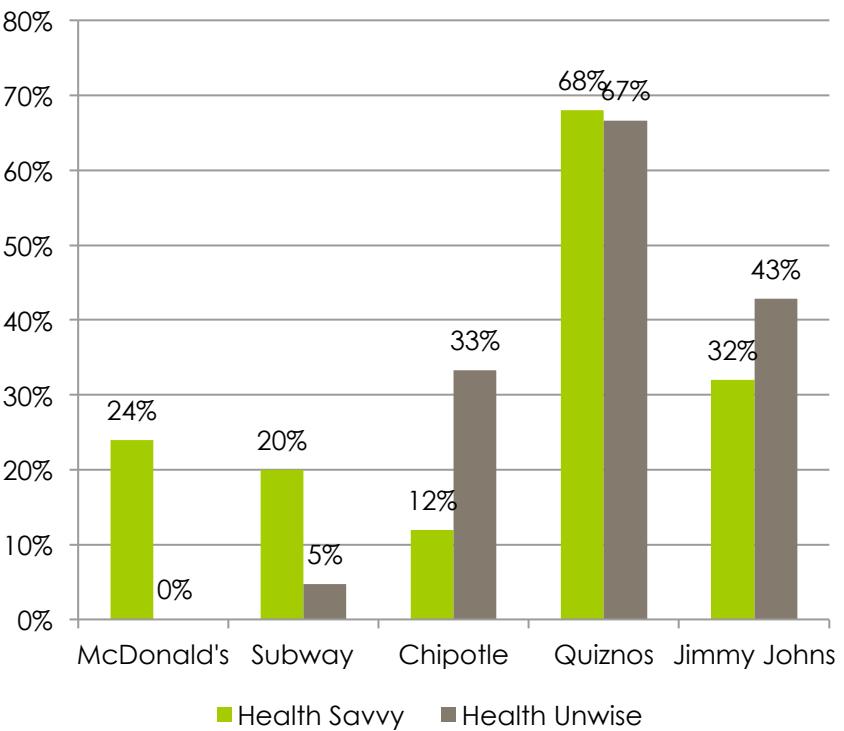
Q11. How often do you frequent the restaurants below?

Restaurant Frequency: Never

Perceptual Map Survey



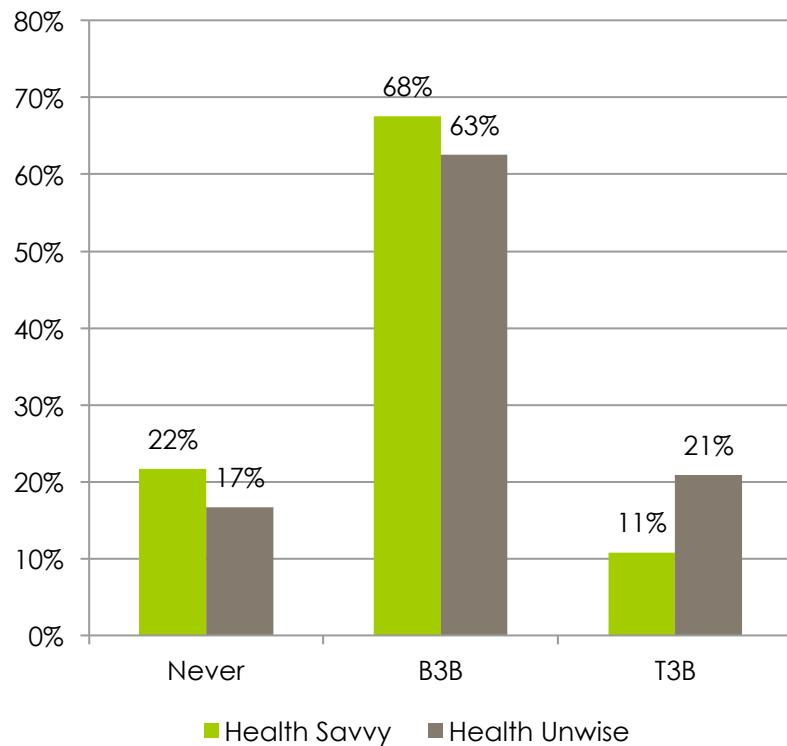
Conjoint Analysis Survey



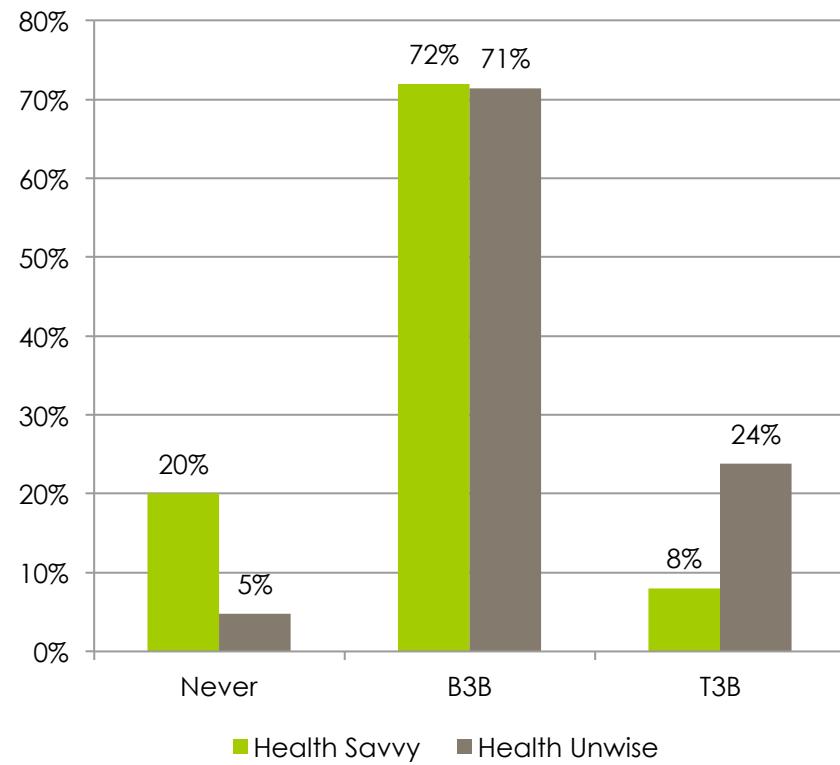
Q11. How often do you frequent the restaurants below?

Subway Frequency

Perceptual Map Survey



Conjoint Analysis Survey



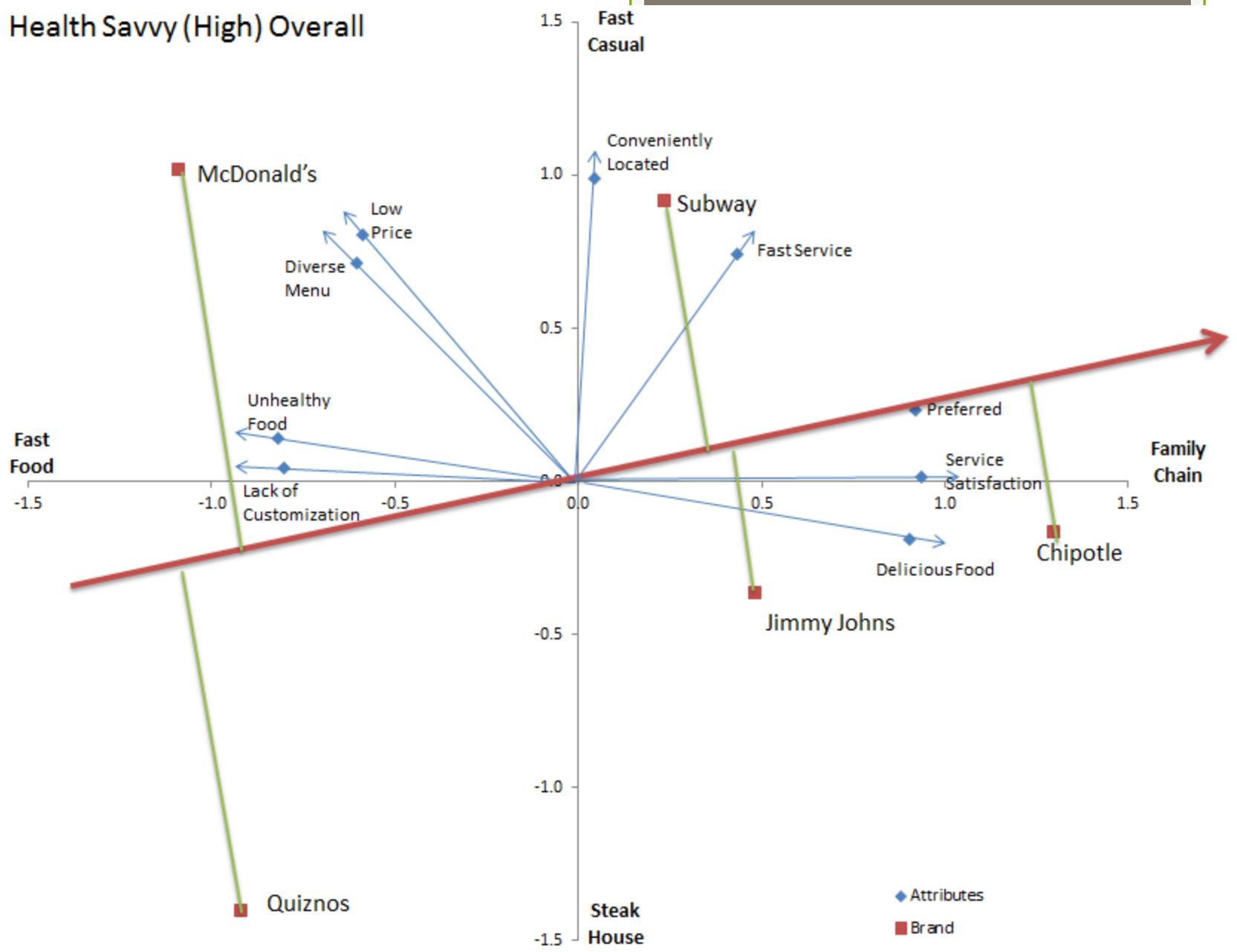
Q11. How often do you frequent the restaurants below?

Perceptual Map

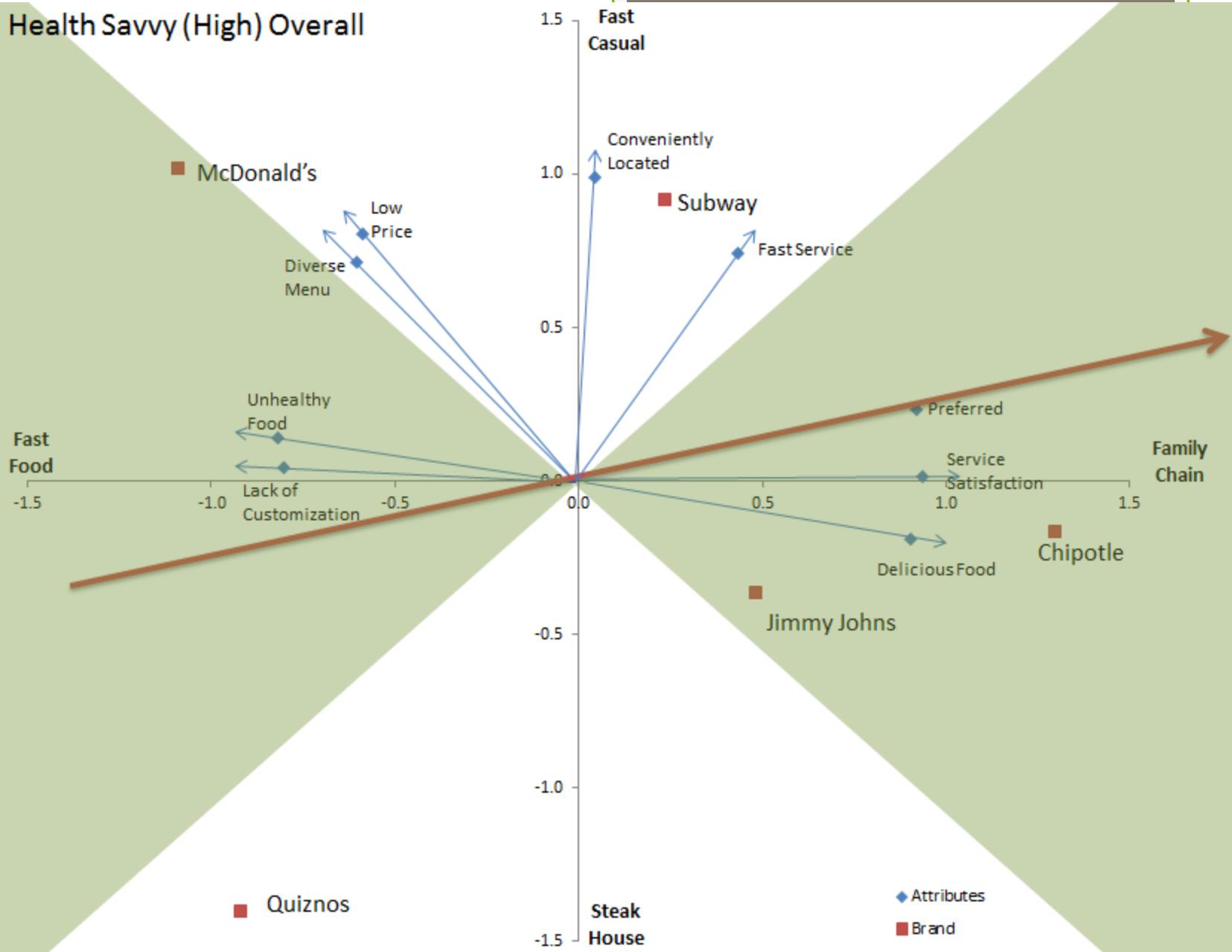
Health Savvy (High Health Conscious)



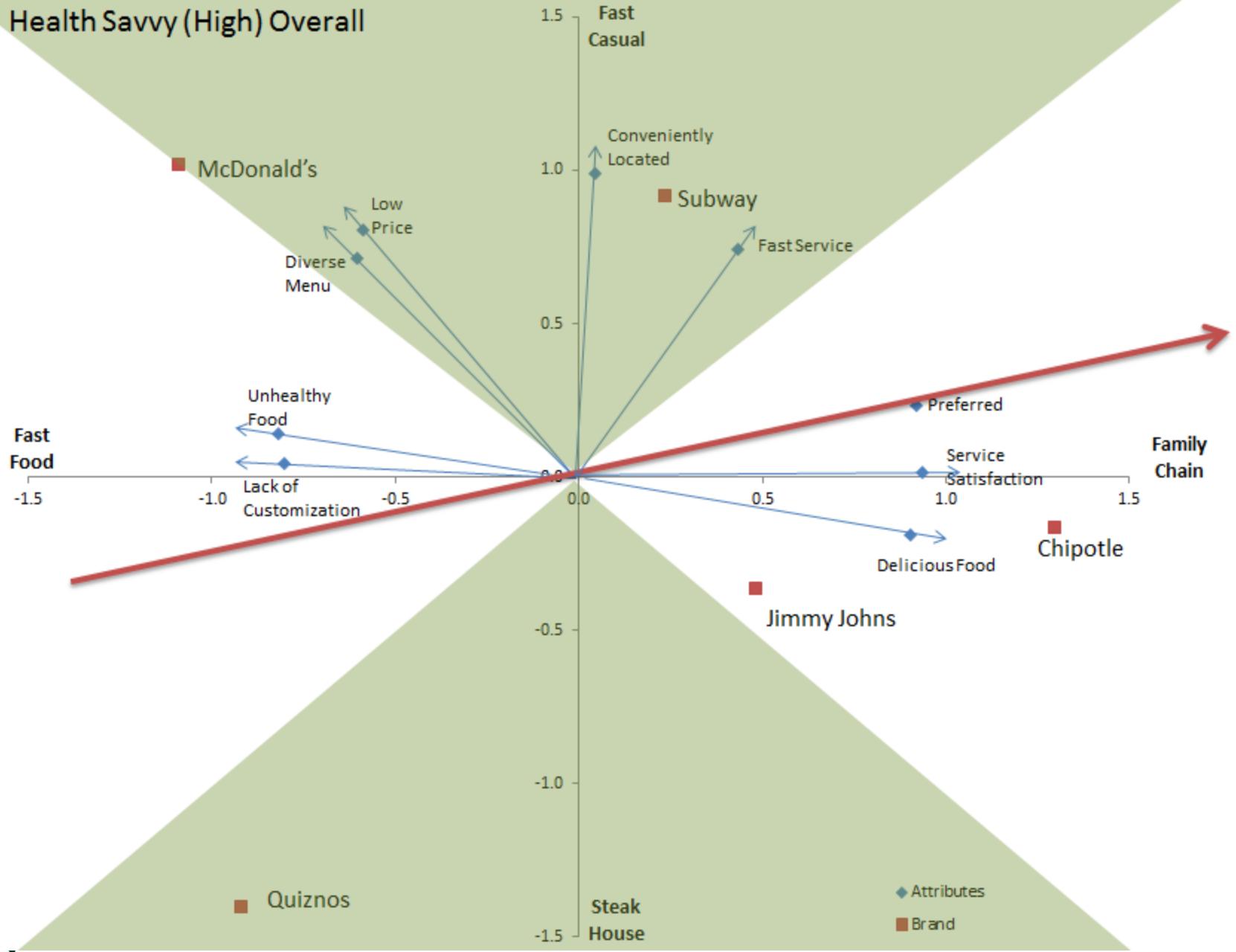
Health Savvy (High) Overall



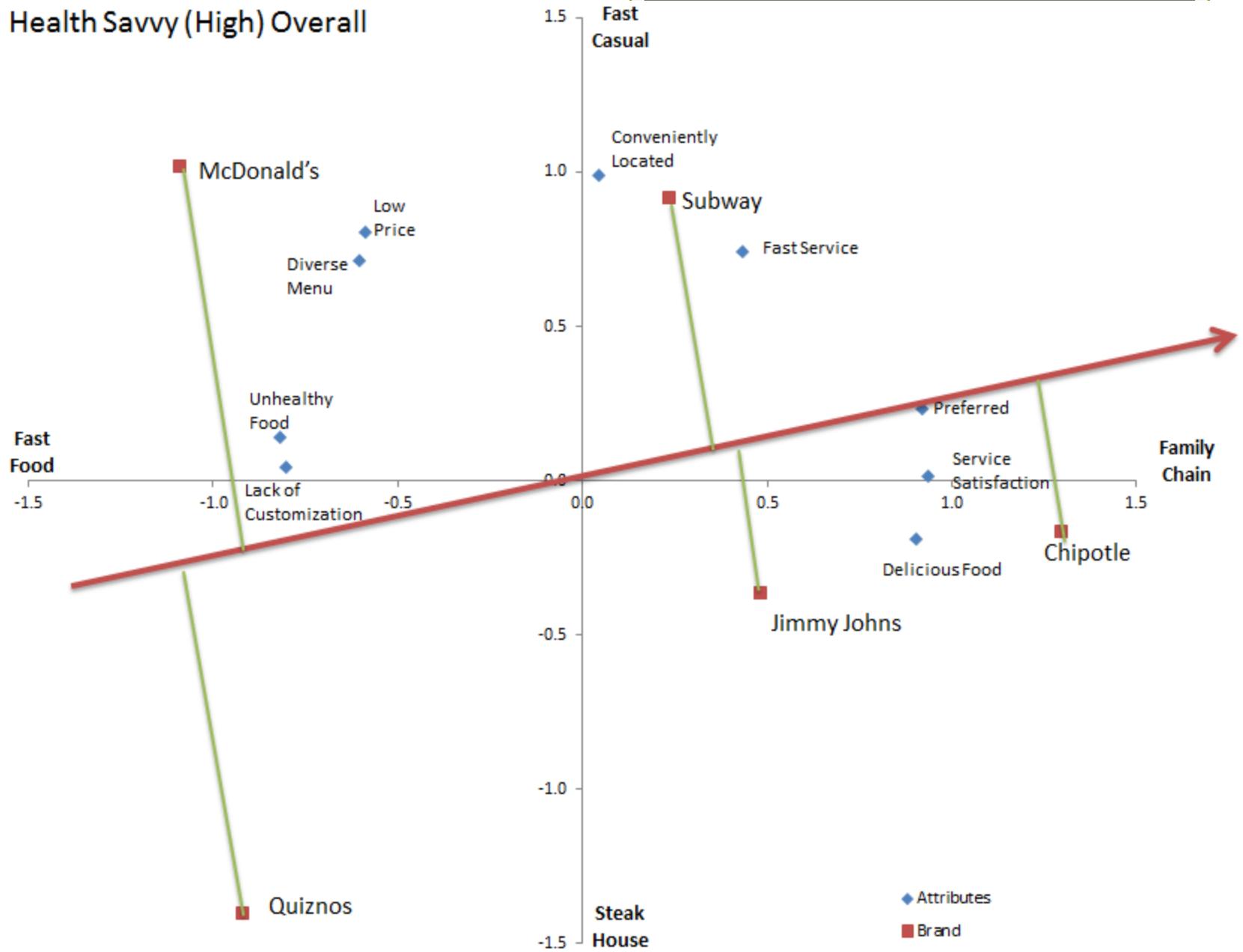
Health Savvy (High) Overall



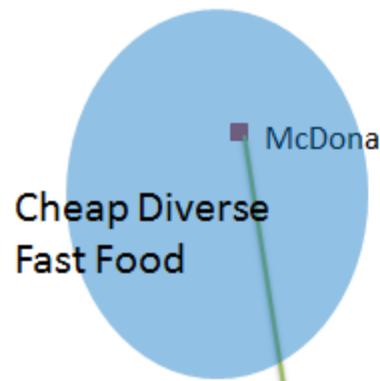
Health Savvy (High) Overall



Health Savvy (High) Overall



Health Savvy (High) Overall



Fast Food

-1.5 -1.0 -0.5 0.0 0.5 1.0 1.5

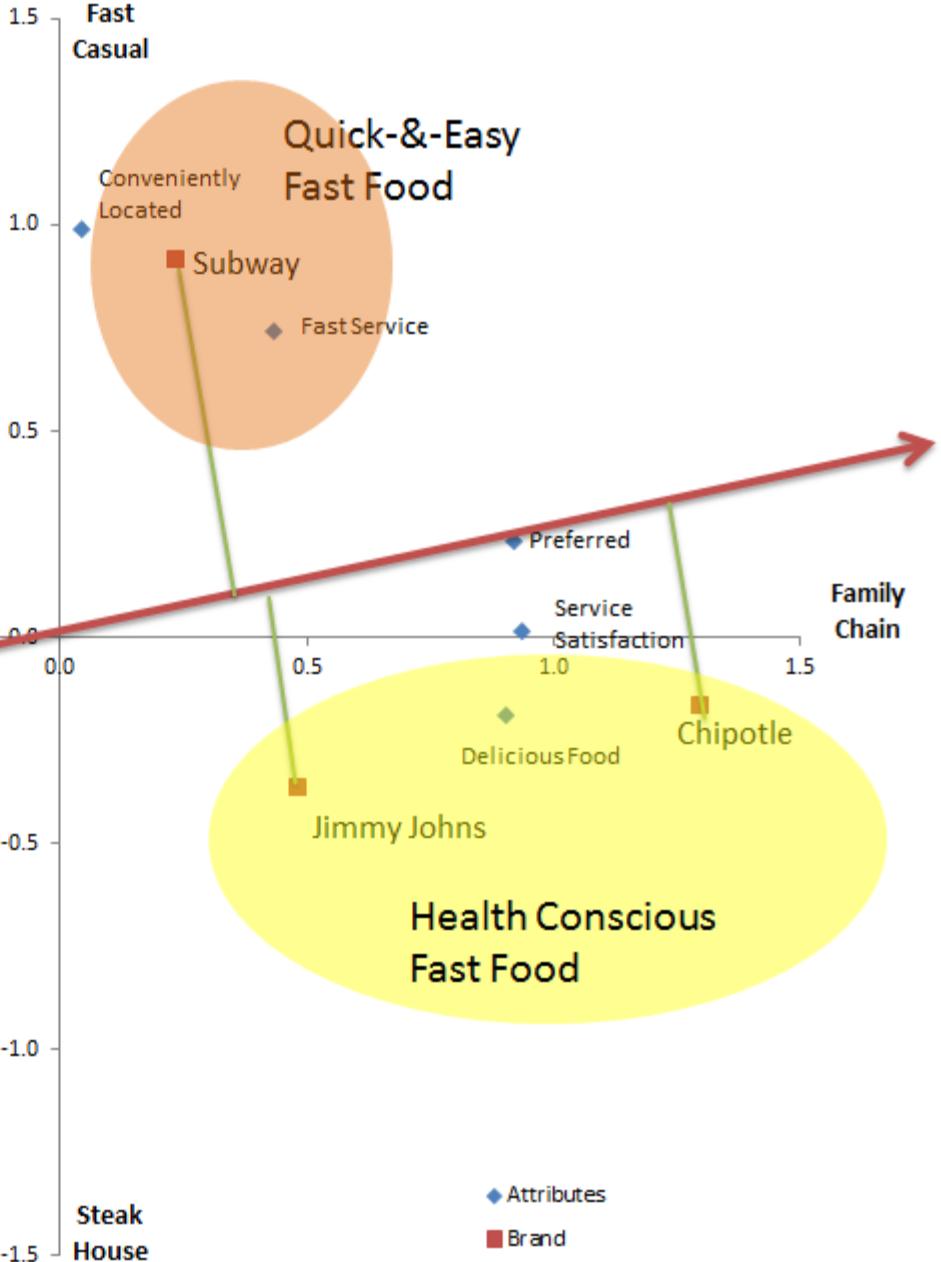
Lack of Customization

Unhealthy Food

Diverse Menu

Low Price

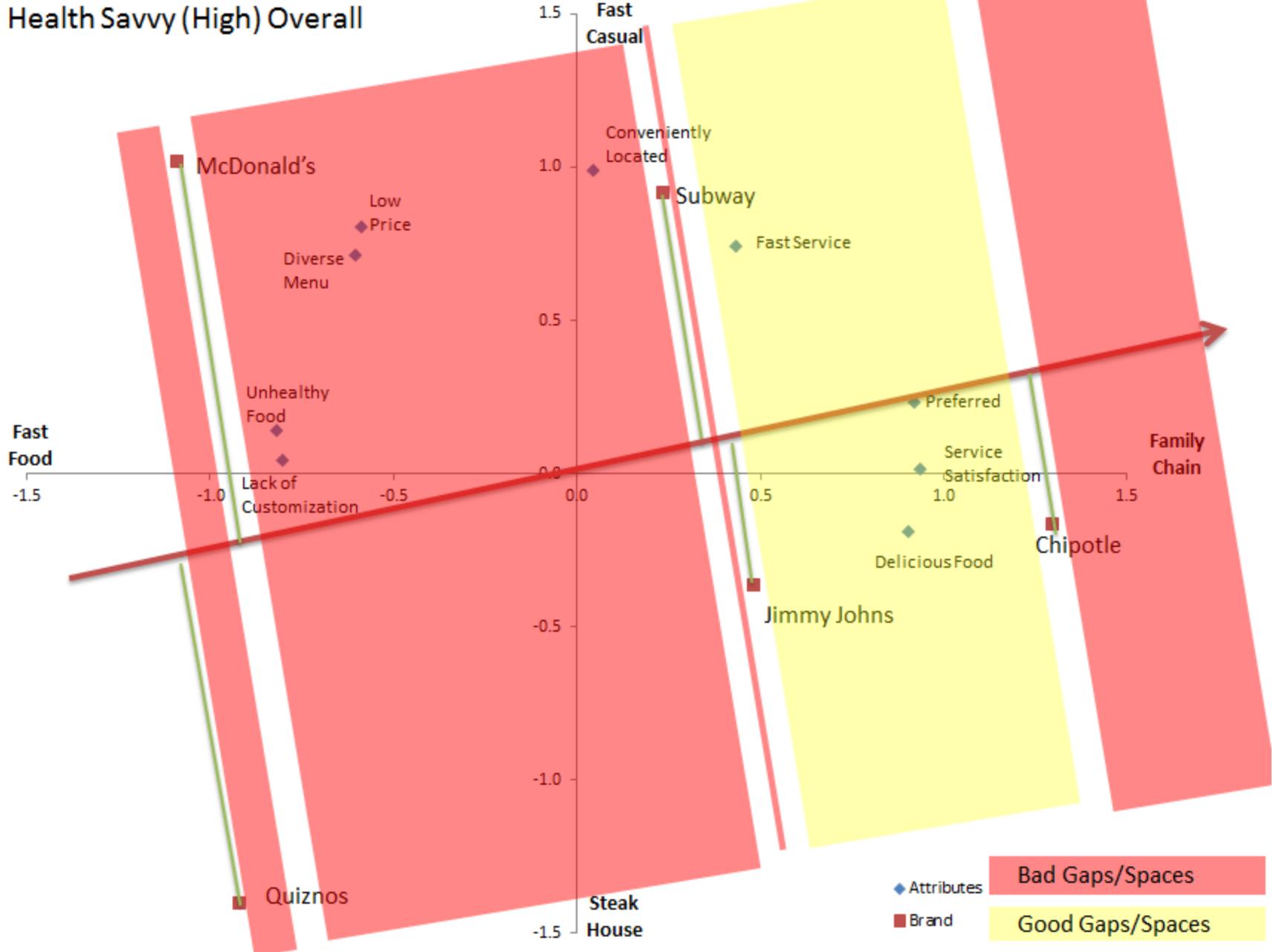
Cheap Diverse Fast Food



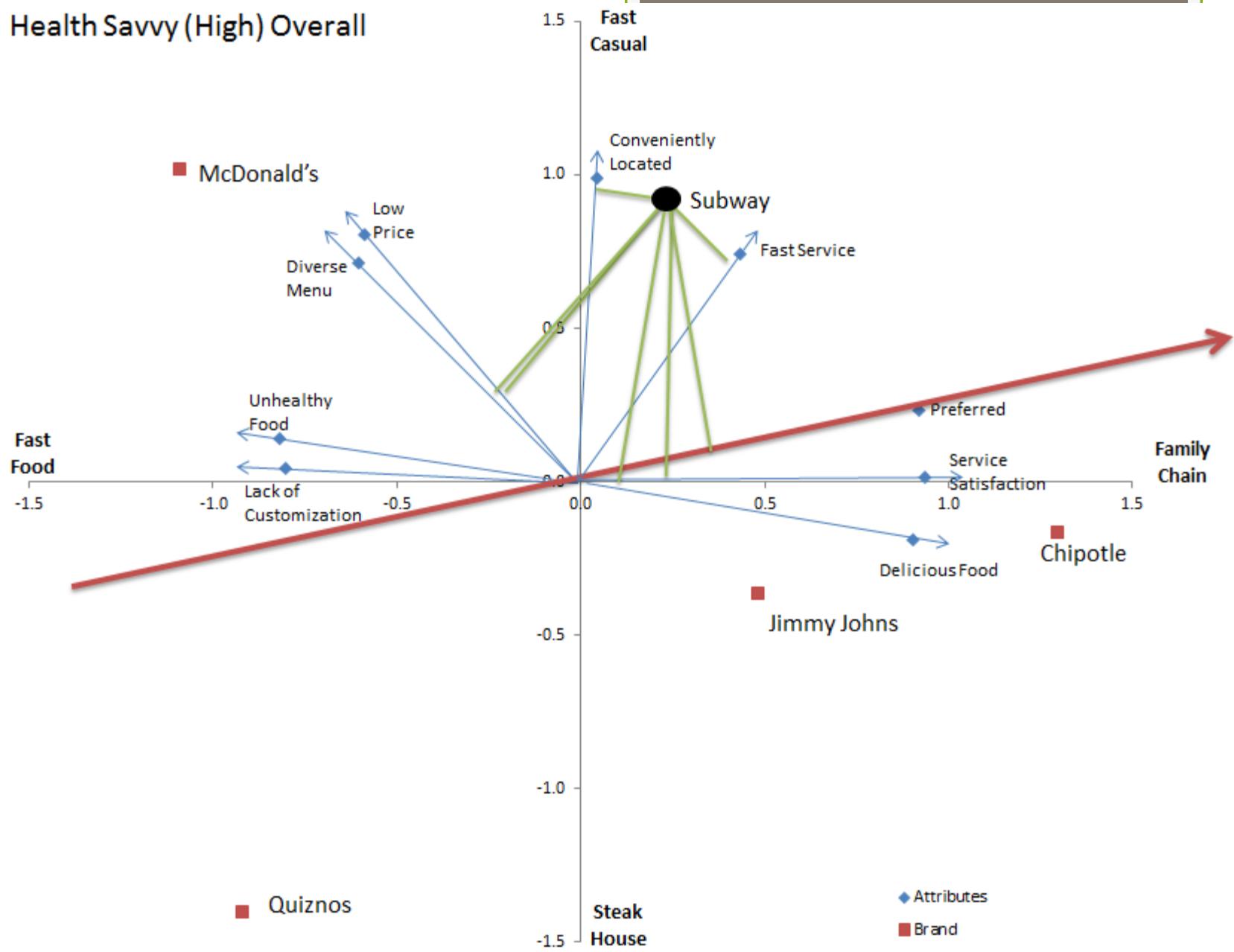
High End Fast Food

Quiznos

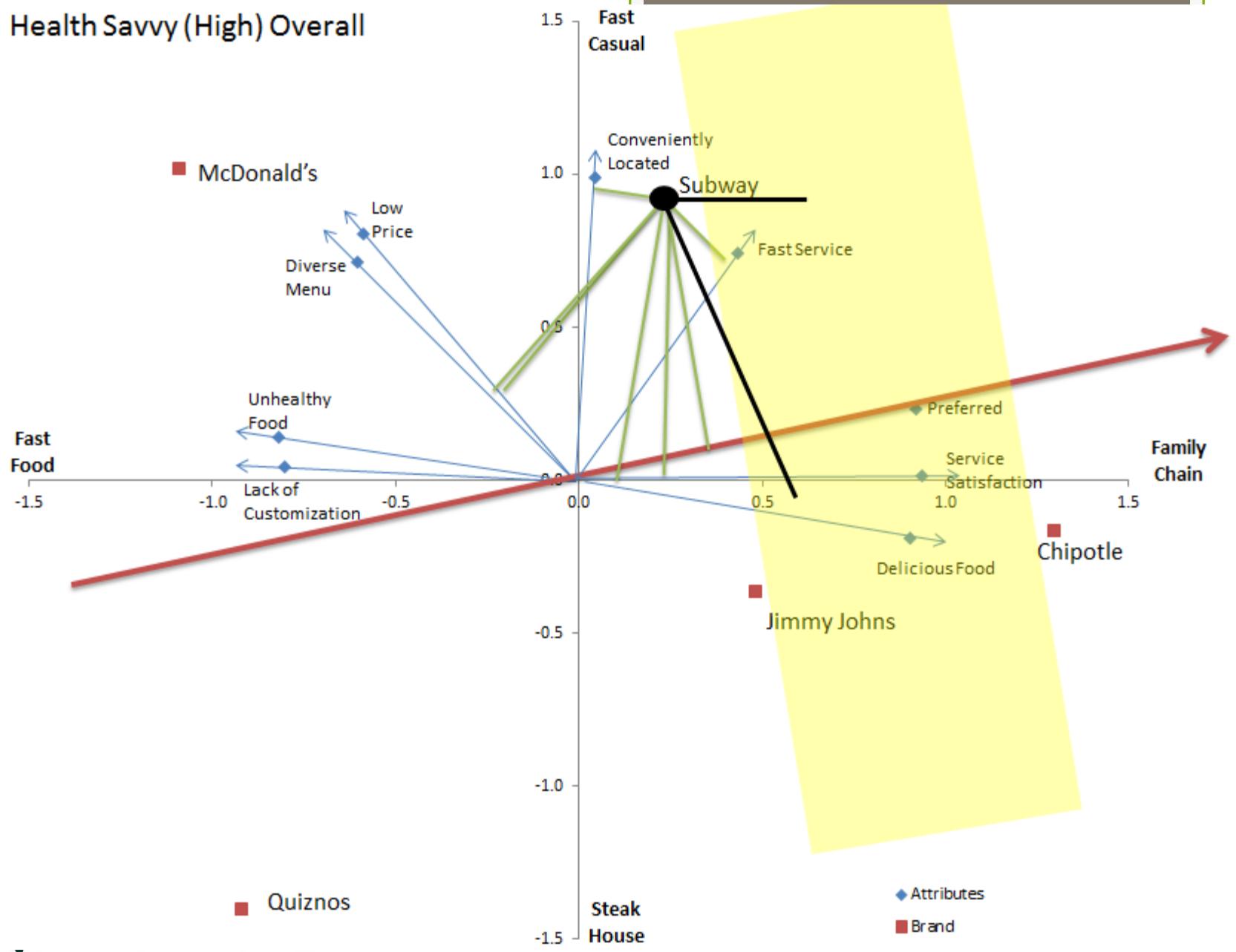
Health Savvy (High) Overall



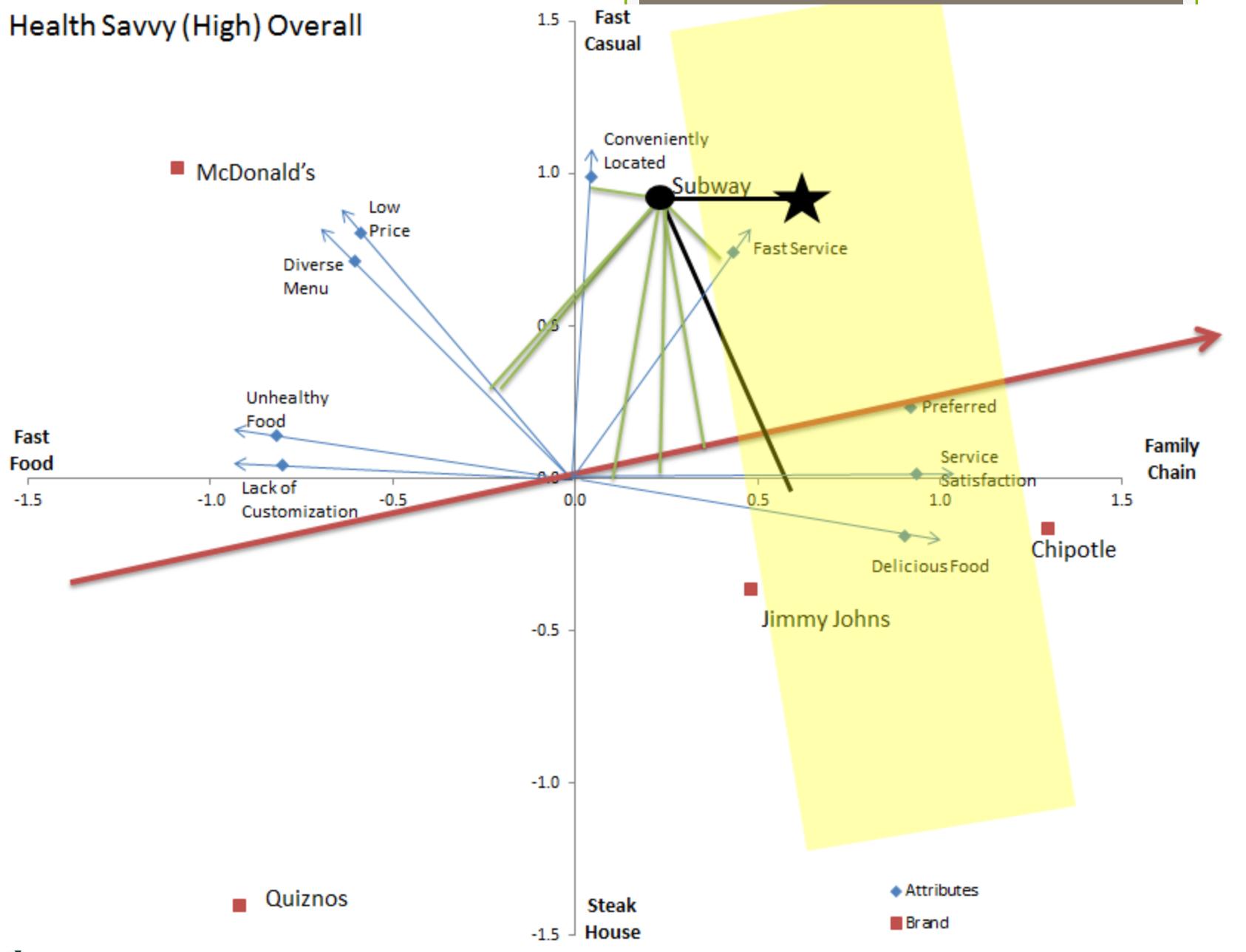
Health Savvy (High) Overall



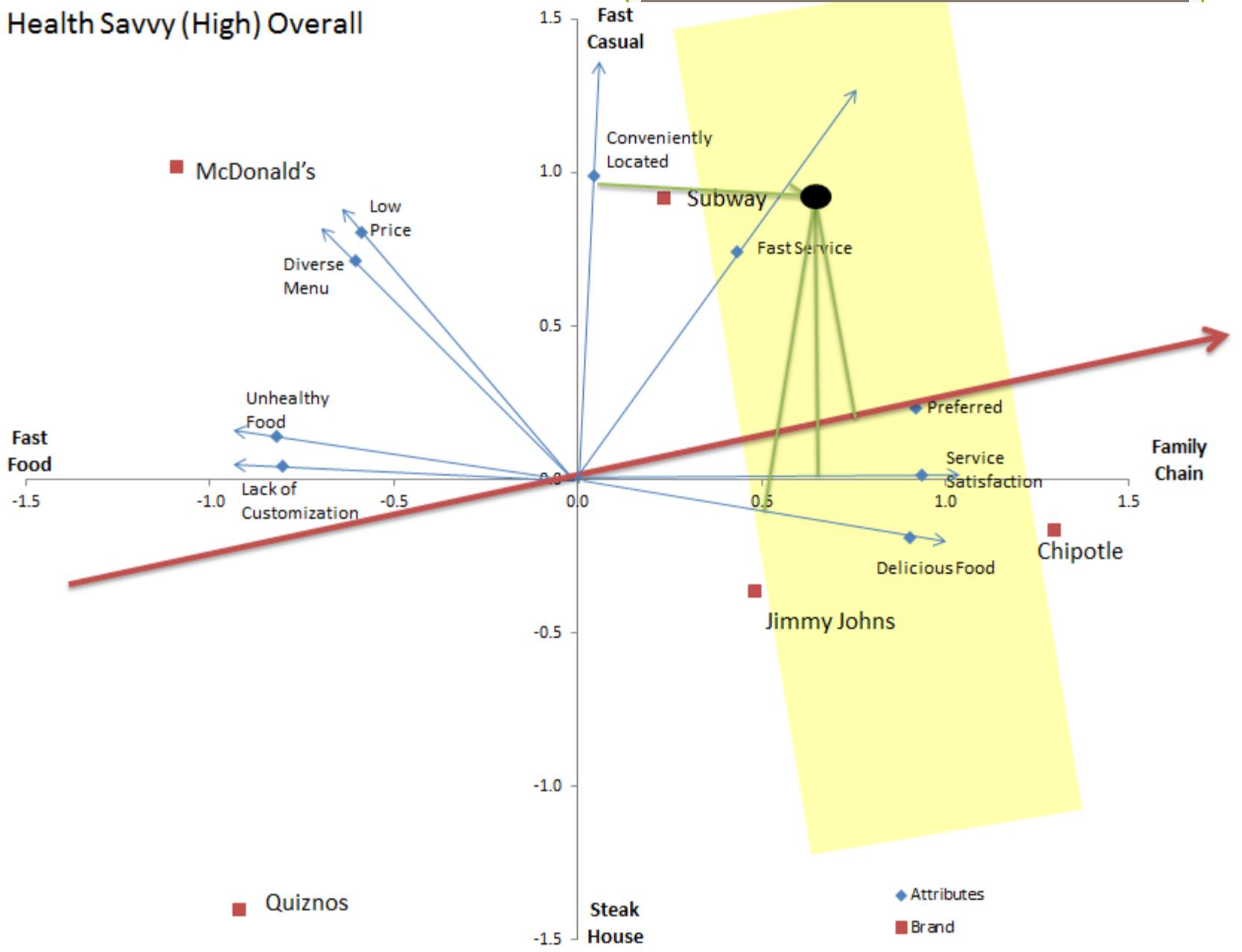
Health Savvy (High) Overall



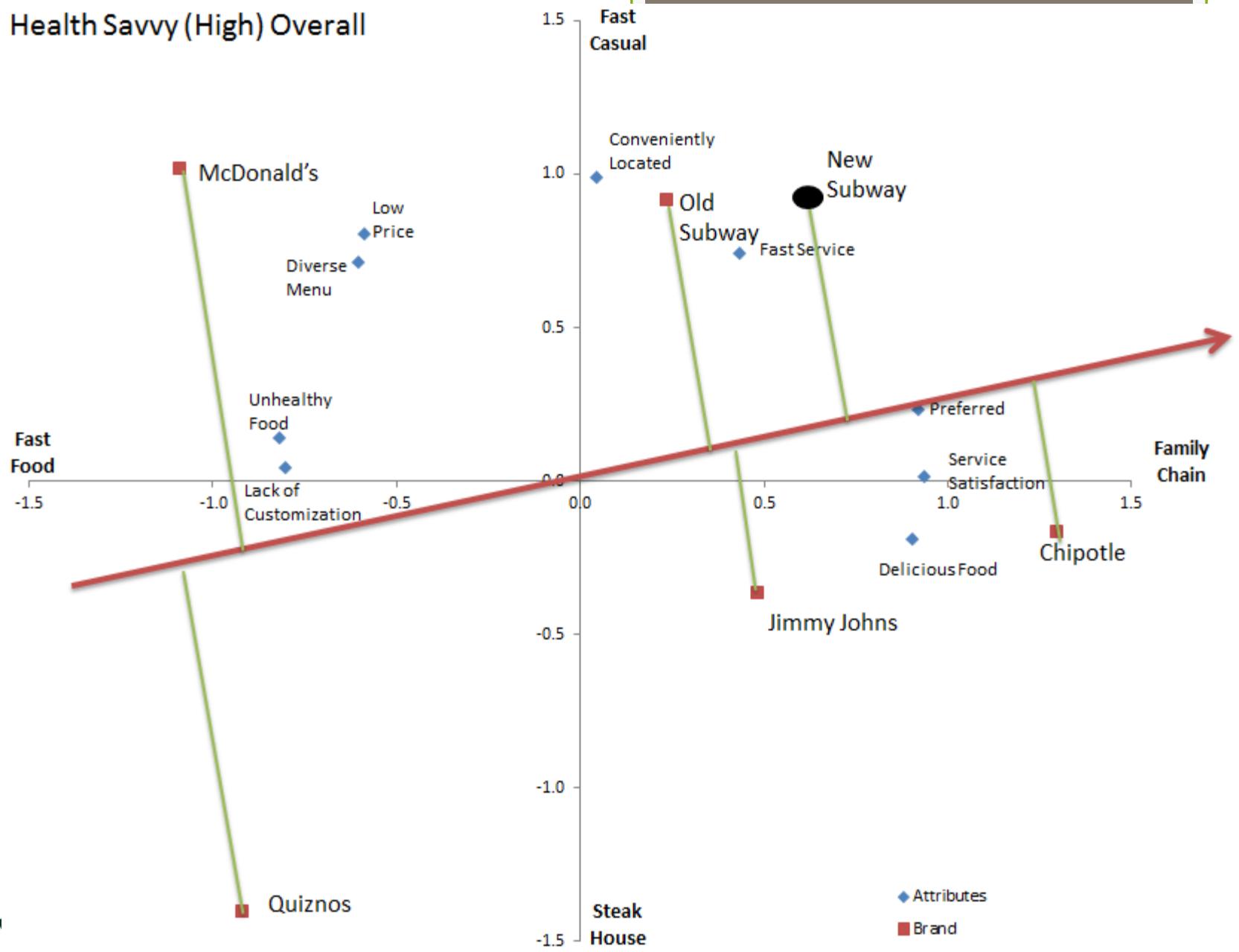
Health Savvy (High) Overall



Health Savvy (High) Overall

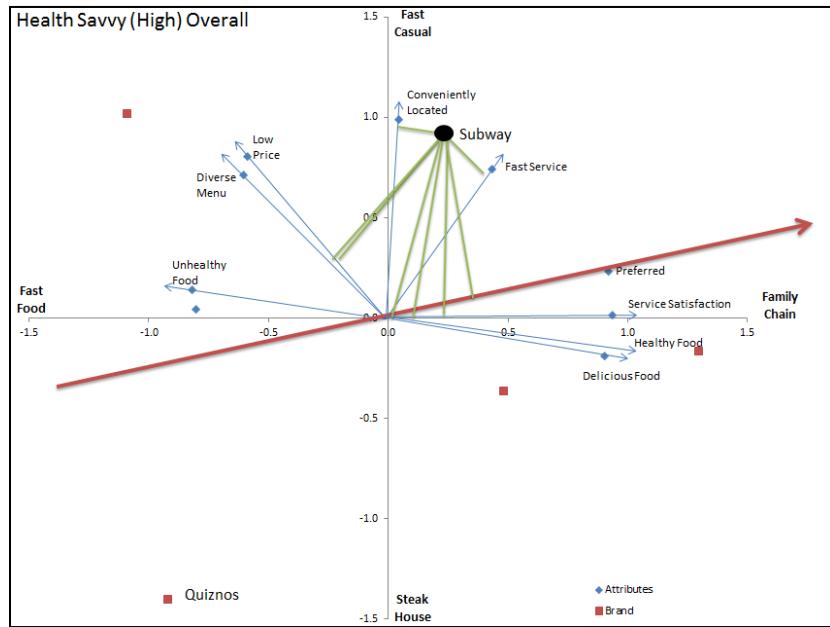


Health Savvy (High) Overall

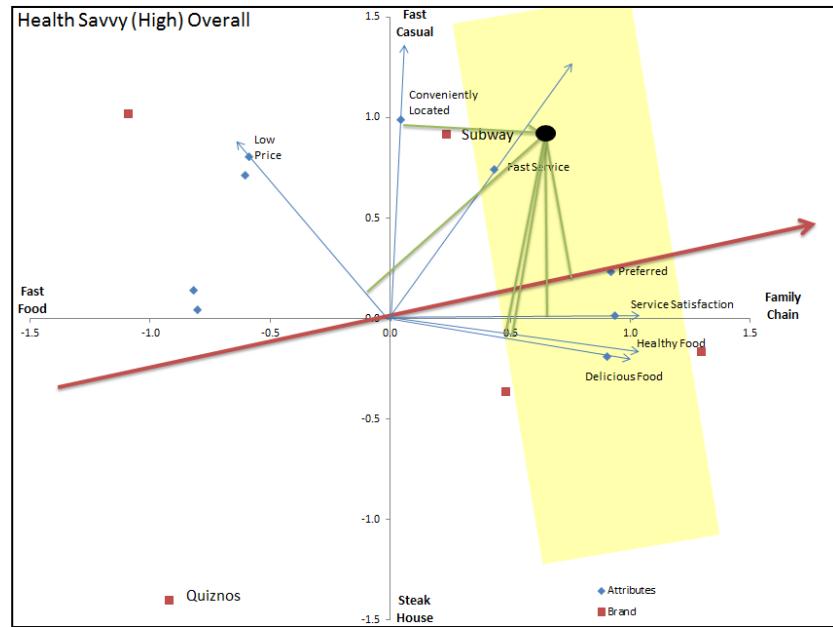


Health Savvy: Perceptual Map Adjustments

Original Subway



New Subway

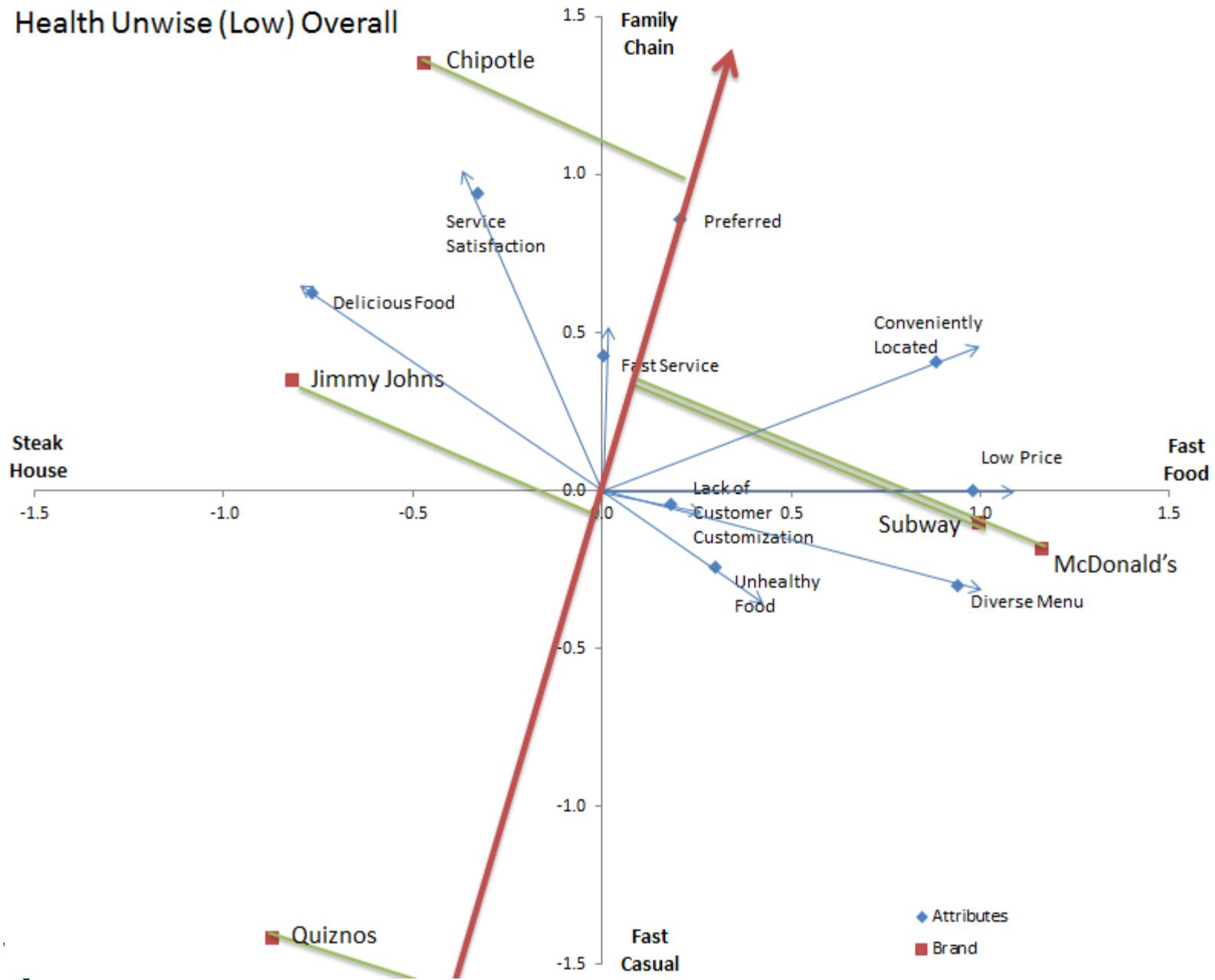


Perceptual Map

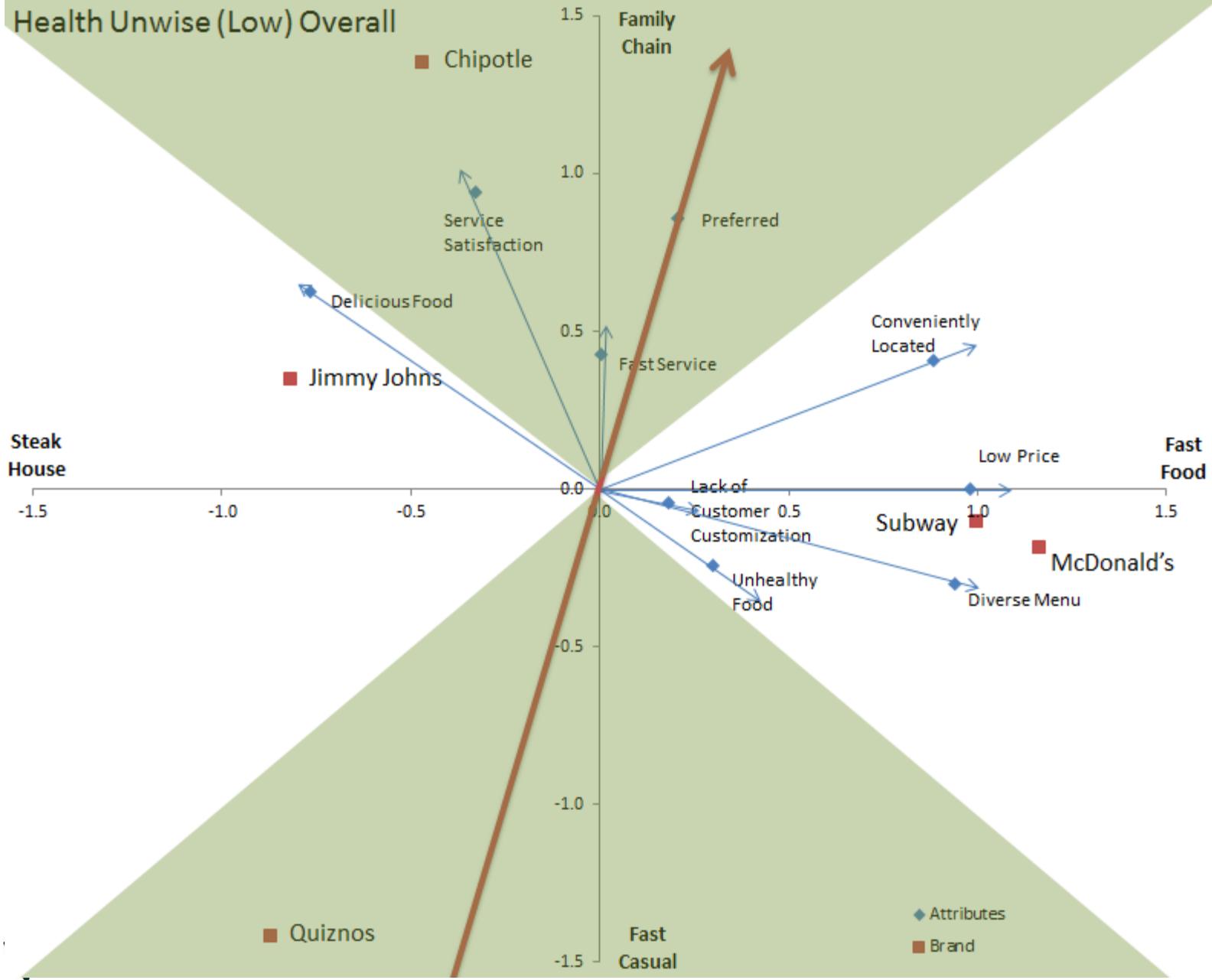
Health Unwise (Low Health Conscious)



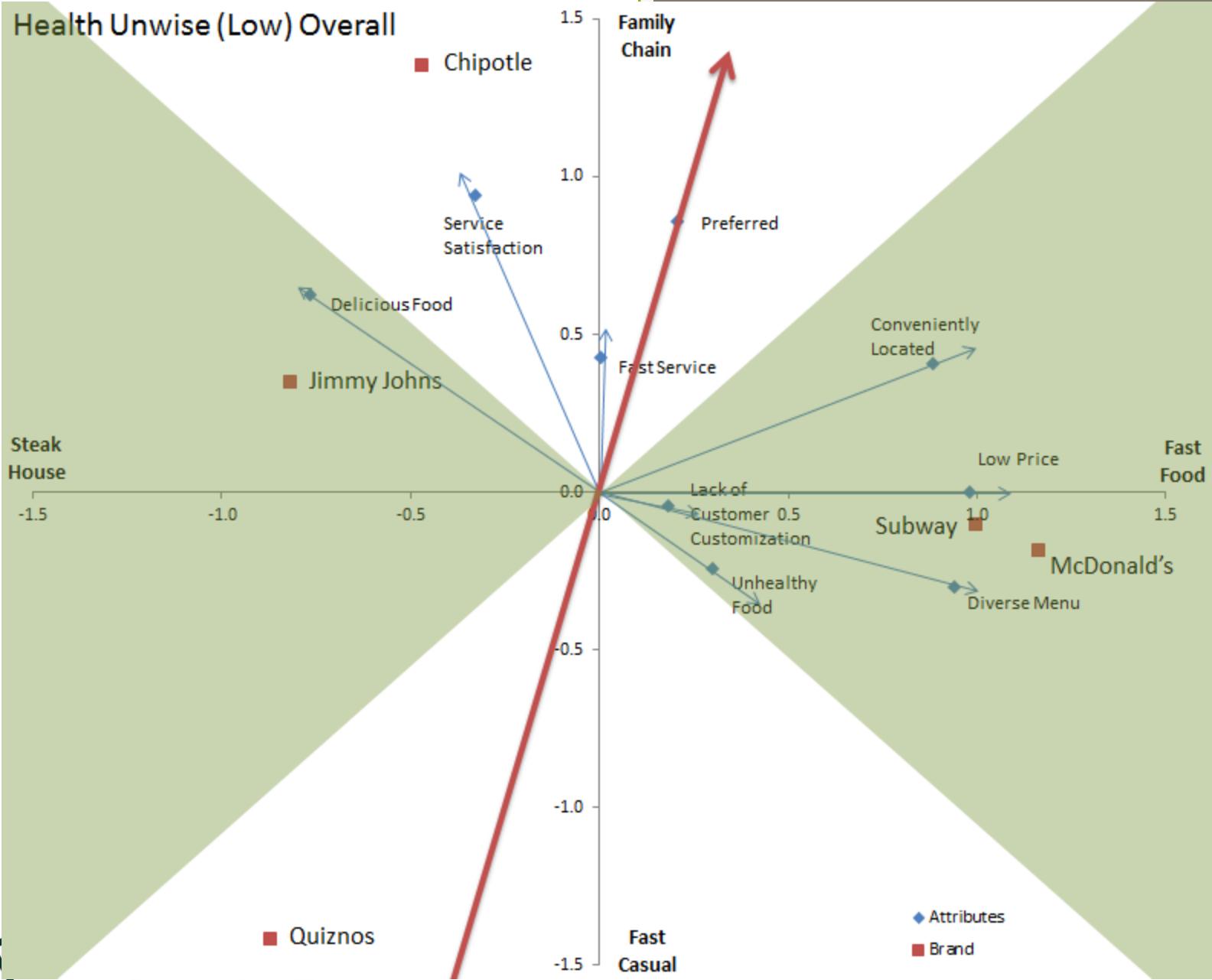
Health Unwise (Low) Overall



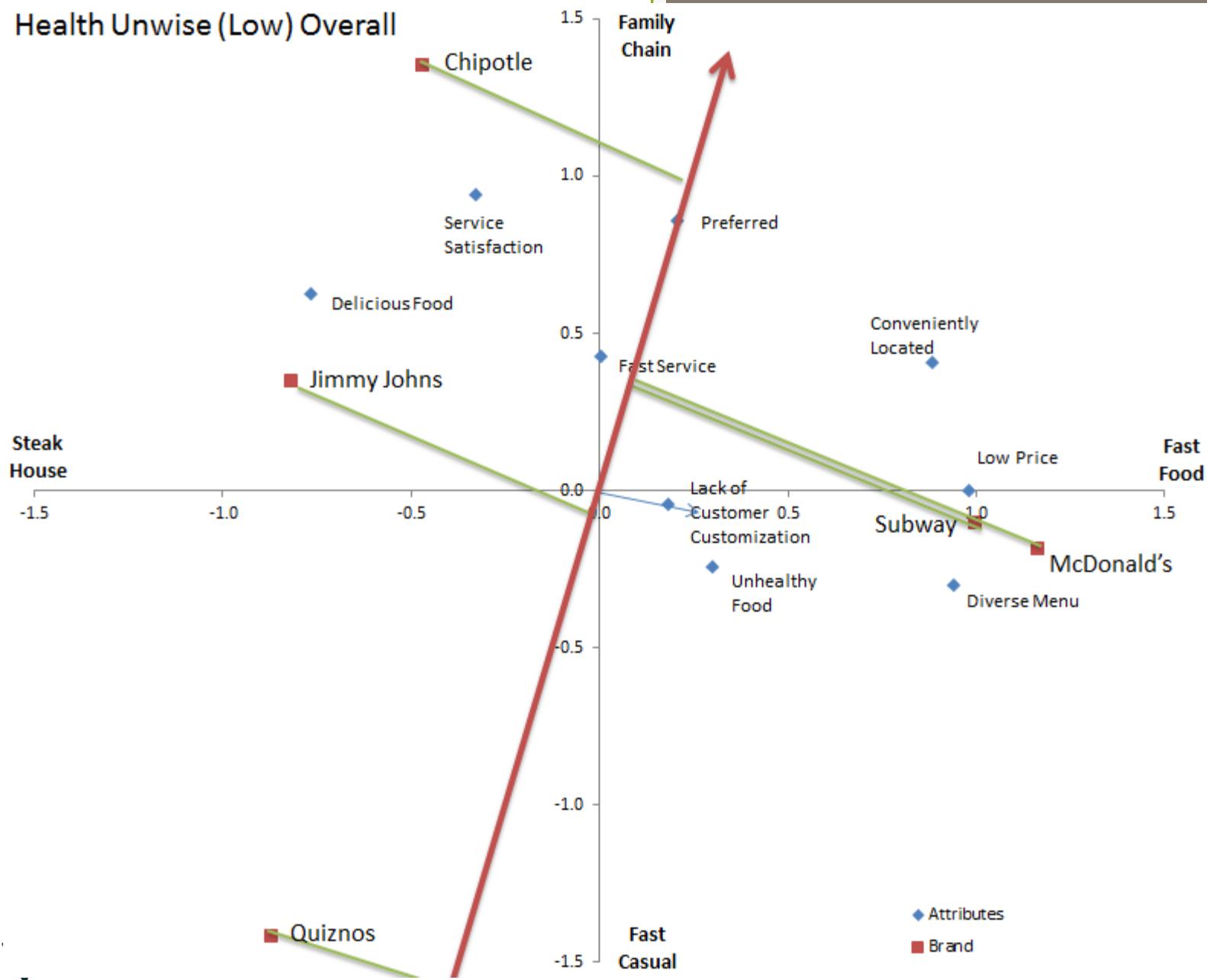
Health Unwise (Low) Overall



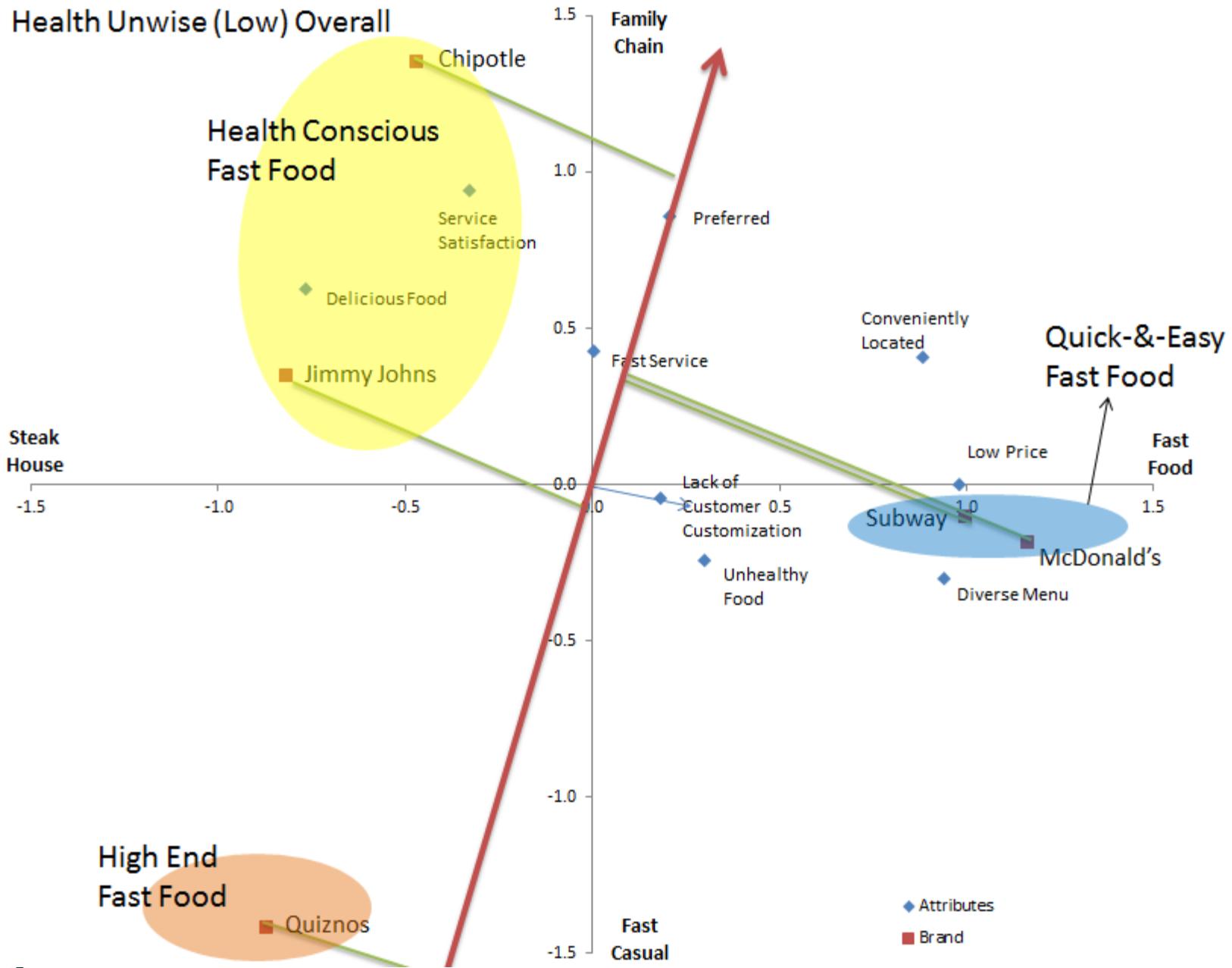
Health Unwise (Low) Overall



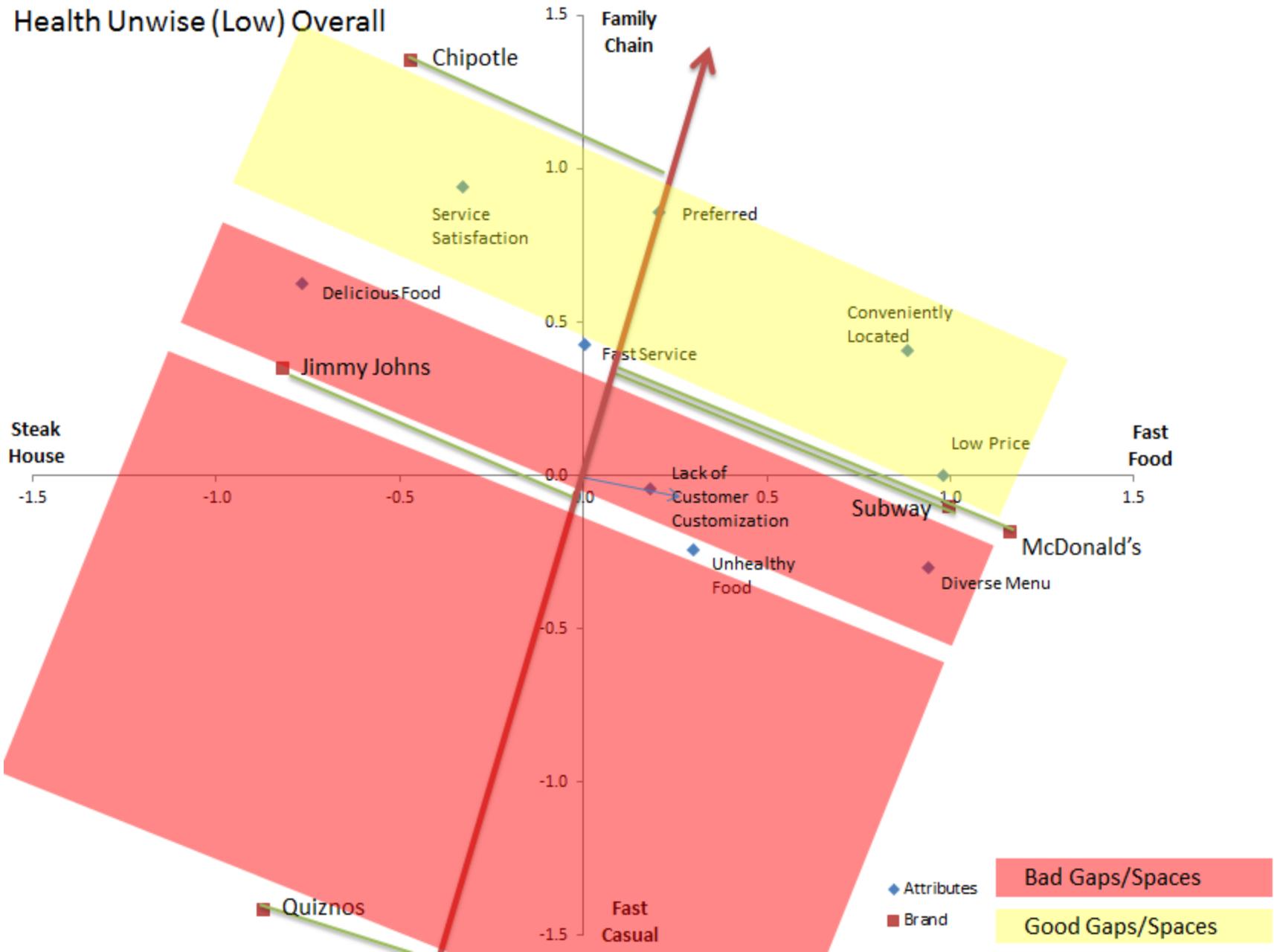
Health Unwise (Low) Overall



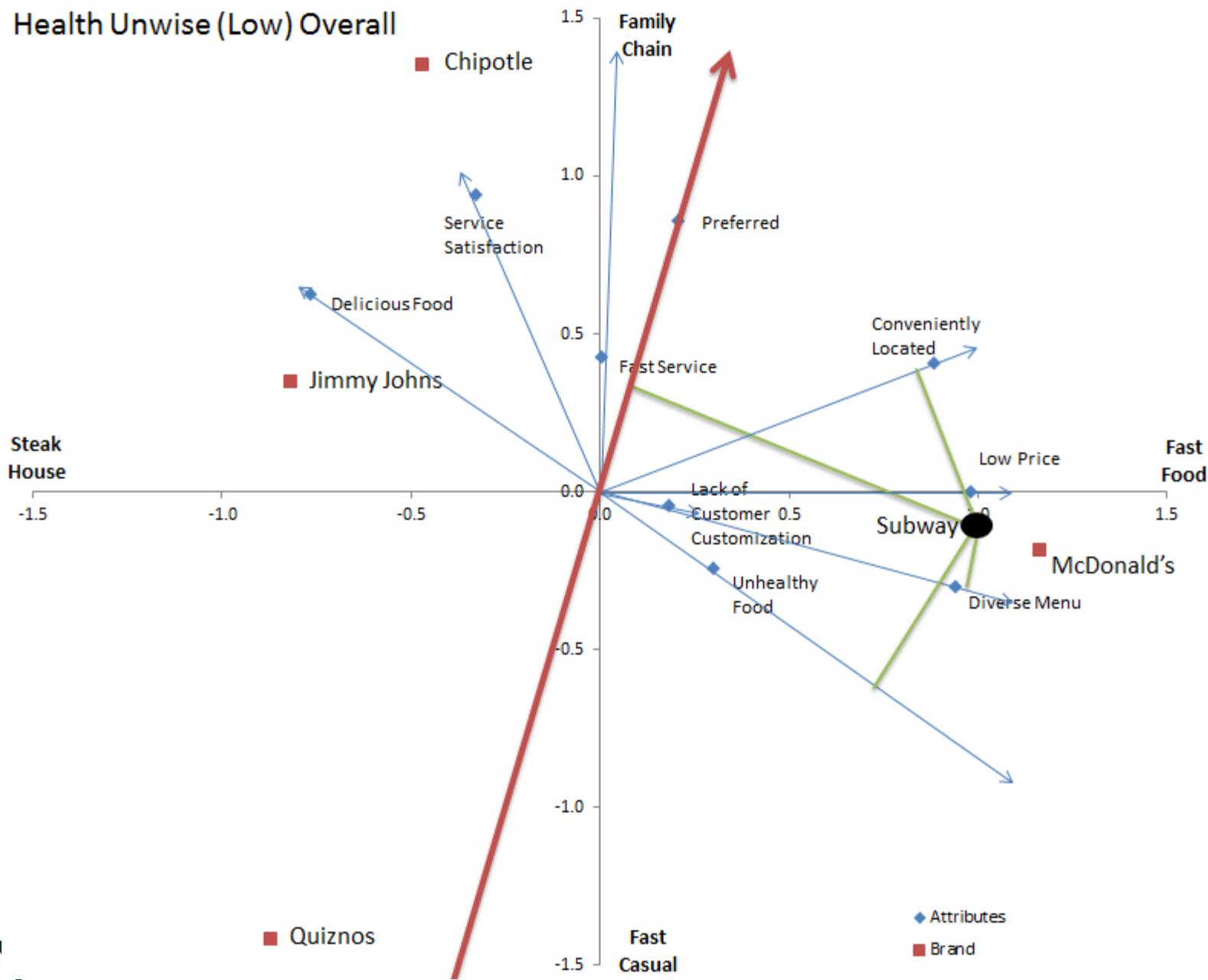
Health Unwise (Low) Overall



Health Unwise (Low) Overall



Health Unwise (Low) Overall

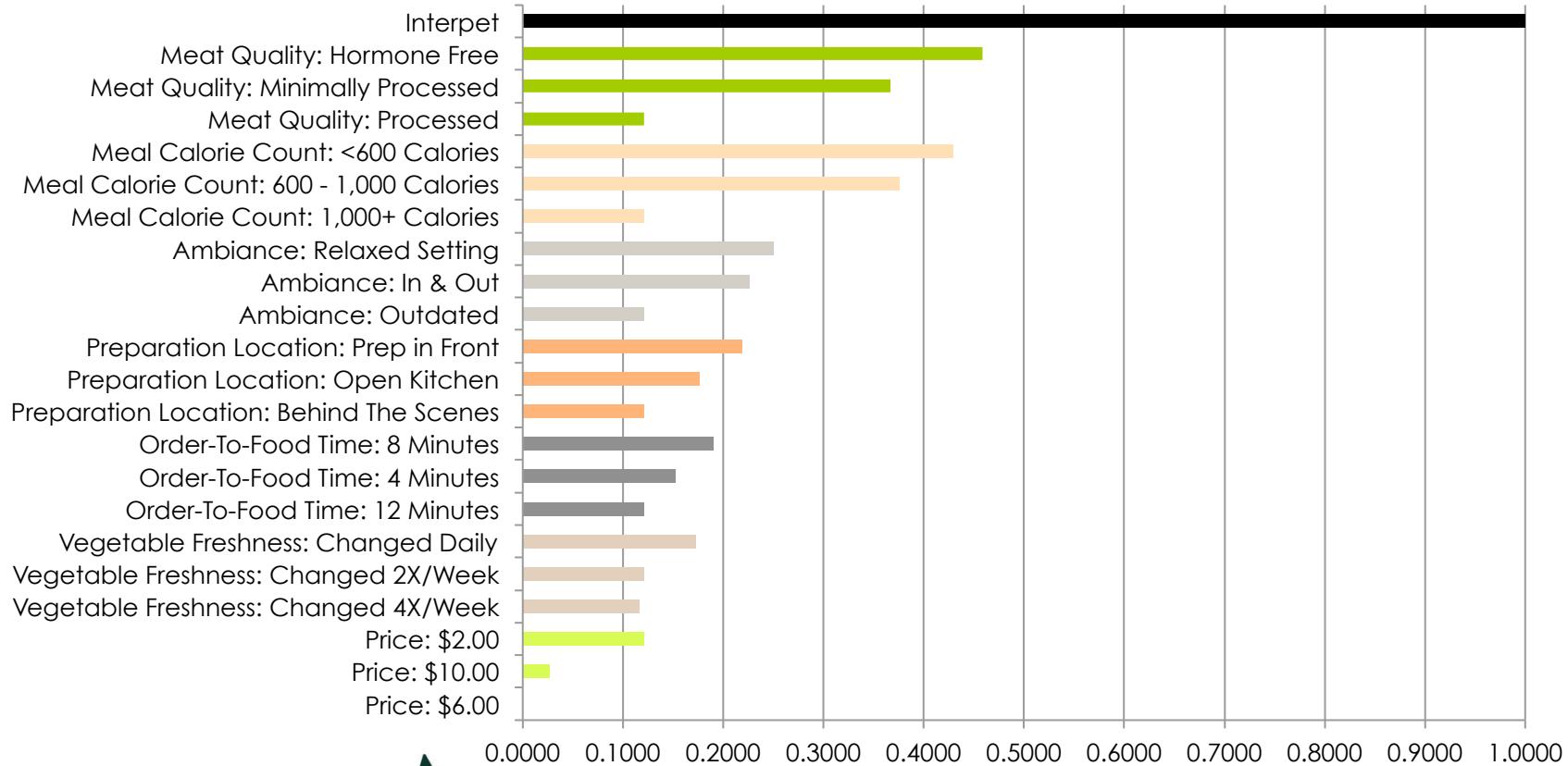


Conjoint Analysis

Health Savvy (High Health Conscious)

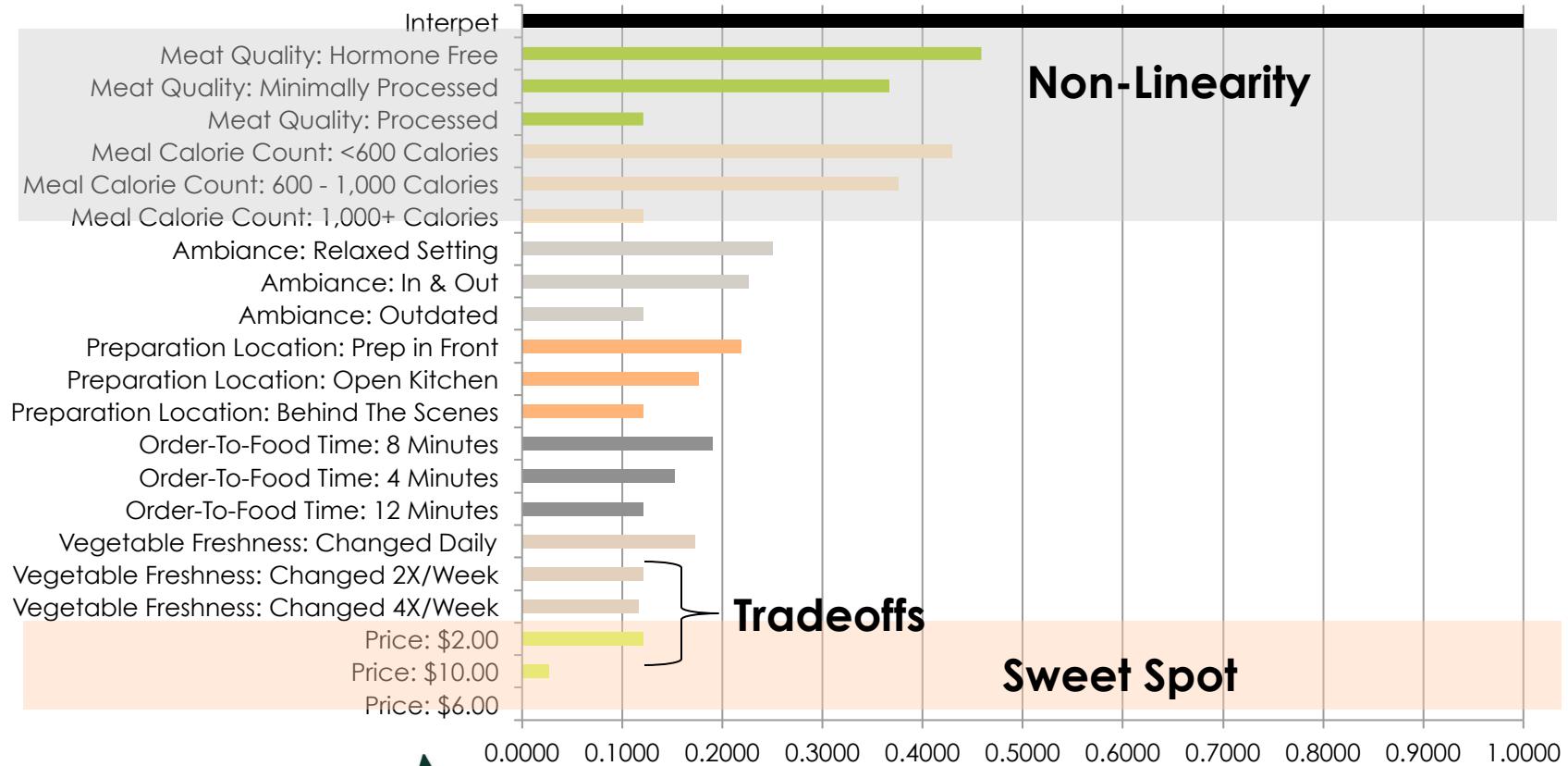


Conjoint Analysis Graph



Health Savvy

Conjoint Analysis Graph



Health Savvy

TPU: Subway

Subway	Utility
Ambiance: Outdated	0.1208
Meal Calorie Count: 600 - 1,000 Calories	0.3758
Vegetable Freshness: Changed 4X/Week	0.1163
Preparation Location: Prep in Front	0.2192
Order-To-Food Time: 8 Minutes	0.1902
Meat Quality: Minimally Processed	0.3669
Price: \$6.00	0.0000
TPU:	1.3893



Health Savvy

TPU: Competitors

Quiznos	Utility	McDonald's	Utility
Ambiance: In & Out	0.2260	Ambiance: Outdated	0.1208
Meal Calorie Count: 1,000+ Calories	0.1208	Meal Calorie Count: 1,000+ Calories	0.1208
Vegetable Freshness: Changed 4X/Week	0.1163	Vegetable Freshness: Changed 2X/Week	0.1208
Preparation Location: Prep in Front	0.2192	Preparation Location: Behind The Scenes	0.1208
Order-To-Food Time: 8 Minutes	0.1902	Order-To-Food Time: 4 Minutes	0.1521
Meat Quality: Processed	0.1208	Meat Quality: Processed	0.1208
Price: \$10.00	0.0268	Price: \$6.00	0.0000
TPU:	1.0201	TPU:	0.7562
Jimmy Johns	Utility	Chipotle	Utility
Ambiance: In & Out	0.2260	Ambiance: Relaxed Setting	0.2506
Meal Calorie Count: 600 - 1,000 Calories	0.3758	Meal Calorie Count: 600 - 1,000 Calories	0.3758
Vegetable Freshness: Changed Daily	0.1723	Vegetable Freshness: Changed Daily	0.1723
Preparation Location: Open Kitchen	0.1767	Preparation Location: Open Kitchen	0.1767
Order-To-Food Time: 4 Minutes	0.1521	Order-To-Food Time: 12 Minutes	0.1208
Meat Quality: Minimally Processed	0.3669	Meat Quality: Hormone Free	0.4586
Price: \$6.00	0.0000	Price: \$10.00	0.0268
TPU:	1.4698	TPU:	1.5817



Health Savvy

TPU: Optimal vs. Worst

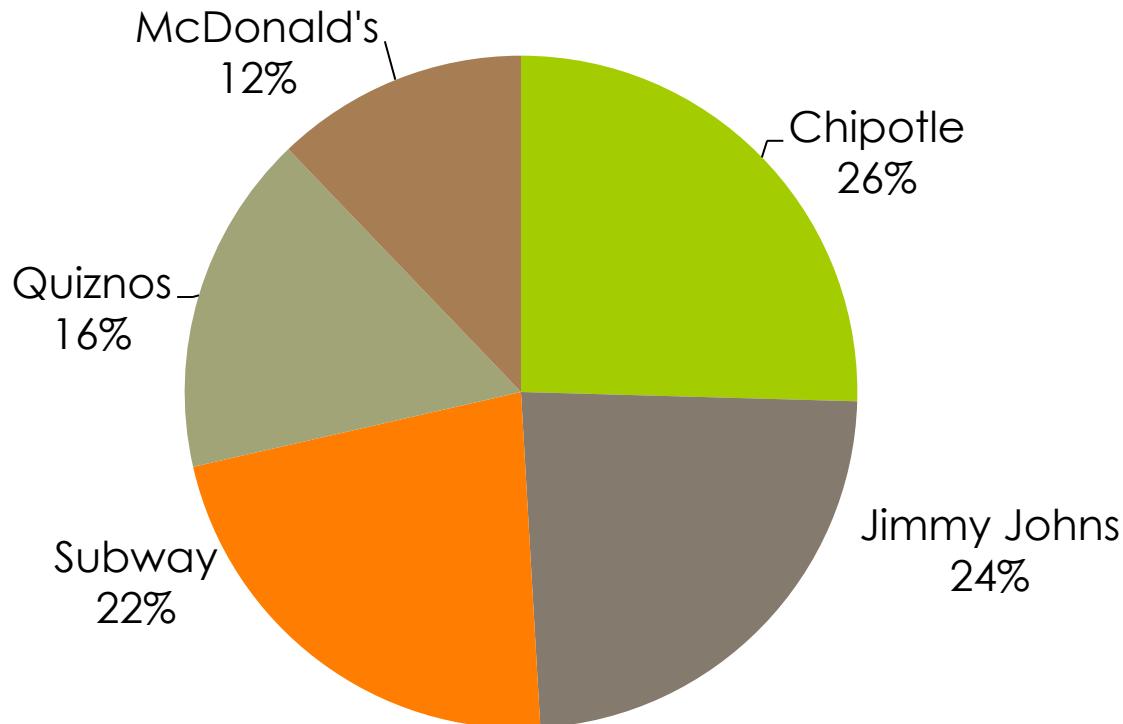
Optimal Product	Utility
Ambiance: Relaxed Setting	0.2506
Meal Calorie Count: <600 Calories	0.4295
Vegetable Freshness: Changed Daily	0.1723
Preparation Location: Prep in Front	0.2192
Order-To-Food Time: 8 Minutes	0.1902
Meat Quality: Hormone Free	0.4586
Price: \$2.00	0.1208
TPU:	1.8412

Worst Product	Utility
Ambiance: Outdated	0.1208
Meal Calorie Count: 1,000+ Calories	0.1208
Vegetable Freshness: Changed 4X/Week	0.1163
Preparation Location: Behind The Scenes	0.1208
Order-To-Food Time: 12 Minutes	0.1208
Meat Quality: Processed	0.1208
Price: \$6.00	0.0000
TPU:	0.7204



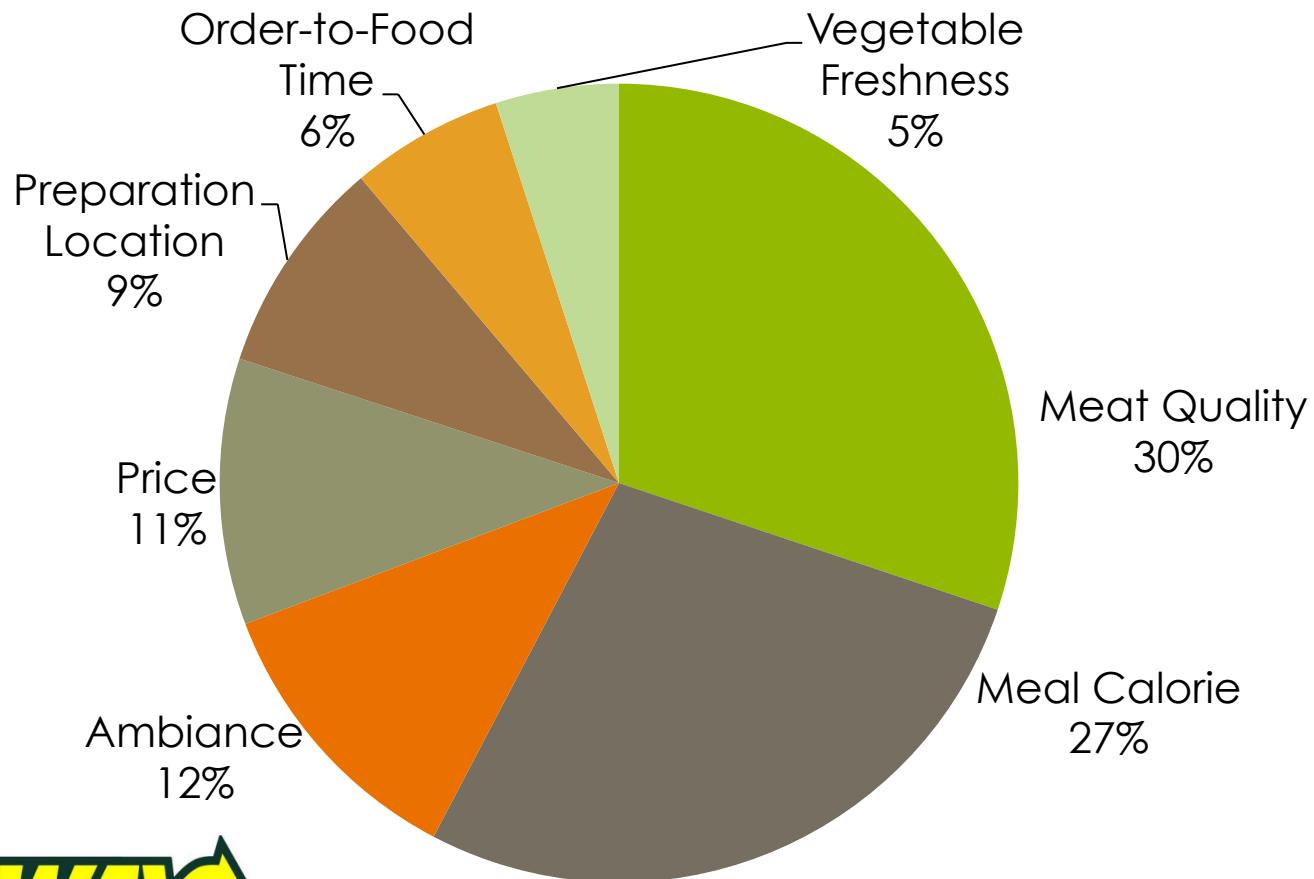
Health Savvy

Competitor Preference Share



Health Savvy Competitor Preference Share

Overall Feature Importance



Health Savvy Feature Importance

Total Product Utility Change

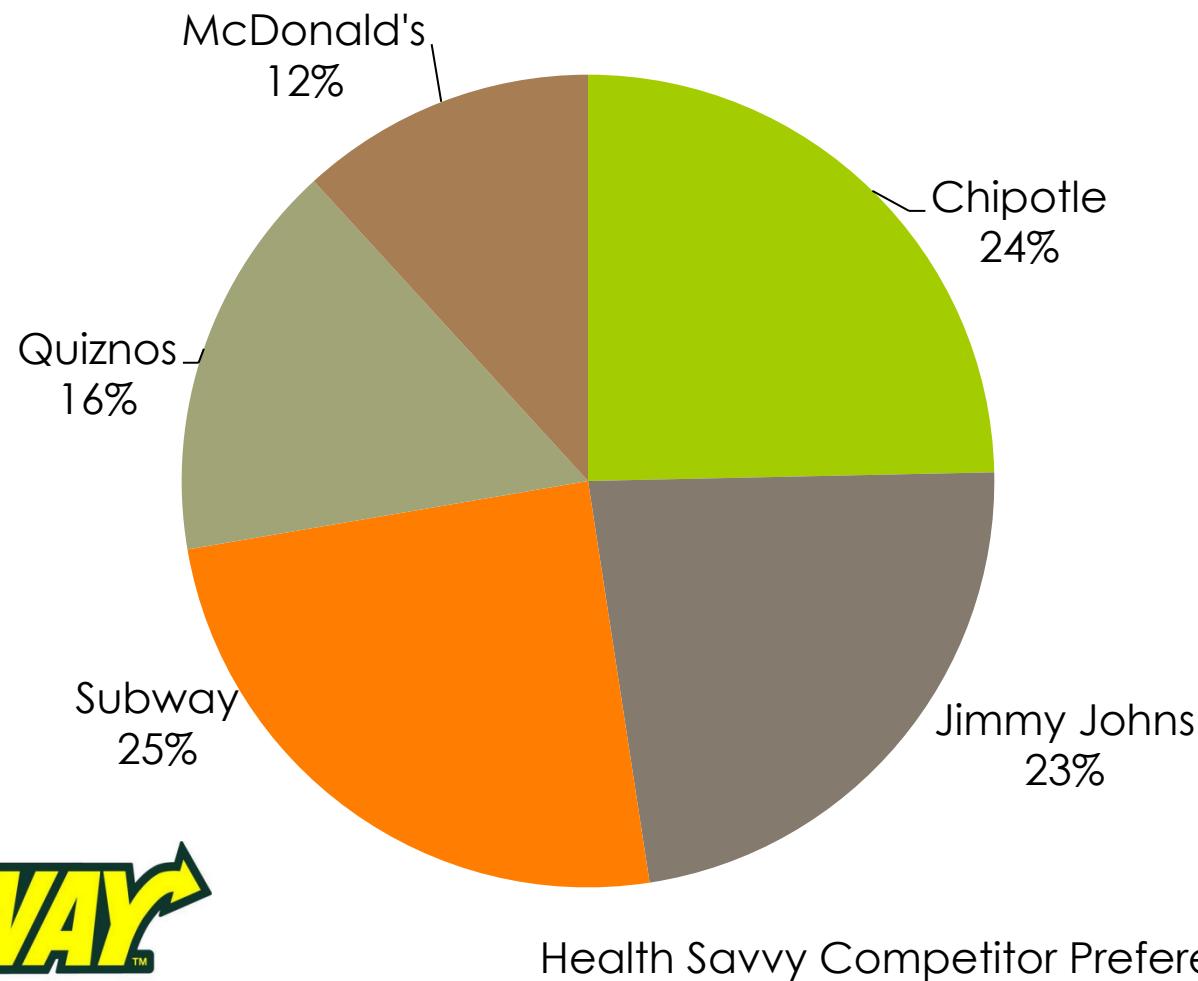
Original Subway	Utility
Ambiance: Outdated	0.1208
Meal Calorie Count: 600 - 1,000 Calories	0.3758
Vegetable Freshness: Changed 4X/Week	0.1163
Preparation Location: Prep in Front	0.2192
Order-To-Food Time: 8 Minutes	0.1902
Meat Quality: Minimally Processed	0.3669
Price: \$6.00	0.0000
TPU:	1.3893

New Subway	Utility
Ambiance: Relaxed Setting	0.2506
Meal Calorie Count: 600 - 1,000 Calories	0.3758
Vegetable Freshness: Changed 4X/Week	0.1163
Preparation Location: Prep in Front	0.2192
Order-To-Food Time: 8 Minutes	0.1902
Meat Quality: Hormone Free	0.4586
Price: \$10.00	0.0268
TPU:	1.6376



Health Savvy TPU

New Preference Share



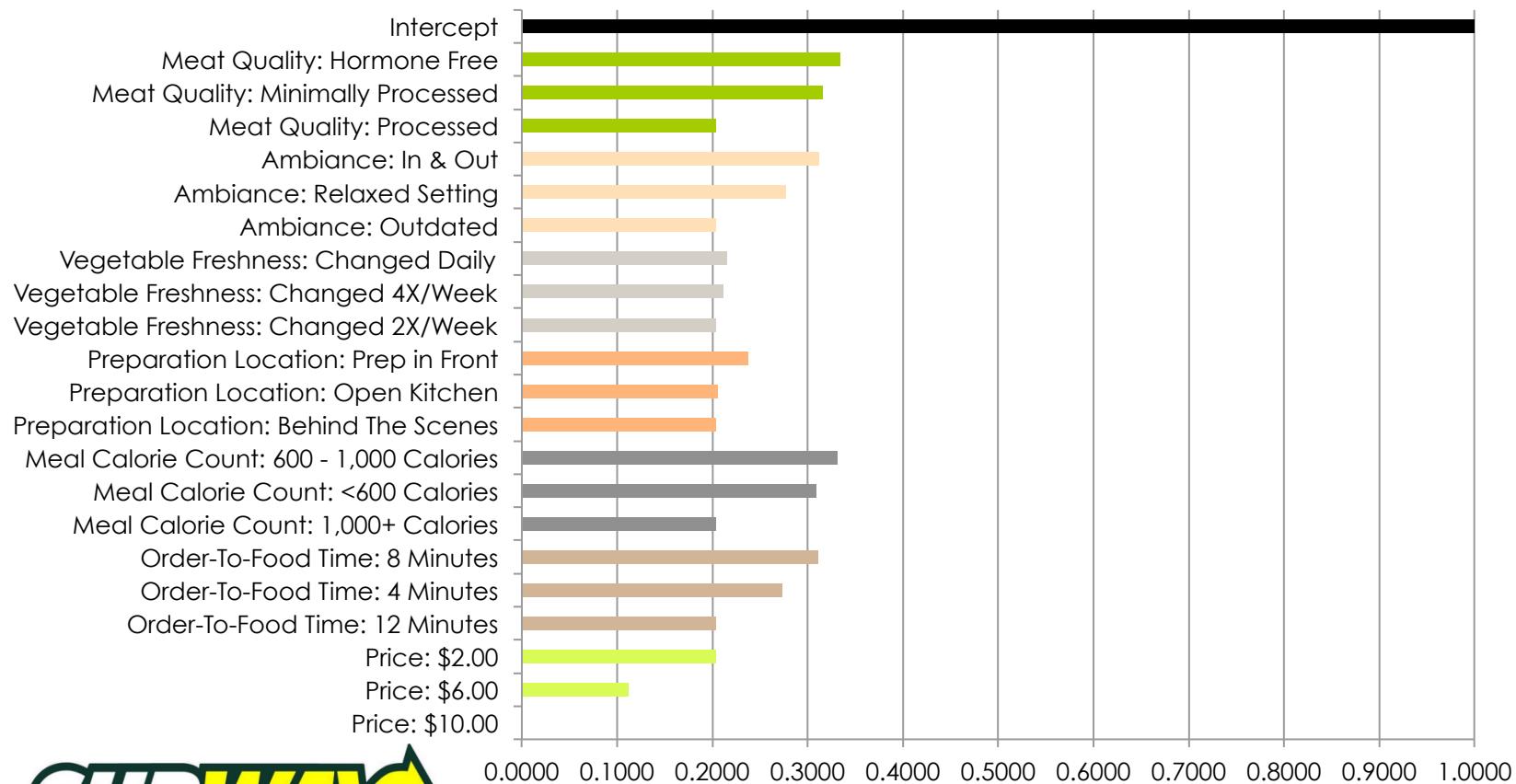
Health Savvy Competitor Preference Share

Conjoint Analysis

Health Unwise (Low Health Conscious)



Conjoint Analysis Graph



TPU: Subway

Subway	Utility
Ambiance: Outdated	0.2037
Meal Calorie Count: 600 - 1,000 Calories	0.3308
Vegetable Freshness: Changed 4X/Week	0.2112
Preparation Location: Prep in Front	0.2374
Order-To-Food Time: 8 Minutes	0.3103
Meat Quality: Minimally Processed	0.3159
Price: \$6.00	0.1121
TPU:	1.7215



Health Unwise

TPU: Competitors

Quiznos	Utility
Ambiance: In & Out	0.3121
Meal Calorie Count: 1,000+ Calories	0.2037
Vegetable Freshness: Changed 4X/Week	0.2112
Preparation Location: Prep in Front	0.2374
Order-To-Food Time: 8 Minutes	0.3103
Meat Quality: Processed	0.2037
Price: \$10.00	0.0000
TPU:	1.4785

McDonald's	Utility
Ambiance: Outdated	0.2037
Meal Calorie Count: 1,000+ Calories	0.2037
Vegetable Freshness: Changed 2X/Week	0.2037
Preparation Location: Behind The Scenes	0.2037
Order-To-Food Time: 4 Minutes	0.2729
Meat Quality: Processed	0.2037
Price: \$6.00	0.1121
TPU:	1.4037

Jimmy Johns	Utility
Ambiance: In & Out	0.3121
Meal Calorie Count: 600 - 1,000 Calories	0.3308
Vegetable Freshness: Changed Daily	0.2150
Preparation Location: Open Kitchen	0.2056
Order-To-Food Time: 4 Minutes	0.2729
Meat Quality: Minimally Processed	0.3159
Price: \$6.00	0.1121
TPU:	1.7645

Chipotle	Utility
Ambiance: Relaxed Setting	0.2766
Meal Calorie Count: 600 - 1,000 Calories	0.3308
Vegetable Freshness: Changed Daily	0.2150
Preparation Location: Open Kitchen	0.2056
Order-To-Food Time: 12 Minutes	0.2037
Meat Quality: Hormone Free	0.3346
Price: \$10.00	0.0000
TPU:	1.5664



Health Unwise

TPU: Optimal vs. Worst

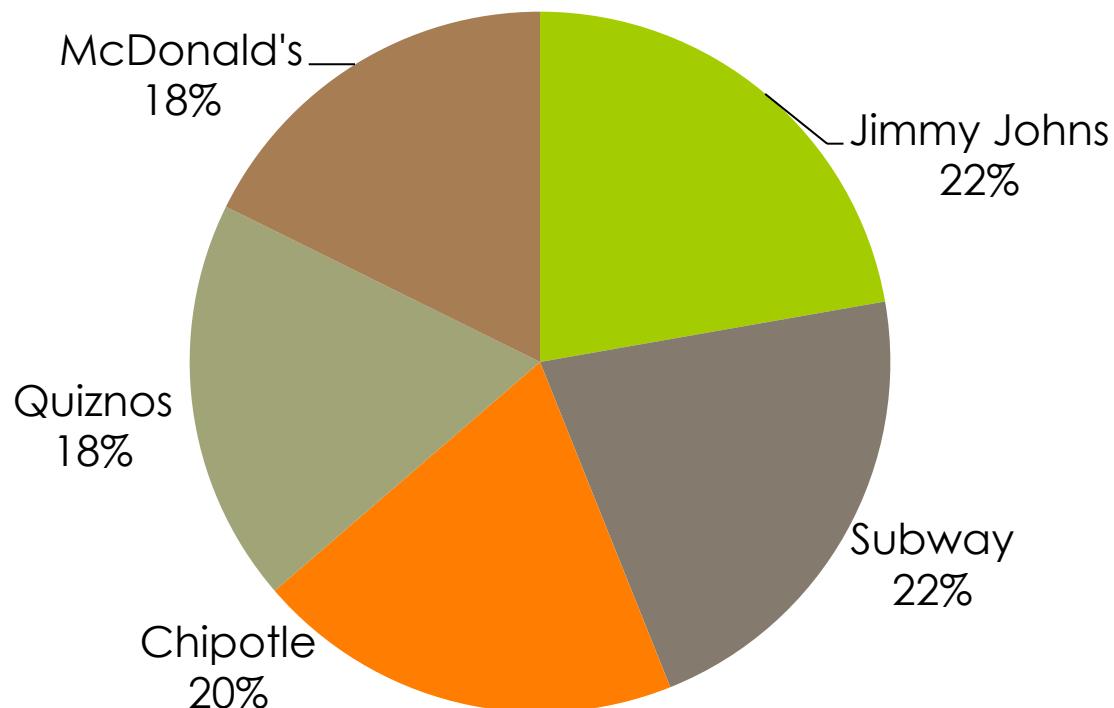
Optimal Product	Utility
Ambiance: In & Out	0.3121
Meal Calorie Count: 600 - 1,000 Calories	0.3308
Vegetable Freshness: Changed Daily	0.2150
Preparation Location: Prep in Front	0.2374
Order-To-Food Time: 8 Minutes	0.3103
Meat Quality: Hormone Free	0.3346
Price: \$2.00	0.2037
TPU:	1.9439

Worst Product	Utility
Ambiance: Outdated	0.2037
Meal Calorie Count: 1,000+ Calories	0.2037
Vegetable Freshness: Changed 2X/Week	0.2037
Preparation Location: Behind The Scenes	0.2037
Order-To-Food Time: 12 Minutes	0.2037
Meat Quality: Processed	0.2037
Price: \$10.00	0.0000
TPU:	1.2224



Health Unwise

Competitor Preference Share



Health Unwise Competitor Preference Share

Overall Feature Importance

