**Sandwich Restaurant Marketing Plan**

**Situation Analysis**

The Sub Shop is a QSR, that resides somewhere between a fast food restaurant (FFR) and a sit down restaurant. This category is growing quickly, as people adjust to paying a little more than they would for typical fast food. While the differentiation between QSR's and traditional fast food may be transparent to most consumers, there has been a conscious shift in purchasing towards FFRs and QSRs that provide innovative menus and a selection of custom, or customizable menu items.

McDonald's new "All American BurgerTM" is an example of the shift towards traditional, homemade-style menu items. The burger is much like what you would find at a traditional sit-down restaurant, yet for half the price. All FFRs and QSRs offer some level of food customization as well. Burger King promises to make you lunch "Your Way.TM" This has been a point of differentiation for Burger King in the past, yet has become less advantageous to them as other FFRs have promised product customization.

Ashland is a young market for QSRs. FFRs have left their mark on the town, yet the choices remain limited to the major national chains. The Sub Shop will will bring new lunch choices to the Ashland market.

**Market Summary**

The market consists of tourists, downtown workers, and students from Southern Oregon University. Over 362,000 tourists visit Ashland each year - 100,000 for the Shakespearean Festival and 262,000 for other recreational/shopping activities. Tourists make up the largest segment of our target market, at about 85% of the total market for our products.

There are about 18,000 people living and working in Ashland. If just 15% of those people buy The Sub Shop sandwiches twice a month, the company will sell 65,000 sandwiches to that market alone in 2001. Add that amount to 20% of all tourists to the Ashland area, and those two segments alone will buy 138,000 meals.

In addition, demographics have shifted in recent years from traditional households (two parents with children) to more non-traditional households; as a result, many adults feel they have less free time. Consumers report that they are eating out more often in order to free up time normally spent cooking, and use that time to enjoy their families and to take advantage of other leisure activities.

From the Ashland Chamber of Commerce:

Ashland (pop. 18,560) has built its economy on a resource base of timber, favorable climate, attractive landscape, cultural attractions, a well educated labor force and education. In addition, Ashland's location off Interstate 5 and the Southern Pacific Railroad, and its proximity to the Rogue Valley International-Medford Airport, give it market access that is more favorable than usual for a rural town.

To offset the risk that comes with dependence on one economic sector, the City of Ashland and the Chamber of Commerce encourage the diversification of markets. Establishment of light manufacturing firms with value-added components, sophisticated services catering to a geographically dispersed clientele, and retailing targeted to local residents are especially encouraged. The Oregon Shakespeare Festival attracts more than 100,000 visitors annually. And because Ashland is considered a "destination" city, an additional 258,427 people visit here for its other attractions such as recreation, shopping and sightseeing.

Ashland, while widely known for the nine-month Shakespeare Festival, is also the location of the only federally funded wildlife forensics lab and research facility in the country. Southern Oregon University plays a large part in Ashland's economic health, with approximately 5,130 students, 576 faculty, 207 staff, 26 temps and 691 student employees.

The City of Ashland's population over the last four years has averaged 1.4% growth and is not expected to deviate from that rate. The City of Ashland's "official population projections" show a 19,995 population projection for the year 2,005. Over the 10-year period 1995-2005, a total of 2,010 new residents to Ashland are expected. The City of Ashland's average household size is 2.22 (1990) persons per unit compared to the average household size of 2.34 in 1980.

**Market Demographics**

Our marketing efforts will focus on the following groups of people:

Tourists. This is the largest market for us, making up over 93% of our yearly traffic. The majority of them are retired or semi-retired baby boomers, and urban professionals. The median age is 52, average household income is $80,000/year, and favorite activities include gardening, reading, attending art exhibits, and travelling.

Downtown workers. This group is the second largest group of customers. The median age is 32, average household income is $40,000/year, and favorite activities include camping, fishing, hunting, and spending time with family.

Students. This includes high school students and college students from Southern Oregon University. The median age is 20, household income is $12,000/year, and favorite activities include snowboarding/skiing, dancing, and shopping.

Weekend shoppers. This group includes people who travel from rural areas, and nearby towns such Medford, Yreka, Grants Pass, and Jacksonville. The median age is 44, household income is $35,000/year, and favorite activities include fishing, hunting, gardening, and spending time with family.

 **Market Needs**

There are two market needs we are attempting to fill. First, there's a need for a fast food restaurant that produces high quality, great flavored food, at a low cost. In other words, there's a need for value beyond "cheap."

The Sub Shop will fill that need gap by providing above average quality subs, and good, but not necessarily low prices. The niche for The Sub Shop resides somewhere between consumers who want to be waited on and people who want a fast lunch for less. Since we will provide cafe-like tables for people to sit and enjoy their subs, this will attract potential customers from the traditional restaurant chains. The food is made fast and is relatively inexpensive, considering the quality of food.

The fast food customers who learn that a mere $1.50 will provide much greater return in flavor will keep coming back for more, and over time, will come to expect more from traditional FFRs.

There is also the need for eating in a clean, wholesome environment. There are many people who will not set foot inside a fast food restaurant due to 1) the restaurant's lack of cleanliness and 2) the relative poverty and despair displayed by the people working in these fast food restaurants.

To address this need, we plan to provide our employees with wages 35% higher than traditional FFRs in the region. We will not degrade our employees by forcing them to wear polyester uniforms, and we will offer two group outings a year for the employees, funded entirely by the company. As for cleanliness, we will expect the highest standards from both our employees, and our location. The goal will be to ensure that tables are cleaned within three minutes of being left. Floors will be cleaned daily, and all kitchen supplies and countertops will be maintained to the highest standards.

**Market Trends**

The market for fast food is becoming more demanding. While fast food chains such as D-Lite and others in the mid-1980s failed in their attempt to market low calorie fast food, since the 90's, some companies have found that healthy fast food pays off.

GardenburgersTM have become prevalent at many fast food restaurants, and even some fast food burger franchises are beginning to offer GardenburgersTM, and other soy alternatives.

While marketing fast food only as "healthy" could amount to corporate suicide, there is a trend towards quality in both food and ambiance.

As mentioned in the Market Needs topic, many people are heading for restaurants that offer fast food at a slightly higher price, but at a much higher quality, and delivered by employees who do not feel degraded or otherwise fatalistic about their role at work. While the latter issue may be debated by intellectuals in management school courses or readers of the current bestselling book, "Fast Food Nation," the fact remains that American society will continue to want more for less.

If The Sub Shop pursues the niche of customers that reside between the bargain-hunters and the spendthrifts, as well as people who are repulsed by standard fast food practices, lack of cleanliness, and the total lack ambiance inherent to most fast food restaurants, the franchise will be a success.

**Market Growth**

Consumer households today spend approximately 46% of their food budgets on fast food. The National Restaurant Association predicts that the QSR market will grow slightly slower than the overall market for food services.

This is due to reduced discretionary income, and recessionary economic pressures in 2000 and 2001. The overall growth rate in the fast food business is expected to be 4.4% in 2001. Growth in catering services is expected to be at around 6.5%. Since about 20% of sales will be generated from catering services, and the market growth will slow during the current post-recessionary period, overall market growth rate is targeted to a weighted 4.82%.

However, because of the faster than average growth of the Ashland area, and the increase in tourism in Jackson County over the last few years, the potential customer base will grow at a healthy 8.59%.

SWOT Analysis

The SWOT analysis is available in the following subtopics.

Strengths

The company's strengths are listed below:

The business owners and managers have a combined 40 years experience working in the restaurant industry.

The supply chain has been well established by the franchisor, and it is in the interest of the franchisor to extend credit so that its franchisees may order supplies and continue to pay the quarterly franchise fee.

The owners and managers are natives of Ashland, have strong ties to the community, and are willing to build stronger ties.

Weaknesses

Cash flow is limited to owner's resources and potential bank loans.

Generous employee benefits and ownership increase financial risk slightly.

Management teams' many years of experience may include assumptions that limit amount of risk taken, and therefore, potential returns.

Opportunities

Rapid growth in tourism.

Lack of competition in local QSR arena.

Increasing popularity of restaurants that serve high-quality fast food.

Threats

Rapid growth of QSR industry and low barriers to entry - a new competitor could open shop within three months of determining a location.

Industry is highly susceptible to a recession.

Recessionary pressures may also reduce the amount available for unsecured lines of credit.

Loss of lease, or regulatory measures that limit the scope of building renovation.

Competition

The main competitors are the major national fast food franchises. SubSub is the largest competitor, with 12,868 franchise in the U.S. alone.

SubSub licenses franchises throughout the nation, and offers two locations in the Ashland Metro area. McDonald's only has one store in the Ashland area.

SubSub contributes to the growth in our market by advocating for healthy eating habits via online, TV, and radio advertising. Yet they contribute to the nationwide growth of the healthy food segment of this market. Their advertising will bring more people to The Sub Shop. The Sub Shop will target their local operations through direct mail flyers that offer specials to customers that exchange their full SubSub 10-sandwich punch cards for a free meal and a stamp on the punch cards provided by The Sub Shop.

Product Offering

The company will offer a large variety of submarine sandwiches, salads, soups, chili, chips, cookies, and sodas. The sandwiches are made with The Sub Shop's unique sweet mustard sauce and each loaf of bread is made fresh daily. The bread is toasted for every order and the soups are made daily.

More product information is available in the sales forecast table.

Keys to Success

The most important key to success is location. It is very important that the location live up to management's expectations, and is convenient to as many potential customers as possible. As stipulated by the franchise agreement, the "Type A-Profile 1" location must contain a minimum of 6,000 employees within a four block radius (or five minute walk time). The pedestrian traffic must be adequate and the lunch habits of the customers must be conducive to eating out.

Another key to success lies with management's ability to execute the marketing and business plans. If they neglect one or more aspect of each plan, whether in the numbers, employee morale, cleaning and food standards, or a commitment to customers, The Sub Shop will not last beyond a year.

Critical Issues

The critical issues are tied to implementing the overall strategy effectively. The strategic elements of this plan are only as good as management's ability to follow-through:

The Sub Shop will encourage our employees to think like owners.

The Sub Shop will respect customers and offer them real value.

The Sub Shop will stick to a spending plan, and reinvest profits for future growth.

Marketing Strategy

Downtown workers:

The Sub Shop will target downtown workers through local businesses, advertising, event sponsorship, and word of mouth advertising.

Students:

Ashland has a seasonal student population of around 4,700. The company expects to reach students through campus activities and marketing, as well as by sponsoring special student events.

Tourists:

Over 100,000 tourists will visit the Oregon Shakespearean Festival in 2001. 262,000 will visit Ashland for its premier recreational activities. The company will reach tourists at the time they visit Ashland. Most tourists aren't thinking, "Where am I going to find good, inexpensive lunches?" when they plan their trips because they know fast food venues are abundant. The strategy will be to stand out from the other venues available on the street, and letting people know the food is relatively inexpensive, but without degrading the experience of shopping in Ashland.

Weekend Shoppers:

Weekend shoppers come from Medford to shop for clothes, gifts, and crafts in downtown Ashland. Over 40,000 people live and work in Medford, and we predict that at least 8% of those people will at some point shop in Downtown Ashland.

Mission

The Sub Shop's mission is to bring to market the tastiest and healthiest fast food in Ashland, offering real value over other fast food restaurants. High standards of quality and cleanliness will establish a reputation as the cleanest QSR in Ashland.

The community is as important to us as making a profit. The Sub Shop will devote 2% of profits to a local women's shelter, and 1% to a local environmental conservation fund. This franchise is founded on the concept that good works and good deeds not only serve the needs of the community, but will keep the company healthy both financially and spiritually, helping to maintain a commitment to filling customer needs.

Marketing Objectives

The most important objectives are:

To acquire 25% market share in the Ashland region within year two of operations.

To position The Sub Shop as a local company, with strong ties to the community.

To be perceived as the cleanest, most responsive QSR or FFR in Ashland.

Financial Objectives

To end 2003 with a 15% increase in contribution margin.

To increase sales 10% per month the first year.

Target Markets

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Positioning

The positioning is dependant upon the franchisor. Throughout the last five years, revenue growth for the franchisor has been in the 20% range so The Sub Shop has faith in the franchisor's positioning strategy.

The Sub Shop products are positioned to be flavorful, sometimes healthy alternatives to fast food. Customers will appreciate the clean seating areas, Mediterranean ambiance, and special sauces, as well as meal specials. In this regard, The Sub Shop is like no other QSR in Ashland.

Strategies

The Sub Shop's strategy is to keep things simple and stick to the basics.

In the employee room, large banners ask employees:

What do we want customers to think of us?

Why are you here?

You are an owner, what is your plan?

Why do our customers keep coming back?

Employees are on the front lines every day, and the goal will be to instill a sense of simplicity and focus in their everyday actions. If employees are not happy with how the company treats them, that negative energy will be transferred to customers. The company will not always have control over customers, and their reactions to mistakes (which are inevitable), but does have control over how employees deal with mistakes and with the customers. Many fast food employees are degraded to the point of feeling defensive when a manager address them or when a customer challenges them. The strategy is to treat employees as owners, and help them make decisions that benefit everyone.

This strategy will play itself out through fast service, great food, great customer service, upbeat and friendly presentation, and cleanliness. By keeping it simple, the strategy won't produce a lot of "noise" for customers and employees, and all goals will be met.

Advertising strategy will focus on special offers provided through various locations and businesses, and special offers targeted towards building a larger base of return customers.

Marketing Mix

The company's marketing mix focuses on employees and customers first. Employee service programs were described in the previous topic. Customer service goals will ensure top-notch service.

Sales literature, coupons, a direct phone line, fax and website orders, newspaper advertising, event sponsorships, and multi-purchase punch cards will all contribute to a healthy marketing mix.

Marketing Research

Market research is based on informal research such as customer comments, letters, as well as employee comments and perceptions. The company will occasionally employ an outside agency in order to determine the scope of our market, to fine tune our assumptions regarding demographics, to back up some of our assumptions, and to act as an insurance policy against "internal groupthink." Sometimes clarity is found by those paid to observe company day-to-day activities from a distance.