

The Management Mode of Subway Localization in China

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Abstract: subway gains more attention from the herds than before for the simple reason that the growth of fast food is regarded as an essential part in catering services. In that case, there are a myriad of risks in the process of Chinese indigenization. Based on the theoretical support of management theory and SWOT analysis, the management problems of Subway in the localization of China are analyzed. The study found that Subway had three problems after entering China, namely product innovation, operation procedure and advertising. Suggestions on these obvious problems will be given to provide reference for Subway in the future.

Keywords: subway, fast food, management, business

1. Introduction

Recently, the issue of fast food industry in China has been in the limelight and arises a heated debate among the masses who particularly concern about it. With the boom and prosperity of delivery services, inhabitants have preferences toward ordering fast food including KFC, McDonald's and Subway which indicates that fast food almost becomes the top of list of the public. However, some international food industry like Subway exerts detrimental effects in the process of Chinese localization. According to the actual condition, there are obvious dilemma of business model and management. Therefore, the author collects information and do research on the problems of Subway's based on management theory. The reason why consumers choose KFC and McDonald's neglecting Subway is often unclear to the crowds. People only think it is the problem of the consumers' choices and lose their attention to the management mode of the fast food industry.

The flaws in Subway's product innovation, operating procedures and advertising have dealt a blow to Subway headquarters' localization in China. Subway will welcome the advent of specific manifestation of these difficulties and solutions of these problems with thunderous applause. Based on management theory and SWOT analysis, this paper studies the defects that Subway is facing in China, and tries to give corresponding suggestions to these problems. By comparing with other fast food industries and understanding the normal market of fast food industry, this paper points out the specific problems of Subway's management and operation in China, and hopes that Subway can pay attention to the threat of these problems to its management. The author hopes that the public and business people can pay attention to these management problems hidden behind the fast food industry and take this as a reference. Through this article, readers can learn about the problems of Subway localization in China and the secrets of Subway management, which helps the public to understand reasons of fast food industry's risks when facing same situations.

2. The Introduction of Subway, Business Pattern and Pain in China

2.1. The Current Situation of China's Fast Food Industry and Subway's Business Outlook

In a service industry oriented society, an increasing number of dwellers who wait for employment show burning desires on opening restaurants in an appropriate domains, which stimulates consumers' demands and prosperity of catering services. In the light of the availability of takeout services, fast food enjoys an essential significance as it has become the vanguard of today's Chinese catering industry and has the characteristics of popularization and convenience, gaining more and more favor from masses. According to statistics, the turnover of China's food and beverage industry reached 350 million yuan in 2016, up 11.3% year on year. In terms of fast food industry, the turnover of China's fast food industry in 2016 reached 812.5 billion yuan, as a sunrise industry, there is still a huge space for development recently [1]. Under the help of vigorous presences of Western fast food brands including McDonald's and KFC, the whole fast food industry tend to have a more stable position than before. Unfortunately, the business and management models employed by some western fast food brands have experienced setbacks to certain extent after entering in China. Subway's operation and management behavior in China has more possibilities to be properly analyzed and modified through the SWOT model described below. In terms of advantages of Subway, The simple franchise model provides a solid foundation for Subway to expand in China. Secondly, the selling point of low fat and healthy is the biggest difference from other fast food. Subway uses this to get consumers to think that the sandwich is Subway [2]. However, there are still recessive parts, such as a complex production process, discrepancy of Chinese taste and presented products. Another challenge for Subway in China, market analysts say, is the issue of taste. Although its products are healthier, they are lighter in taste, while Chinese people tend to prefer traditional food with good taste and fragrance [3]. When it comes to the opportunity of Subway in China, consumers have increasingly high requirements for nutrition and health, and are more likely to choose low-fat and fresh food to satisfy their taste buds, because of the change in people's concept of dining consumption. In that case, Subway could transform some of the menu to adjust Chinese stomachs. Furthermore, suffering from the competition with other opponents in same fast food territory, perilous impacts same as threats happen on Subway. Whether Subway can maintain its own brand characteristics in the localization of China and make innovations for steady development has also become a challenge for Subway.

2.2. The Introduction, Business Model and Business Pain Points of Subway

Subway is an American multi-national fast food restaurant franchise that primarily sells submarine sandwiches (subs), wraps, salads and beverages. Subway was founded by 17-year-old Fred DeLuca and financed by Peter Buck in 1965 as Pete's Super Submarines in Bridgeport, Connecticut. It was the fastest-growing franchise in the world in 2015 and, as of June 2021, had 37,540 locations in more than 100 countries and territories. More than half its locations (21,796 or 58.1%) are in the United States. It also is the largest single-brand restaurant chain, and the largest restaurant operator, in the world. Its international headquarters is in Milford, Connecticut [4]. Subway, the world's largest single-item fast food franchise, employs franchise model to expand industry scale.

The headquarters has regional headquarters to manage the various regions of the world, collect the information of each region, and coordinate the work. The region is further divided into smaller regions, each with a development agent responsible for the opening of the market in that region and the management and supervision of each franchise. Still, Subway suffers detrimental situations after entering China. As proof, the author found that there were four Subway stores in different domains of one city in 2018. However, these four Subway stores were gradually closed and only one store is located under a shopping mall where has low consumption power and less compatible consumers in

2022. Business Insider reports that the Subway restaurant chain is losing ground in the US. Subway reportedly closed more than 900 stores across the country in 2017, three times as many as in 2016 [5]. Also, the consumer surplus in fast food industry is lower than normal catering services because crowds prefer to consume low expenses for fast food. Providing fresh and healthy ingredients, Subway, however, attracts less clients because of prices. Much more interesting, as anyone who has been to Subway knows, the method Subway orders food is unique. The artist (what Subway calls its employees) will ask the customer what ingredients they need and in most cases they'll have to introduce them to classic combinations of ingredients, and that will take a lot of time, for the customer to wait, which leads to a decrease in sales.

3. The Plight of Subway in the Process of Sinicization

3.1. Product Innovation

For consumers, if seller cannot furnish them with abundant commodities, they have little access to choose their indeed interest, triggering failed transactions. According to some experts in related business areas, the increased competition has pushed food companies to become more efficient in processing, to re-organize management, develop new products, and explore new markets in order to meet the needs and wants of consumers competitively [6]. It is universally acknowledged that, Subway is blessed with the world's most standardized uniform decoration design and menu, which give global consumers a taste of the most authentic submarine sandwich. Whereas Subway stores in China have not been innovating compatible products for Chinese. Also, the set of sandwiches with cookies and soda indeed exerts lucrative profits in its original place. In other words, inhabitants in western countries are accustomed to this kind of match as a healthy diet. But in China, the majority of purchasers estimate they hardly choose cookies, chips, and sodas to be aided dishes in a whole sandwich set on the ground that there are tons of sugar and calories included, being chiefly responsible for less orders in Subway [7]. A six-inch sandwich is not enough for Chinese consumers, and a 12-inch loaf is too big. Subway has also offered rolls and pizza cubes in recent years, but each has fewer flavors and almost resembles a sandwich topping. Subway's slogan is to eat fresh, but that's no longer enough to impress consumers. Subway only started adding guacamole to its menu when it became standard in the dining market and continued to ignore it as other fast food giants experimented with new products, such as organic carbonated drinks [8]. Actually, the author went to Subway store and observed that online order becomes more efficient, but consumers have less access to communicate with staffs about toppings of sandwiches. To sum up, without research on new products, Subway cannot adapt to the needs of Chinese consumers.

3.2. Operating Procedures

Fast food industry witnesses a sententious operating procedures covering the most essential part that to join cooperation with headquarters. As a matter of fact, joining franchise in diverse areas of China enjoys unparalleled significance for the simple reason that China has the highest population which means China has the largest potential consumers of Subway. Honestly, compared with KFC and McDonald's, Subway has different fast food restaurant model. Specifically, every store of Subway adopts pure franchise model, a key to surpass the numbers of shops of other brands fast food, excluding one direct-sale store for marketing analysis.

It is noteworthy that, this kind of pure franchise model have access to achieve rapid expansion, meantime reducing the company's financial stress, by applying the strength of local purchasers [9]. Nevertheless, there was one accident pushing Subway into grave peril. In 2015, a journalist investigates one of the Subway stores at Beijing secretly and found that this store violated Subway's promises and store regulations, some ingredients were replaced with new labels after they expired,

with the production date even appearing earlier than the time the ingredients were collected [10]. After this information spreading, hundreds of Subway's stores encounter hindrances. Safety of food always be the first priority in restaurant. Undoubtedly, this press kept residents informed Subway food safety hazards even though Subway has rocketing number of franchised stores. As for the loss of this food problems, the author illustrates that it is Subway's responsibility to supervise the safety of ingredients. On the macro level, this scandal implies the doubt of the pure franchise model that employed by Subway and it is not the first time appeared. Fast food outlets formed through franchising do show some problems including the breakdown of franchising model due to the violation of regulations. This is why every enterprise should strengthen the strict management of operation procedures.

3.3. Advertisement in Market

For fast food industry, the appreciation that has been given to advertisements can never be over emphasized. Accordingly, this advertising strategy involves increasing the sale of current products or services to the existing market in order to obtain a higher market share. Persuading current customers to buy more and new customers to start buying or even converting customers from their competitors are equally important [11]. During the operation of other western fast food brands in China, KFC and McDonald's advertisement occupy mostly in the market, but Subway has less possibilities to conduct proper advertisements with unique approach in the process of Sinicization. McDonald's expands sales by adding tiny dolls or handmade items to its single or double meals based on the hot fashion elements of each season and cartoon characters as an efficient advertisement. Besides, there was an interesting opportunity grasped by McDonald that to change its name into "Golden Arches", which kindles thousands of netizens post their thoughts of this renamed event on social media like Instagram and WeChat. This unpredictable accident not only offer a funny story for cyber inhabitants to tease but also ignite online sales surprisingly [12]. Apparently, McDonald's has used this as an advertising tool to boost sales and attract anime fans to buy packages to collect trinkets of the characters. Subway seems to be addicted to opening stores in China, and with such a large expansion, Subway management thinks is bound to achieve good market penetration. Unluckily, these stores are closing down one after another, and the original consumers will think that the company has closed down so many stores that they will have a negative opinion of Subway and they will not go to Subway again. Even though Subway has a strong and rapid expansion strategy, advertising is an effective measure that has been neglected. The author found it difficult to see advertisements about Subway on major websites. Including the point-open interface of many apps, users can often see pop-up advertisements of other fast food brands without any information about Subway.

4. Application Suggestions Based on Management Theory

4.1. Introduction to Management Theory & Why Can This Theory Be Used to Solve the Dilemma of Subway Localization

Management science is a discipline that studies all kinds of phenomena and laws in the management activities of human society. It is formed on the basis of the development of natural science and social science under the condition of modern socialized mass production. Mathematics, economics and psychology are the three foundations of management. Mathematics is the basis of quantitative analysis in management science [13]. Use the unified mathematical statistics and some professional mathematical knowledge to carry on the professional analysis to the enterprise management data. Economics is the starting point of all kinds of decision-making in management science. Through mastering the knowledge of economics, management policies can be adjusted to factors such as market situation and economic situation. Psychology is the basis of management science to study

interpersonal relations and mobilize people's enthusiasm. The use of psychological principles to better grasp the actual ideas of employees has a crucial role in management. In the theory of management science, the scientific management theory is more likely to be applied in the catering industry, which seeks the high efficiency of work. The subjective judgment of individuals will easily be replaced by accurate investigation and research and scientific knowledge, so as to think of scientific solutions and eliminate the random and non-standard behaviors in management. From the above discussion, readers have access to find that Subway does not have the problem of standardized production, because Subway will do a good job of uniformity. But this is also the biggest problem for Western fast-food brands when they enter China. After entering China, Subway is facing with brand new consumers. Compared with the primary market, different tastes and consumption habits lead to the decline of Subway's sales in China.

4.2. Suggestions on Organization Management Based on Management Theory

To start with, product problems have consistently plagued Subway stores in China, which are clearly productivity issues. Management suggests studying how to use various resources reasonably according to the requirements of organizational goals and social needs to obtain the best economic and social benefits. In the process of Subway localization in China, more new products that meet the tastes of Chinese consumers should be launched one after another. And it's not just through sandwiches. In view of the disadvantages of online ordering, Subway should emphasize the service consciousness in the training of employees and recommend sandwiches suitable for Chinese taste to customers after they enter the store, so as to avoid the loss of communication with the shop assistants after ordering online, which may lead to them not being able to taste authentic and delicious submarine sandwiches.

What is more, the problem of declining store sales caused by scandals can be improved by extending the inspection period. The original six-month inspection period should be extended to one year, and the number of health and operational inspections by headquarters representatives should be increased, preferably with plans for surprise inspections, so that operational problems can be more visually visualized. In addition, strengthen the management of food material safety in the supervision process. Fresh ingredients need be the first priority during staff training. Although Subway's raw material procurement is unified, each development agent should have enough staff to timely communicate and supervise with the corresponding franchisee [14]. By increasing the intensity and scope of supervision, we can ensure that the operation of franchisees is not conducive to the strategic control of the headquarters, and also ensure the unity of the system operation, so as to avoid the loss of Subway brand reputation and collective interests caused by franchisees' non-standard operations, such as food safety problems [15]. Although KFC and McDonald's dominate the Chinese fast food market, Subway has to find unique attractions to increase market advertisements in this environment. Advertising as an important means of marketing can bring unexpected results. Expand the coverage and frequency of Subway advertising, because long-term advertising can convey lasting impressions to consumers [16]. In addition to placing LED print ads in busy neighborhoods, Subway can expand its consumer base through social networking apps such as ticktock, Weibo and RED. Add topics about Subway on social media to attract the attention of netizens, call on bloggers to make recommendations for fans, and hold regular challenges in tune with Subway sandwiches. The authors found that people are willing to take on simple challenges to keep themselves up to date. And that's a big part of getting more consumers to come into the Subway stores and be willing to try something new.

5. Conclusion

This study finds that if product innovation is not accelerated, Subway's market in China will be difficult to promote; if operating procedures are not supervised, the quality of franchise stores will decline; if advertising is not enough, consumers will not choose Subway. Firstly, according to these obvious problems and possible results, practical suggestions based on management theory are provided, including innovating products suitable for Chinese consumers, monitoring the inspection period of franchise stores and increasing the proportion of Subway advertising in the market. This study introduces the current situation of fast food industry and Subway's specific business model, which is conducive to clarify Subway's shortcomings in China, because Western fast food will face acclimation after entering China. Finally, these investigations are based on considerable objective facts, and there may well be many issues that have not come to light. Questions and suggestions about Subway vary according to different regions and consumer habits.

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