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THAT ONE TEAM

QUIZNOS

QUIZNOS[®]
MMMM...TOASTY![®]

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Introduction

In almost every town you will see a Subway, Jimmy Johns, and Quiznos, the decision as to which one to go to can be easy or difficult. Quiznos wants to make your decision as easy as possible; with the amount of options and catchy slogan of “Mmmm...Toasty”, they are focused on serving their famous toasted sub. Although there are strengths and weaknesses in all companies, Quiznos is definitely experiencing weaknesses in several areas.

The toasted sub shop was initially an idea of Terrell Braley, who sold the brand to competitors, Jimmy Lambatos and Todd Disner, who branded the company as “Quiznos” and began to franchise (Franchise Media Group, 2014). After opening up for business under the Quiznos name in 1981, they served the very first toasted sub. In 1987, the company was sold to a father-son team, who opened a new franchise in Boulder, Colorado, in addition to buying the entire company (Sweeney, 2003). The duo continued to invest and grow the brand, opening new stores and adding third parties in order to fund the growth. In the five short years they had owned it they looked back and saw they had opened over 100 stores and began planning to expand their franchise in order to gain nationwide attention. The company once rivaled Subway, but has since closed almost 3,000 franchise locations; because of this, “That One Team” has researched the company and actions they should take to reclaim the sub sandwich market (CNNMoney, 2014).

PECTS Analysis

Political

Although the Political Scene is meant to help a company, a class action lawsuit in 2010 did not help their business. In 2010, Quiznos had a class action lawsuit filed against the company by attorneys for different franchises who claimed that the company had violated different

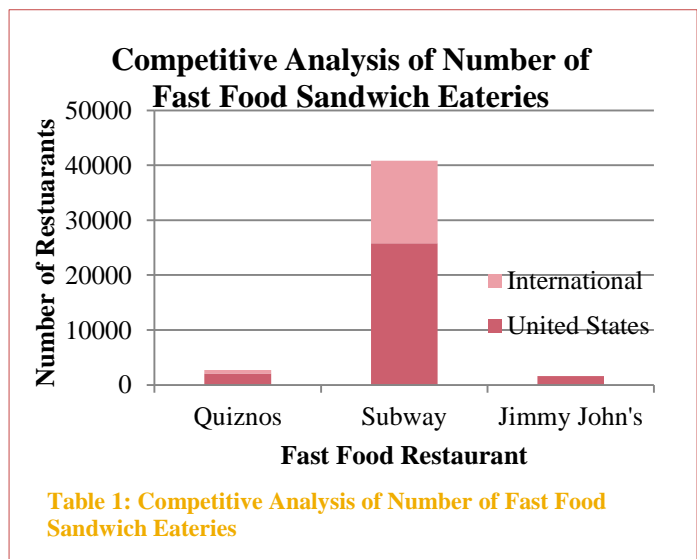
racketeering and corruption laws of the United States (Liddle, 2010). Because of the high media coverage of the case, people were less likely to buy sandwiches at different franchises, causing Quiznos to lose money from lost business and case settlements.

Economic

Quiznos is preparing to file a Chapter 11 bankruptcy suit, with over \$570 million in debt (Glazer & Jargon, 2014). Filing for bankruptcy protection allows for the sandwich chain to reduce its debt by over \$400 million dollars (CNNMoney, 2014). Stuart Mathis, Quiznos CEO has reported that the company is researching methods to increase sales and profits, as well as reduce different costs. “That One Team” has also researched different geographical areas to evaluate where Quiznos international opportunities lie. The Middle East and Africa should not expect increasing sales, as there have been increasing amounts of tensions between the United States and the geographical area (Alterman, 2014). Despite this, franchises throughout Asia have a chance of gaining business with economic improvements being made throughout India (The Economist, 2014). “That One Team” recommends that Quiznos focuses growing their business activities in Asia, where the most growth is possible.

Competitive

The Competitive Analysis looks at different competitors and their success. Typically, one would analyze both direct and indirect competitors, but “That One Team” decided to focus on direct



competitors due to the length of the paper (See Table 1). Subway is the most well-known sandwich eatery, with over 40,800 stores total and 15,000 of these stores in 100 countries (Doctor's Associations Inc., 2010) (CNNMoney, 2014). Jimmy John's has over 1,600 stores in the United States, with no international locations (Jimmy John's, 2014). The company is known for freaky fast delivery and fresh food, as well as excellent prices and fresh bread.

Technological

Restaurant analyst Bonnie Riggs of NPD group said that chains are looking for ways to reverse an economy-induced downturn in restaurant visits in the past six years. Quiznos is focusing its innovation efforts on menu changes and limited time offers. Of the nation's top 20 largest restaurant chains, Quiznos ranked highest among consumers who said they would try a new menu item after seeing it in an ad. Menu innovations are crucial in a chain's ability to attract new customers and maintain



Figure 1: Quiznos recently implemented new technologies in Portland, Oregon.

existing clientele (Raabe, 2013). In an increasing technology dependent country, targeting customers through media ads and mobile coupons has become very popular among its customers. Quiznos saw success after implementing location-based mobile advertising campaign in Portland, Oregon, in which tech-savvy, busy consumers were targeted (See Figure 2). They considered location and behavior to get the most out of this advertising campaign. They used this idea to get coupons to users more likely to redeem these coupons. This resulted in a 20% boost in coupon redemptions within the Portland area, compared to similar nationwide campaigns (Kats, 2013).

Social

The current demographics of the market are expected to change by 2050, with the population increasing by about 100 million (Pearson Education, 2014). Since Quiznos target market is people age 18-50, heavily skewed male at two thirds of customers, and aiming towards middle class people with disposable income, the target market is on cue with a very large portion of the population; the target market also focuses on males. There are many opportunities when analyzing the social aspect of the company. Firstly, the middle age group of our society is beginning to grow quickly; Quiznos needs to target and attract the 15-64 year old age group due to a large amount of potential revenue. Although men typically eat fast food more often, women make up a larger percentage of the population, meaning that marketing to them is important and is another source of revenue (Kotkin, 2010). Also, with an increasing population of people ages 65 and older it might help the success in the next 5-10 years to branch out from their current age group, even though their target age group is growing at a much faster rate.

Promotion/Advertising

Quiznos recent advertising campaign was called the “Better Than Ever” campaign. In this campaign, Quiznos made dozens of changes to their menus and made “upgrades” to their meats, including switching to all-natural chicken and upgraded turkey. The “Better Than Ever” campaign was supported by \$40 million for the advertising, remodeling, and new uniforms, which all focused on Quiznos’s “craveability” (Jennings, Quiznos Launches New Menu and Branding, 2012). In the advertisement, they incorporated some of their established products for



Figure 2: Quiznos's “QRAVE” Campaign highlighted customers enjoying Quiznos.

returning customers but they also tried to introduce their new products to attract new customers through different television commercials highlighting Quiznos's "craveability" (See Figure 3). Unfortunately, this campaign didn't really help the company, as according to Stuart Mathis, the Better Than Ever campaign "was not as effective as it could have been for the investment that was made" (Jennings, Quiznos CEO Outlines Strategies, Moves Ahead, 2012). It created a lot of problems for the franchises due to changes in the menu and customer confusion.

Pricing Analysis

Since December of 2012 there have been ten lawsuits charged against them in regards to their marketing failures and pricing failures. They have faced and agreed to a suit of \$95 million with over 6,000 franchises that have reported corporate of overcharging them for supplies and charging higher than market value for their food they order (Raabe, 2013). Corporate has been suspected of doing this due to the steady decrease in sales. Their sales have decreased in relation with their pricing strategy because their competitors (Subway, Jimmy Johns, etc.) have been able to cut their prices to beat out Quiznos sub sandwich pricing.

The Quiznos franchise owners have been able to offer a competitive pricing strategy by offering lower pricing sub sandwiches along with issuing out many coupons and free samples (Raabe, 2013). This has helped corporate recover from many bad months of sales, but at the same time it is driving franchise owners into the ground. They are instructed to lower prices and increase the amount of coupons issued, but they are paying higher than market prices for their food and supplies from corporate. This situation creates a very profitable and recognizable company for the corporate but at the expense of putting franchise owners into a struggling position and continuously experience of expenses exceeding profits. Before all of this happened,

Quiznos had launched a couple different pricing strategies that they thought would attract more customers over their competitors.

These pricing strategies have been changing since their company established itself, I am going to go over the last two of them. The first strategy their enforced started in 2009, this strategy was considered to be the “value pricing strategy”. They enforced this by reconstructing all their menu items and launching a new ad campaign to promote their pricing strategy of having over 20 sub sandwiches priced for less than \$5 (CSNews, 13). Quiznos was focused on sticking to their driving point of having high-quality sandwiches for less. The pricing analysis from customers was very positive and they thought they were headed in the right direction. Then Quiznos competitors started lowering their prices and they started to lose the market. Also, the prices of food and supplies started to increase due to a downturn in the economy. This led to another new strategy implemented in 2012.

The new pricing strategy of 2012 was to higher their prices to recover the raising prices of supplies and food. They wanted to get rid of their \$3 and \$4 sandwiches and offer a larger, more upscale sandwich for \$7 to \$8 (Sparks, 2012). They had their backing from the Quiznos’s heritage of high-quality, good-tasting food. The pricing analysis of this strategy wasn’t as accepting and popular as the first strategy, the customers thought the prices were high but some accepted the realization of needing to higher prices to stay in business (Sparks, 2012). As the other competitors slowly raised their prices for the same reason, customers started to slowly give back Quiznos their business. Over the course of 2012, they still were seeing a decline in customers and a decline in sales (Sparks, 2012). The corporate offices decided to start overcharging their franchises for supplies and goods to cover for corporate losses. These two strategies have led to a struggling Quiznos and the lawsuits they are facing now.

Recommendations

Recommendation I: Update the Quiznos Website

“That One Team” believes that creating a more cohesive look, as well as reviewing and implementing our changes will lead to an increase in customers at their business. In fact, it was found that slow loading times for website led to a loss of 16% in customer satisfaction; although Quiznos website loads quickly, it is very difficult to navigate, leading to lower satisfaction in website users (SmartBear Software, 2012).

In general, our team recommends that all pages have the same layout and header throughout. Although all of the pages have the Quiznos logo on them, they do not all have the same look and feel. In addition to this, all pages should have the option to go back to the Quiznos.com homepage; on several of the main links, clicking on them did not work to go back to the main page without clicking the back arrow. We also recommend creating the same color scheme for all pages on the Quiznos website; having different color schemes on each page makes the website feel unprofessional and creates a lack of cohesion. Another recommendation that we have is to have drop down menus after hovering over the horizontal titles; this would



Figure 3: Quiznos has many different layouts, headers, and color schemes throughout the website.

allow for less clicking and greater accessibility. Finally, we recommend having a clear call to action. Although this is somewhat achieved through being prompted to find a Quiznos on the

main page, it might be better if Quiznos identifies their goal from consumers visiting their website. According to Ilya Pozin, it is important to figure out if you want website users to “buy your product, contact you, or subscribe to your business e-newsletter” (Pozin, 2014). Once Quiznos identifies this, it is important that they invite consumers to join the company in achieving their goal.

Recommendation II: Target More Women

After evaluate the problematic marketing strategy put in place by Quiznos, we have decided to recommend a market strategy to target more women. Women account for 85% of the total market in today’s society. They are the consumers that will be most affected by a little change in a marketing strategy from a company. The slight change that is needed in Quiznos marketing strategy would be to offer healthier options in their sandwiches and choices to go along with their sides. A study shows that Quiznos is in the top five of healthier brands women are seeking, but their biggest competitor Subway, who is ranked number one (Omazic, 2014). We would suggest offering healthier sides to go with the sandwiches like apples or baked chips, we also would suggest offering more turkey and ham sandwiches; women are more like to purchase these items due to the lower calorie count.

Also, not only do the women purchase the food for themselves but they are going to be the primary buyer for their children, as well as other family members (Holland, 2009). Women want their children to eat healthier and put a big focus on their children’s health, as well as their own. Studies also show that 50% of women consumers want more green in their food product, we would recommend Quiznos to offer more sub-sandwiches with more spinach and lettuce options with vegetables as toppings (Holland, 2009). We would recommend more of a convenient kid’s meal with a sandwich and side at a discounted rate. This would allow the women to purchase a convenient kid’s meal for their children on the go with their sandwich. The

market of women consumers is rapidly increasing and the importance of a “healthy lifestyle” is getting even bigger. Quiznos needs to market their healthier products more than the other sandwiches to attract women which hold the highest amount of the market. This would allow them to reach a larger amount of people than they are currently and can create a bigger profit for this struggling company.

Recommendation III: Horizontal Marketing Firm Partnership

In 2011, Quiznos partnered up with a convenience store, Champlain Farms as a way of continuing their growth within the convenience market (RestaurantNews.com, 2011). Through this they noticed a growth in profits and brand recognition that led to a consistent customer base. Shortly after this partnership’s success, they expanded into over 200 different locations within convenience stores. Unfortunately, over the years the convenience stores Quiznos partnered with slowly went out of business leading to a depletion of opportunities to continue their growth. At this time, Quiznos and Champlain Farms are partnered together at only one location (Champlain Farms). This being said, our recommendation for Quiznos is that they should continue to focus on partnering with a highly recognized brand in the convenience market.

A horizontal marketing firm partnership with a recognizable brand, such as Quik Trip or Kum and Go, would help Quiznos become a competitor within the sandwich market. One difference would be that they would have to be open 24/7 like their partner company, giving Quiznos an advantage since they would be one of the few sandwich shops open all hours of the day. With this change implemented, Quiznos would be able to market to a different customer base, travelling customers. Typically, when people are on the road they want to make as few of stops as possible, so they are more attracted to a partnered franchise. This way, the travelers can gas up their vehicle, eat a meal and be back on the road as quickly as possible. By attracting the

travelling customers, Quiznos is diversifying the customers in their target market, which brings us back to the original problem that they currently have a narrow customer basis. Quiznos has lost out to their competitors in the consumer area due to not being strategically placed within the community. Overall, this recommendation may seem like a small change in retrospect but if done correctly, it can have a big impact on the company as a whole.

Conclusion

“That One Team” believes that Quiznos needs to take our recommendations into account to eliminate further bankruptcy and money problems, as well as allowing the company to regain market share and compete with fellow sub sandwich contenders, especially Subway. Updating the website through developing a common theme and color scheme, as well as deciding on a goal for users of the website will allow for greater user satisfaction and interest. Targeting more women can be implemented through adding more wholesome options, such as leaner meats and healthier sides. Partnering with different members of horizontal marketing firms will allow for a new customer base to be reached, as well as existing customers to be targeted when Quiznos is located in different convenience stores. Implementing these recommendations and changes will allow for greater retention of customers and for new customers to be gained.

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