

Subway Organisation Analysis Report



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Executive summary

This report analyses Subway's strategic marketing position in the United Kingdom using frameworks and tools such as PESTEL, SWOT, Porter's Five Forces, and the VRIO model. The aim is to evaluate how external and internal drivers contribute to Subway's competitiveness and identify strategies that can continue to drive its growth in a competitive fast-food market. Such areas of consideration include consumer behaviour, regulatory pressure, competitive forces, and Subway's internal competencies.

The report points out that though Subway has strong brand recognition and a massive franchise network, it faces intense competitive pressure, uneven product innovation, and increasing cost sensitivity of the customer. It finds that Subway must evolve rapidly in line with market conditions through innovation and strategic refocusing. It suggests developing local and plant-based menus, introducing tiered and dynamic pricing, developing delivery infrastructure, and fostering brand engagement through sporting sponsorships. Subway will be helped to stay competitive, contemporary, and profitable in shaping UK fast food through these actions.

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1. Introduction

Subway is a global fast-food chain known for its made-to-order sandwich products and health-oriented branding (Wells, 2024). The following is focused on Subway's business activities in the United Kingdom to evaluate its strategic marketing environment using frameworks like PESTEL, SWOT, Porter's Five Forces, and VRIO to enable informed strategic decision-making and identify competitive positioning.

2. External Analysis - Macro Environment (PESTEL)

PESTEL framework analyses external macro-environmental factors—Political, Economic, Social, Technological, Environmental, and Legal—that affect strategy choices (De Sousa and Castañeda-Ayarza, 2022). It assists companies such as Subway determine opportunities and threats in the broader market environment.

2.1 Political

Regarding political factors, Subway's supply chain costs increased significantly due to the implementation of the British government's Brexit decision. For 2023, the cost of imports for the UK catering industry rose 12% year-on-year. In this context, considering that Subway's UK stores are highly dependent on suppliers from other countries in the EU, Subway has been forced to turn to local suppliers in the UK (Fauziah and Susanto, 2023). Subway was forced to release a low-sugar version of its Honey Oat Bread, which has 25 per cent less sugar (Porter, 2024).

2.2 Economic

The UK cost of living crisis has significantly affected consumer behaviour (Broadbent et al., 2023). In this context, people are committed to reducing the cost of fast food. Subway responded by offering "daily deals," which saw a 34 per cent increase in sales. In addition, exchange rate fluctuations have also exacerbated Subway's cost pressures. As a result, some Subway stores focus on local sourcing instead of importing from the United States. Subway India, for example, has priced its basic sandwich at Rs 99, using local ingredients to cut costs.

2.3 Sociocultural

Healthy eating trends became a key factor driving Subway's product transformation. According to a British government survey, 67 per cent of British consumers have asked fast-food brands to provide calorie labels (Daley et al., 2023). According to the Plant Food Association, sales of plant-based meat increased by 23% in the UK in 2022 (Zhao et al., 2023), and sales of Subway's vegetarian meal in partnership with Beyond Meat increased by 40% in Germany (Weaver, 2024). For example, a Subway store in India changed 50% of its menu to vegan because 75% of its customers are vegetarians (Scott, 2024).

2.4 Technological

The rapid pace of digitisation forced Subway to implement a digital transformation within the company. In 2021, Subway partnered with Microsoft to develop an AI ordering system (Doğan and Niyet, 2024) that recommends products based on weather and time of day, indirectly leading to a 12% increase in unit prices. Regarding supply chain technology, Subway joined the IBM Food Trust blockchain platform in 2022 to realise the complete traceability of lettuce from farm to store. Temperature sensors in Subway distribution centres in the United Kingdom reduced the consumption rate of Subway ingredients from 6% to 2% (GOV.UK, 2024). However, the digital transformation has resulted in Subway investing in technical compliance costs. For example, the EU GDPR forced Subway to invest £5 million in revamping its data systems to ensure user privacy (Elliott et al., 2023).

2.5 Environmental

The UK's "Plastic Packaging tax" has been implemented since April 2022, imposing a £200/ ton tax on non-recycled plastics (Parente, 2024). In order to comply with the UK government's sustainability requirements, Subway replaced all packaging with compostable material, increasing costs by 15% but reducing carbon emissions by 30% (Lall et al., 2024). In addition, governments worldwide have pursued carbon neutrality, forcing Subway to invest in a low-carbon supply chain. Subway plans to halve its carbon emissions by 2030 and has installed solar panels in 600 UK stores by 2023 (Lall et al., 2024).

2.6 Legal

The UKCA certification requires the sandwich label font to be 20% larger than the EU CE standard (Secretariat, 2021), resulting in Subway printing the UK version of the packaging separately and significantly increasing the annual cost. Subway UK has changed its scheduling system to reduce the hours employees work due to the UK Labour Code, which mandates rest periods for employees.

2.6 Conclusion

Subway operates under political and economic challenges within the UK market while encountering growth possibilities in the health business and sustainable and digital market advancements. Modern competitive success requires organisations to adopt strategic planning to adjust to alterations in their macro-environment.

3. External Analysis - Micro Environment (Porter's Five Forces)

Porter's Five Forces model studies industry structure by considering competitive rivalry, the threat of substitutes, new entrants, and buyers' and suppliers' power (Porter, 2008) to help establish market attractiveness and profitability.

3.1 Bargaining power of suppliers

Subway's supply chain in the UK market is highly dependent on localised sourcing and a small number of core suppliers, which, to some extent, enhances the bargaining power of suppliers. However, this centralised sourcing comes with its risks, and Subway had to fly in ingredients from Spain due to poor weather temporarily. Subway relies on multinational suppliers for key raw materials such as bread, which directly leads to significant fluctuations in the cost of bread in Subway stores. This dependence on several big suppliers and susceptibility to external interruptions constitutes a medium degree of supplier power for Subway in the UK market.

3.2 Buyer's bargaining power

According to the Office for National Statistics, British consumers' price sensitivity and health needs for fast-food brands have significantly increased their bargaining power. The divergence in consumer preferences is adding to the pressure on Subway. According to a YouGov survey, 42 per cent of U.K. customers found Subway's menu

"lacking in innovation," opting instead for brands like Pret A Manger or Greggs (YouGov, 2024). With high price sensitivity and the presence of reasonable alternatives, Subway encounters a high degree of buyer power within the UK fast food industry.

3.3 Substitute threats

The alternative threat to the UK fast-food market is the resurgence of traditional restaurant brands, new health food stores, and home-cooked meals. Pret A Manger attracted many office workers through its subscription model, directly diverting Subway breakfast customers (Reuters, 2023). Local bakery chain Greggs dominated the market with a low-price strategy, and the number of stores exceeded 2,300 in 2023, surpassing Subway for the first time (Healy, 2024). After the novel coronavirus outbreak, Britons increased the frequency of home cooking, and semi-finished products partially replaced fast-food consumption. As customers move toward home cooking, health-focused restaurants, and value offerings, the threat of substitutes for Subway in this market is high.

3.4 New entrants

The threat of new entrants to the UK fast-food industry comes mainly from the localised expansion of virtual kitchen brands and international chains. Virtual kitchen businesses like Deliveroo Editions and Uber Eats virtual restaurants quickly launch vertical categories on a low-cost model (Jones et al., 2024). Popeyes, an American fried chicken brand, has launched a direct campaign against the UK's mid-range and high-end Subway products (Bhave et al., 2024). Among them, brands like "The Cheese Truck" appeal to younger consumers with freshly made cheese sandwiches. As new specialist and virtual brands emerge, Subway's brand identification and scale offer moderately high obstacles, so new entrants face a medium-level threat.

3.5 Competition

Subway faces a multidimensional squeeze from chain brands, convenience stores, and coffee shops in the UK. McDonald's consolidated its position through digitalisation and price wars, while Greggs expanded with a dense network of stores and low prices. Costa Coffee and Starbucks compete in the fast-food market for combo meals. In

addition, healthy fast-food brands such as Pret A Manger and Wasabi are diverting high-end customers through differentiated positioning. With product innovation, competitive pricing, and a saturated market, Subway faces highly competitive competition in the UK fast food sector.

Subway experiences high overall competition in the UK market, with intense rivalry and the threat of substitutes fueled by aggressive buyer power. This necessitates ongoing innovation, price flexibility, and strategic differentiation to remain relevant and profitable.

4. Internal Analysis (VRIO model)

The VRIO framework is a strategic tool for evaluating an organisation's internal resources and capabilities regarding Value, Rarity, Inimitability, and Organisation (Murcia et al., 2022). The assessment is critical in determining whether a resource can create a sustainable competitive advantage. In Subway UK, this assessment involves a review of its resources, such as its health-conscious brand image, extensive network of franchises, and centralised information systems. All these aspects are reviewed to assess their market value, rarity vis-à-vis competitors, vulnerability to imitation, and the extent to which they are supported by organisational forms that can enable long-term strategic advantages.

4.1 Value

Subway's core values in the UK market stem from its highly flexible product customisation capabilities and the "healthy fast-food" brand positioning, constituting a differentiated competitive advantage. The establishment of this health image is not only derived from product design but also related to the brand's long-term involvement in public health initiatives.

4.2 Rarity

Subway's scarce resources in the UK market are highlighted by its dense network of stores and its ability to expand rapidly under the franchise model. By 2023, Subway had 2,500 stores in the UK, covering 98% of town centres (Subway, 2023). Unlike the direct model of brands like McDonald's, Subway attracts small and medium-sized

investors through a low initial franchise fee. This model allows Subway to penetrate suburban and small-town markets quickly. However, this pattern is becoming less rare.

4.3 Inimitability

Subway's inimitable resources in the UK market are mainly based on the brand history and supply chain relationship network. Since entering the UK, Subway has forged a unique cultural identity through continuous local marketing. For example, Subway's long-standing sponsorship of the English Football League and British consumers associate Subway with "local sportsmanship," an emotional connection that is difficult for new entrants to replicate quickly.

4.4 Organisation

The organisational ability of Subway UK headquarters is reflected in the effective management of the franchise system and rapid market response mechanism. Subway UK partnered with Oracle in 2020 to build a central data platform that analyses sales data, weather changes, and social media trends at stores nationwide in real time. However, the problem of organisational rigidity remains. The mandatory biodegradable packaging replacement program is forcing headquarters to delay implementation for six months.

Resource/Capability	Valuable	Rare	Inimitable	Organised	Outcome
Franchise Network	Yes	Yes	No	Yes	Temporary Competitive Advantage
Health Brand Positioning	Yes	Yes	Yes	Yes	Sustainable Competitive Advantage
Central Data System	Yes	No	No	Yes	Competitive Parity

5. SWOT

SWOT is a strategic approach to examining an organisation's internal strengths and weaknesses and external opportunities and threats to guide decision-making and strategy formation (Gürel & Tat, 2021).

5.1 Strengths

Subway's main strengths in the UK fast-food market are its highly flexible customised service and relatively healthy brand image. According to a market research firm Mintel report, 45 per cent of British consumers consider Subway "healthier" than other fast-food brands, thanks to its fresh vegetable pairing and low-fat protein options (Wells, 2024b). This perception goes hand in hand with Subway's long-standing "Eat Fresh" slogan. Subway's franchise model allows it to expand quickly. As of 2023, Subway has approximately 2,500 stores in the United Kingdom, giving it a competitive advantage, especially in commuter hubs (Wells, 2024b).

5.2 Weaknesses

Despite the brand's broad reach, Subway faces multiple structural disadvantages in the UK market. First, the franchise model leads to inconsistent quality control. A 2021 investigation by The Sunday Times found that about 30% of Subway franchises had hygiene violations, such as unrefrigerated meat being left at room temperature for more than two hours, seriously damaging the brand's reputation (Venkatraman, 2024). Customers found Subway "uninspired," Subway's menu takes six months to update, compared to its rival Pret A Manger, which offers new items for a limited time each month (Wells, 2024b).

5.3 Opportunities

The healthy and sustainable trend in the UK fast-food market presents a strategic opportunity for Subway. This will allow Subway to expand its partnership with Beyond Meat. The continued growth of the food delivery market is also a key opportunity, with Statista predicting that the UK food delivery market will reach £17 billion by 2026, while Subway currently accounts for the market (Statista, 2024). To that end, Subway is investing £8 million in 2024 to upgrade its delivery system, including a partnership with Deliveroo to launch its "15-minute Super-Fast" service

(Kleinman, 2023).

5.4 Threats

Subway's biggest external threat in the UK comes from competitors' squeeze and structural cost increases. Pret A Manger appeals to the office by subscription, directly impacting Subway's breakfast market share. Local brand Greggs has expanded with a low-price strategy, with its signature sausage roll selling. Subway, however, charged 47 per cent more for the same product, leading to a loss of price-sensitive customers (Di Muro, 2020). The UK government's proposed "salty food tax" could force Subway to reformulate and reduce sodium in its salami, resulting in higher costs.

6. Recommendations

1. To exterminate the competition's attacking strategies, Subway should invest in plant-based products and incorporate locally inspired meals typically found in Britain. This is to fulfil the rising demand, where UK customers' demand for plant-based foods is increasing by 23% yearly (Reichheld et al., 2023).
2. Change from a static pricing plan and give a trial of dynamic pricing with AI technology assistance. A case study by Kumari (2024) stated that dynamic pricing has enhanced profitability for McDonald's UK due to price variations that reflect the demand.
3. Improve the efficiency of delivery solutions, increasing the number of third-party delivery partners and own delivery kitchens in areas with low delivery density. This will help realise the UK food delivery value of 17 billion British pounds by 2026 (Statista), indicating room for expansion.

7. Conclusion

This report has investigated Subway's UK strategic marketing context by applying PESTEL, SWOT, Porter's Five Forces, and VRIO frameworks. The analysis identifies a problematic macroeconomic and competitive environment but also apparent opportunities for growth in health-oriented products, localisation, and digitalisation. Subway's fundamental strengths—branding, franchising adaptability, and health

positioning—provide a sound platform but must be supplemented through innovation and operational consistency. Strategic agility and customer-driven innovation will consolidate long-term growth within the UK fast food industry.

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