



THE MARKET

The SUBWAY restaurant chain is the undisputed leader in the submarine sandwich and the world's largest restaurant chain. Offering a healthful alternative to traditionally fatty fast food has made the SUBWAY chain a popular destination for health-conscious consumers. That message is further promoted in the United States and Canada by advertising that features the weight-loss success of Jared Fogle, an American college student who lost 245 pounds by including SUBWAY sandwiches in a diet and exercise program of his own design.

ACHIEVEMENTS

The SUBWAY chain consistently ranks at the top of *Entrepreneur* magazine's Franchise 500 rankings. Besides being number one for the Submarine Sandwich Category, the SUBWAY chain has received the distinction of being the number-one Franchise Opportunity for 18 of the past 24 years.

HISTORY

In the summer of 1965 Fred DeLuca was concerned about the future. Having just graduated from high school, he turned his thoughts toward higher education, but for him at the time, the possibility of a college education seemed as far-flung as the prospect of a man walking on the moon.

The DeLuca family's phone rang on a hot summer day in Bridgeport, Connecticut. Dr. Peter Buck, a family friend, called to announce



that he had changed jobs and was moving his family to Armonk, New York, only 40 miles away. The families had not seen each other for a year, and plans were quickly made for a reunion. On a fateful Sunday afternoon in July 1965, during a barbecue at the Bucks' new home, a business relationship was forged between young Fred DeLuca and Dr. Buck that would forever change the landscape of the fast-food industry.

Without the money to pay for college, Fred thought that perhaps he could ask Pete for some advice. He half expected Dr. Buck to offer to loan him the money. After all, they had known each other for years and when Pete would learn how badly Fred had wanted to go to college, to study to become a medical doctor, there might be a good chance that he would offer to help.

"I think you should open a submarine sandwich shop," said Buck.

What? What an odd thing to say to a seventeen-year-old kid, thought Fred. Before Fred could respond or express his surprise, he heard himself say, "How does it work?"

Pete explained the submarine sandwich business. He said that all one had to do was to rent a small store, build a counter, buy some food, and open for business. Customers would come in, put money on the counter, and Fred would have enough to pay for college. To Pete, it was just as simple as that, and if young Fred was willing to do it, Pete was willing to be his partner.

As the DeLucas were getting ready to leave, Dr. Buck pulled out his checkbook and wrote a check for \$1,000. That was his investment in their new venture. On the drive back home, little did Fred know that if he succeeded at opening a submarine sandwich shop, he would accomplish more than funding his education. Success would mean financial independence and everything that comes with it, not just for him, but for many other people around the world. Success would mean adventure and excitement on a nonstop roller-coaster ride that would eventually be called SUBWAY Restaurants.

In 2011 the SUBWAY chain entered its 46th year of operation. The SUBWAY chain — through its franchising model — operates more units in the United States, Canada, and Australia than does McDonald's.

THE PRODUCT

SUBWAY is always enhancing its menu offerings, offering consumers a wide choice of subs, salads, side items, and breakfast sandwiches. All the subs are made right in front of the purchaser, according to each customer's exacting specifications.

The SUBWAY menu includes favorites that please the palate through the day and the year; featured, limited-time products are often available as well.

To help make choosing SUBWAY part of an overall approach to healthy living, in the Jared Fogle tradition, the SUBWAY website offers an array of tools and advice for its customers.

Among the website's content are the following features:

Lanette Kovachi's Nutrition Tips.

Lanette has served as the corporate dietitian for the SUBWAY brand for eight years, overseeing the nutritional information for all SUBWAY menu items and advising the Headquarters team on nutrition and health-related issues. Links include a video on making the proper meal choices, getting more calcium and vitamin D, and reducing sodium.



Fitness Tips from Carol Kur. Carol Kur, MS, RD, is the cofounder of the Personal Training Institute. For almost 30 years she has been using her extensive knowledge of diet, weight management, nutrition, and exercise to assist people in attaining their personal fitness and weight-loss goals.

JJ Virgin's Health Tips. Certified Nutrition Specialist JJ Virgin has worked with athletes, CEOs, and celebrities and serves as the nutritionist for the Dr. Phil Ultimate Weight Loss Challenge. She has nutrition and lifestyle coaching practices in Rancho Mirage, Ft. Lauderdale, Dallas, and Beverly Hills. Links in the Health Tips section include information on the importance of eating breakfast, eating from the rainbow, building better bones, and the relation between food and mood.

SUBWAY also tailors much of its helpful information and even its menu and other offerings to kids. Kids can go to the company website to find out about healthy activities, healthy eating, and even how to receive discounts on Disney's *The Lion King* Diamond Edition Blu-Ray combo pack with the purchase of a SUBWAY Fresh Fit for Kids meal. SUBWAY is also offering exclusive Disney's *The Lion King* reusable meal bags.

Nutrition information — including nutrition data tables, allergy and ingredient information, and a product ingredients guide — are available at subway.com.

RECENT DEVELOPMENTS

Three years running, consumers answering the Zagat Fast-Food Survey have ranked SUBWAY restaurants number one in the Most Popular category. The Zagat Survey — the world's leading provider of consumer survey-based food and lodging information — based its results on an online survey of 6,064 people asked their opinions about restaurants considered Mega



athletes, and SUBWAY's Famous Fans, making its final stop in South Williamsport, Pennsylvania, at the Little League Baseball World Series. The baseballs were auctioned off to the public starting August 19 on eBay; the auction ran through the Little League Baseball World Series, which concluded on August 28. Proceeds benefitted the Little League Urban Initiative, which is now operating with more than 200 leagues in nearly 85 cities in the United States — prompting player participation as well as helping with field renovation and development projects.



BRAND VALUES

Doctor's Associates Inc. (DAI), the franchisor of the SUBWAY restaurant chain, is an affirmative-action, equal-opportunity employer. DAI is committed to taking positive steps toward increasing the representation of women and minorities in business and the workforce in general. In addition, the members of the SUBWAY restaurant chain take great pride in the knowledge and understanding that the organization and the individuals within it are against any type of discrimination against employees on the basis of race, sex, sexual orientation, gender identity, creed, religion, color, or national origin.

SUBWAY restaurants have made a commitment to only purchase produce from suppliers that are SAFE-certified. SAFE (Socially Accountable Farm Employers) was formed in 2005 by the Redlands Christian Migrant Association and the Florida Fruit & Vegetable Association. It is a nonprofit organization that provides transparent and independent auditing and certification of farm labor practices in the agriculture industry. Producers who earn the SAFE seal have demonstrated that they foster a work environment for their employees that is free of intimidation, violence, and harassment, and which minimizes workplace hazards.

Growers that are SAFE-certified comply with the strict standards outlined in the organization's

Farm Labor Employer Code of Conduct. The code covers general employment practices and specific issues such as forced labor, child labor, discrimination, wages and benefits, employment records, workplace safety, and housing.

Another aspect of the SUBWAY brand's values is its commitment to make the company and its restaurants more environmentally friendly. As of 2011, 12 SUBWAY Eco Restaurants are open and operating — designed and built to be more energy efficient, conserving water and reducing waste. Three of the Eco Restaurants are U.S. Green Building Council Leadership in Energy & Environmental Design (LEED) certified. The remaining Eco Restaurants are certified using an internal process similar to the LEED process.



The first eco store in Europe was built in France in 2011 and has obtained the French ecological labels HQE (High Environmental Quality) and HPE (High Environmental Protection). These designations mean that the store has a low environmental impact and uses less energy.

Globally, SUBWAY's plants and distribution centers have been strategically located to significantly reduce transportation costs, fuel usage, and carbon emissions, saving an estimated 21.8 million truck miles and more than 3.6 million gallons of diesel in the United States and Canada annually.



Chains (with more than 5,000 locations). In addition to its first-place ranking, SUBWAY restaurants rated number two in the Overall category.

PROMOTION

The SUBWAY chain is involved with many civic, educational, and charitable organizations. In 2011 the Subway "Baseball Designs" Tour — an autographed baseball display — made the rounds with more than 30 baseballs signed by celebrities,

THINGS YOU DIDN'T KNOW ABOUT SUBWAY

- The number and location of SUBWAY restaurants are updated daily on the SUBWAY website. When this piece was being written, there were 35,307 restaurants in 98 countries.
- When the company was founded, Dr. Peter Buck, cofounder, was a scientist with a doctoral degree, and Fred DeLuca had aspirations of becoming a medical doctor. Hence the name Doctor's Associates.
- Among the Famous Fans appearing on the SUBWAY website listed along with their favorite sandwiches are NASCAR driver Carl Edwards (Sweet Onion Chicken Teriyaki), Major League Baseball pitcher CC Sabathia (Big Philly Cheesesteak), world-champion gymnast Nastia Liukin (Turkey Breast), and world-champion swimmer Michael Phelps (Meatball Marinara).