

The Battle of the Subs!

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Battle stations! Battle stations! No, it's not the attack on the Canadian convoys by German U-Boats in the North Atlantic during World War II; it's the battle of those ubiquitous sandwiches in a foot-long bun! Retailers go to great lengths to find a location that has the capability of drawing a level of customer traffic that will ensure the viability of a new retail operation. As the word on the street says, retailing is all about Location! Location! Location!

While location and site analysis entails consideration of a number of variables, many of which are uncontrollable by the firm, the one variable that can put a cringe on any good location is competition. Other variables to consider include the amount and quality of pedestrian and vehicular traffic, the availability of parking, the ease of parking, the ease of vehicular entry to and departure from a site, cost, bylaws, and so on.

The current case focuses on the specific site locations selected by three retail firms that specialize in the sale of submarine sandwiches. In the situation under consideration, the franchisees of [Mr. Sub](#)®, [Quiznos](#)® and [Subway](#)®, all decided to locate exactly next to or almost next to one another. Mr. Sub is a Canadian franchise. Quiznos and Subway are U.S. franchise operations. Mr. Sub opened the first company outlet in Toronto, Ontario, Canada, in 1968. The company does not operate outside of Canada. The company started as Mr. Submarine, but the name was changed to Mr. Sub in 1990. The number of outlets, located coast-to-coast in Canada, is less than 1,000. Subway opened the first company outlet in Bridgeport, Connecticut, in 1965. Today, there are more than 34,000 Subway outlets in 95 countries, including Canada. The first Subway outside of North America opened in the country of Bahrain in 1984. The first Subway opened in Canada in 1986. Quiznos began in 1991 in Denver, Colorado. The company operates more than 3,000 outlets in 15 countries, including Canada.

Along a major street in a large metropolitan area, in an area of many high-rise apartments, high-rise condominiums, office towers, and a variety of retail businesses, one comes across a Mr. Sub right next to a Quiznos. Next to the Quiznos is a quick serve sushi restaurant. Next to the sushi restaurant is a convenience store that also includes a Subway outlet. Finally, next to the Subway outlet is a Pizza Hut®. The relative site location of these outlets is shown in Figure 1. The other retail businesses at street level along the same strip of stores include a variety of other food outlets, such as a gourmet coffee franchise, another pizza franchise, which, for the most part, focus on the quick serve market. All of the food outlets operate outdoor seating areas during the warmer months. None of the other businesses along this strip sell subs.

Metered parking is available on the street in front of the retail stores from the sushi restaurant and down, including where Quiznos and Mr. Sub are located. There is also metered parking on the side



Figure 1. Relative site locations of a variety of Quick Serve Restaurants (QSR)

streets in the area and hourly, paid, underground parking at the area office towers. There is a small, no-charge parking lot for customers who are patronizing the convenience store, Subway, Pizza Hut®, and the other stores in that section of the block. Other individuals who park in the lot must pay to use the lot; a parking attendant is on duty to collect payment.

The Quiznos outlet was the last of the three sub outlets to open in this area. Unfortunately, for an unknown reason, the Quiznos outlet went out of business within a few months. A couple of months later, the outlet re-opened under new management. Within about 4-5 months after the re-opening of the Quiznos outlet, the Mr. Sub outlet closed down.

Focus: Retailing; retailer; franchisee; franchisor; depth and width of product offering; institutional definition and types of specialty stores: single-line, limited line, super specialty; product-market strategies (see Ansoff's [1958] Model for Diversification); behavioural definitions for convenience store and convenience good, shopping store and shopping good, and specialty store and specialty good (see Bucklin's [1963] Product-Patronage Matrix); agglomeration; saturated, understored, and overstored trade area; intra-type (horizontal) competition; inter-type (horizontal) competition; general-specific-general theory (i.e., accordion theory) of retail institutional change; product (retail) life cycle; want vs. need; generic demand; selective demand; core business, fringe business; scrambled merchandising; monopolistic competition; odd-even pricing; elasticity of demand (definition, elastic demand, inelastic demand, unitary elasticity of demand), mixed land-use for residential and non-industrial commercial purposes vs. mixed-use developments (MXDs).

Questions:

1. Define each of the concepts listed in the focus section.

2. Which of the concepts identified in the focus section apply to the case? Explain how these concepts apply. Make sure you quote from the case to support your answers. [Note: some of the concepts may apply more directly to the questions posed below.].
3. What other names are given to the submarine sandwich.
4. Do you think it was a wise move for Quiznos to open at the identified location? Explain.
5. Why do you think Quiznos went out of business so quickly? Explain.
6. Why do you think Quiznos re-opened at the same location? Explain.
7. Why do you think Mr. Sub went out of business? Explain.
8. Subway offers a \$5.00 sub special, a significant reduction from the normal price. Why do you think the company offers such a special? What pricing concept applies to charging \$5.00 vs. \$4.99 for the special? What advantages and/or disadvantages would the company face if it charged \$4.99 instead of \$5.00 for the special? Why do you think the company settled on a price of \$5.00 instead of \$4.99?
9. Mr. Sub and Subway have expanded the respective menus to include items for breakfast. Explain why the companies would enter such a market? What are the advantages of expanding the operations in such a matter from a fixed cost and variable cost perspective?
10. Investigate the websites of Mr. Sub, Quiznos, and Subway. In what way has each company engaged in scrambled merchandising and followed the general-specific-general theory of retail institutional change? Explain. How do such forms of merchandising reflect the concepts of core and fringe business? Explain.
11. The general geographic area in which the three identified sub shops are located includes mixed land-use components (i.e., separate residential, retail, and office components, as well as some mixed use developments (MXDs) [i.e., residential and retail, office and retail]). What are the advantages and disadvantages to quick serve restaurants (QSRs), like sub shops, which locate in an area in which land is used for such different purposes? Explain.

Bibliography: [1] Ansoff, H. I. (1958). A model for diversification. *Management Science*, 4(4), 392-414. [2] Bucklin, Louis P. (1963). Retail strategy and the classification of consumer goods. *Journal of Marketing*, 27(January), 50-54.