

JARED OR NO, SUBWAY NEEDS FRESH START

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Can Subway succeed without Jared?

Whether the company's spokesman ever returns to the sandwich chain following last week's suspension remains to be seen. But lately he wasn't doing much to lift sales anyway—according to Technomic, Subway's U.S. systemwide sales fell 3% in 2014 after years of positive results.

Subway last week said it was “suspending” its relationship with Jared Fogle after federal authorities raided his home. As of Friday, authorities hadn't confirmed what they were looking for and they haven't said if they charged Mr. Fogle with anything. It's believed the investigation is in relation to Russell Taylor, former executive director of the Jared Foundation, a group that is dedicated to helping teach kids healthy lifestyle habits, who was arrested on child pornography charges in May.

There were a lot of factors behind Subway's slide, according to experts, among them increased competition from rivals encroaching on the customization trend Subway once had largely to itself; a move toward higher-margin products that de-emphasized its mega-popular \$5 footlong; and a relative dearth of product innovation.

“Jared is probably one of their strongest brand equities,” said fast-food brand consultant Denise Lee Yohn. But he is not the only one: “It was both him, as well as the \$5 footlong price point that did so well for the brand,” she said.

Mr. Fogle's fame came from losing more than 200 pounds on a Subway diet, but he has appeared only sporadically in ads recently. He has not had a big presence in Subway ads since 2013 when the company celebrated his 15-year anniversary with a

Super Bowl spot and a whirlwind tour. “Maybe if this were five or seven years ago I would say [losing Jared] would have been a bigger hit, but it might matter now less so,” said Ms. Yohn.

When it comes to marketing, the company is far from wholly reliant on Jared. Subway has many ties with sporting and entertainment events and has been lauded for its “4 to 9ers” online video series and its Famous Fans push featuring celebrities and athletes. In 2013, the chain was cited by Technomic as having the most effective brand advertising in the restaurant category.

And then there are the \$5 footlongs.

According to Ms. Yohn, Subway is stepping away from that promotional item and increasingly pushing premium products containing ingredients like avocado and guacamole. “They're not doing as many of the \$5 footlong promotions, which for value-oriented consumers is a big deal,” said Mary Chapman, senior director of product innovation at Technomic. “They're trying to focus on a more premium product rather than on the value.”

Ms. Chapman added that the competition in fast food is much stiffer than it was even a few years ago, and that may also be contributing to Subway's sales decline. And though the sub chain has always had a business model that allowed for easy customization, “there are just more restaurants now where you can get made-for-me items than before.”

It's also critical to continually innovate, and no amount of Jared can help with that. The innovation game has gotten increasingly competitive with rivals like Taco Bell rolling out waffle tacos and Doritos Locos Tacos. “Subway needs to push toward something new and big,” said Ms. Yohn.