

The top 10 FRANCHISES

By Jason Daley | Photography by David Johnson

1. Subway 22,000 units (32,000 worldwide)

McDonald's tends to announce itself with big Golden Arches that can be seen from blocks away; Subway tends to just pop up around every corner, and that's the way the Connecticut-based chain likes it. The smaller footprint of the restaurants—and low franchise fees—means the sandwich shops can wedge themselves into strip malls, supermarkets and even college cafeterias. With an estimated 40 new stores opening each week around the world, the company is still expanding like crazy, powered by its healthful message and trend-setting \$5 Footlong program, which helped bump same-store sales in the U.S. into double-digit territory for much of 2009. This year, the company expects similar growth and is girding for battle as it considers rolling out its breakfast subs nationally. But Subway's real frontier is the international market. So far, it's in 90 countries—in some, it's a fast-food leader; in others, it's struggling to get a foothold. "We're planting our flag and building out infrastructure in these countries," says Subway founder Fred DeLuca. "Like we did to grow Subway here in the '80s."

>>DID YOU KNOW: In early 2010, Subway will surpass McDonald's as the fast-food chain with the most outlets worldwide.



Year of the sandwich

Subway grabs the No. 1 spot, but this year's Franchise 500® is a big one for sandwich makers across the board

By Jason Daley

In the last decade, while other franchise chains have bounced in and out of the Top 10 like corn in an air popper, Subway has topped the Franchise 500® list nine out of 10 years. Considering the ups and downs of the economy, not to mention the rapidly changing American palate, it's astounding that one company could sustain that level of momentum and profitability without faltering. Even this year, when the recession seems to have reshuffled the entire Franchise 500®, the \$5 Footlong is still on top. It's a true testament to Subway's strategy—and America's love affair with the sandwich.

In all, 21 sandwich shops made this year's ranking—smaller chains scattered across the U.S., but in many cases, showing strong growth in the shadow of the giant sub itself. Charley's Grilled Subs has 120 new outlets; Jimmy John's, 170; Jersey Mike's, 42; and Firehouse Subs, 30.

Meanwhile, Subway opened 1,833 new locations last year.

"It's been kind of astounding. Our growth has been enormous," says Fred DeLuca, who co-founded Subway in 1965

at age 17. The company, which had 250 restaurants in 1982, grew to 11,000 in 1995 and jumped to more than 32,000 worldwide in 2009. The pivotal moment, DeLuca says, came about 10 years ago, when Subway positioned itself as a healthful, quick alternative to burgers and fries, created a strategy for major expansion—and got lucky when Jared Fogle discovered the company's low-fat subs.

But Subway's decade of growth was also the result of sticking to its winning concept: The footprint for a Subway can be as little as 600 square feet, initial costs can be as low as \$84,000, and a lack of griddles, fryers and drive-thrus means franchisees can open their restaurants almost anywhere. In fact, more than 7,000 non-traditional Subways have popped up in convenience and department stores and at racetracks and one mega-church.

The genius idea that's getting the company through the recession—the \$5 Footlong—actually came from a south Florida franchisee, who began pricing certain sandwiches at \$5. Other Subways soon followed and by the time the \$5

Footlong and its maddeningly catchy jingle were introduced nationally in 2008, the country was heading into recession and pricing was on everyone's mind.

"People are trading down from full-service restaurants to fast food," DeLuca says. "There's value in tapping into the mass market and being a business that thinks of and sells to everyone."

The \$5 program has helped push same-store sales increases into double digits and created a new benchmark for fast-food marketing. There are \$5 copycats by Quiznos, Blimpies and countless regional sandwich chains, not to mention \$5 knockoffs across the fast-food smorgasbord—KFC (\$5 Fill-Up Box), Pizza Hut (\$5 P'Zone), Boston Market (\$5 menu), Burger King (\$5 Burger) and Cici's Pizza (\$5 "25-footlong buffet")—all taking direct aim at the Footlong.


Where's Subway headed next? During 2010, it has its sights set on Boston and other areas with lower saturation. But the big news is breakfast: Subway is planning to roll out a national morning menu in the coming year—a move that seems destined to rock the fast-food status quo. 



Photo: David Johnson