Quality ingredients: Healthy options and niche markets strengthen demand for industry products
About this Industry

Industry Definition
This industry comprises franchise establishments that prepare and/or serve custom sandwiches and subs. Reports in our Business Franchise collection focus solely on the operation of franchised outlets and exclude non-franchise data. They show the total number of franchise outlets, franchise network-sales (revenue) and the average profit margin earned by franchisees. Our reports also highlight the largest franchisors by market share.

Main Activities
The primary activities of this industry are
Franchising sandwich and sub stores

The major products and services in this industry are
Cafeteria restaurants
Limited-service restaurants
Takeout restaurants

Similar Industries
72211a Chain Restaurants in the US
The industry comprises chain and franchised restaurants that provide food services to patrons who order and are served while seated and pay after eating.

72211b Single Location Full-Service Restaurants in the US
This industry includes single-location, independent restaurants that provide food services to patrons who order and are served while seated and pay after eating.

72231 Food Service Contractors in the US
This industry provide food services at institutional, governmental, commercial or industrial locations.

72232 Caterers in the US
This industry provides individual event-based food services. These companies generally have equipment and vehicles to transport meals and snacks to events or prepare food off-site.

72221b Coffee & Snack Shops in the US
This industry included corporate owned, privately owned and franchised coffee and snack shop establishments.

72221a Fast Food Restaurants in the US
This industry included corporate owned, privately owned and franchised fast food establishments, including sandwich and sub shops.
About this Industry

Additional Resources

For additional information on this industry

www.entrepreneur.com
Entrepreneur Magazine

www.nrn.com
Nation’s Restaurant News

www.restaurant.org
National Restaurant Association

www.naasf.org
North American Association of Subway Franchises

www.qsrmagazine.com
Quick-service restaurant Magazine

www.census.gov
US Census Bureau

IBISWorld writes over 700 US industry reports, which are updated up to four times a year. To see all reports, go to www.ibisworld.com
Industry at a Glance
Sandwich & Sub Store Franchises in 2013

Key Statistics
Snapshot

Revenue $19.6bn
Annual Growth 08-13 3.5%
Annual Growth 13-18 2.7%
Profit $1.3bn
Wages $4.8bn
Businesses 24,775

Market Share
Subway 62.4%
Jimmy John’s 6.8%

Revenue vs. employment growth

Consumer spending

Products and services segmentation (2013)

Limited-service restaurants 46.8%
Takeout restaurants 19.7%
Cafeteria restaurants 33.5%

Key External Drivers
Consumer spending
Healthy eating index
Per capita disposable income
Consumer Confidence Index

Industry Structure
Life Cycle Stage Growth
Revenue Volatility Low
Capital Intensity Medium
Industry Assistance None
Concentration Level High
Regulation Level Medium
Technology Change Medium
Barriers to Entry Medium
Industry Globalization Low
Competition Level Medium

FOR ADDITIONAL STATISTICS AND TIME SERIES SEE THE APPENDIX ON PAGE 30
Executive Summary

During the past five years, the Sandwich and Sub Store Franchises industry experienced consistent and aggressive growth, despite a struggling economy. Over the five years to 2013, IBISWorld expects industry revenue to grow at an average annual rate of 3.5% to $19.6 billion. Moreover, industry revenue grew 6.8% in 2009, despite shrinking consumer confidence and reduced consumer spending, largely as a result of Subway’s success with the Five Dollar Footlong promotion. The industry managed to maintain that momentum through the end of 2012 and in 2013, revenue is expected to jump an additional 2.0%. By developing new menu options that capitalize on society’s increasing awareness of the health risks associated with a high-fat diet, the industry has been able to thrive, despite the volatile economic conditions.

As the economy fell deeper into a recession and unemployment numbers rose, consumers became more selective about how they used disposable income. In 2009, consumer spending declined 1.9%, and luxuries such as dining out were among the first expenditures to be curtailed. The Sandwich and Sub Store Franchises industry avoided these downward trends primarily as a result of industry leader, Subway, and its wildly successful Five Dollar Footlong promotion, which began in 2008. Because Subway offered sandwiches at an attractive price point, the company generated enough consumer interest to help negate the effects of the weak economy. Consequently, consumer-spending trends reversed from 2010 onward, with individuals spending more on higher-priced chains such as Jimmy John’s and Jersey Mike’s.

The industry was one of the first quick service segments to capitalize on consumers’ health and weight concerns. In 2000, Subway began an extremely successful advertising campaign using Jared Fogle, a man who lost a significant amount of weight by eating Subway sandwiches. As a result of the campaign, many sandwich franchises avoided the declines that the rest of the quick service segment experienced. Many operators have also expanded their menu options to ensure that they can retain a large portion of their customers’ dining out dollars. For example, in 2010, Subway added breakfast items to their menu, and in 2011, it introduced Subway Cafes, which offer coffee, paninis, muffins and other pastries. Over the five years to 2018, these trends are expected to contribute to revenue growth of 2.7% per year on average to $22.3 billion.

Key External Drivers

**Consumer spending**
Factors that influence the growth of consumer spending also affect this industry. During a recession, the spike in unemployment generally leads to declines in consumption. When consumer spending is high, consumers will be more likely to spend money on dining out at sandwich and sub shops. Consumer spending is expected to increase in 2014, posing a potential opportunity for the industry.

**Healthy eating index**
The healthy eating index is expected to increase slowly in 2014, as consumers’ diets get progressively nutritious. Consumers are becoming increasingly aware of issues related to weight and obesity, fatty-food intake and food safety...
Industry Performance

Key External Drivers continued

issues. This factor hurts the often meaty and greasy fast food industry, but it is a comparative advantage for healthier sandwich and sub store franchises. Consumers are more aware of the health issues associated with fatty foods and are increasingly going out of their way to avoid them. The healthy eating index is expected to increase slightly in 2014.

**Per capita disposable income**
The industry is affected by factors that influence growth in household disposable income, including changes to tax and interest rates, and changes in labor market growth. During an economic recession, a spike in unemployment leads to more subdued growth in household incomes, consequently decreasing consumer expenditure on takeaway food from establishments such as sandwich and sub shops. Per capita disposable income is expected to increase in 2014.

**Consumer Confidence Index**
Consumer sentiment measures the degree of optimism that consumers feel about the overall state of the economy and their personal financial situations. Changes in consumer sentiment have a significant effect on household expenditure on discretionary items, including purchases made at sandwich and sub shop franchises. That is to say, during a recession, consumers are less likely to dine out. Consumer sentiment is expected to increase in 2014, however, given the responsiveness of consumer sentiment to volatile drivers such as stock market performance, it remains a potential threat for the industry.

![Graph showing consumer spending and healthy eating index](SOURCE:WWW.IBISWORLD.COM)
The Sandwich and Sub Store Franchises industry has managed to excel during the past five years, despite facing a weakened economy and rapid rise in unemployment. Keeping consumers’ appetites satisfied, sandwich and sub store franchises have developed new menu options that capitalize on society’s increasing awareness of the health risks associated with a high fat diet. The industry has also thrived by developing products at price points attractive enough to weather the recession, resulting in strong revenue growth. Over the five years to 2013, revenue is expected to grow at an average rate of 3.5% per year. Moreover, industry revenue grew 6.8% in 2009, mainly due to Subway’s success with the Five Dollar Footlong promotion. The company managed to maintain that momentum through the end of 2012, and from 2012 to 2013, revenue is expected to grow 2.0% to $19.6 billion.

As the economy fell deeper into a recession and unemployment numbers rose, consumers became more particular about how they spent disposable income. In 2009, consumer spending declined 1.9%, and luxuries like dining out were among the first expenses to be cut. Some consumers eliminated out-of-home dining from their budgets entirely and opted to save money by eating at home. The industry was able to avoid these downward trends primarily due to industry leader, Subway, and the company’s extremely successful Five Dollar Footlong promotion, which began in 2008. By offering sandwiches at such an attractive price, Subway drummed up enough consumer interest to effectively negate the effects of the economic downturn. This strategy helped industry revenue surge and encouraged aggressive expansion of Subway franchises, both domestically and abroad. Consumers who did not cut restaurant dining out of their budgets during the recession bought lower-priced items that they would not have chosen prior to the recession. This trend forced franchises to compete with each other by promoting their particular restaurants as the place for consumers to get the most value. As a result, competition has intensified, with franchises focusing on taking market share away from each other, rather than trying to capture a larger share of a growing market.

In 2010 the economy began improving and some of the fears surrounding this downturn subsided. Consequently, consumer spending is expected to grow at an annualized rate of 1.2% over the five years to 2013. IBISWorld anticipates that more people are beginning to dine out once again, which has continued to encourage consumers to visit sandwich and sub store franchises. Consumers will have a greater ability to purchase higher priced menu items due to growing disposable income, which has contributed to the expansion of costly chains such as Jersey Mike’s and Jimmy John’s. Consumers are also spending an increasing proportion of their income on dining out, benefiting sandwich and sub store franchises.
Industry Performance

Health conscious

Consumers have become increasingly health conscious, and major restaurant franchises are responding by expanding the number of healthy options on their menus. For many franchises, this factor has become a cornerstone of their marketing strategy, enabling them to target a new segment of the market and renew interest in their products. Subway was one of the first restaurants to capitalize on consumers’ health and weight concerns, and the company successfully marketed the health benefits of its sandwiches. In 2000, Subway began an advertising campaign using Jared Fogle, who lost a significant amount of weight by eating Subway sandwiches. The campaign was extremely successful and resulted in sales increases for Subway.

Many operators have expanded their menu options to ensure that they can retain a significant portion of their customers’ dining dollars. For example, in 2010, Subway added breakfast items to its menu, attempting to appropriate some breakfast market share away from McDonalds and Dunkin Donuts. In 2011, Subway started opening Subway Cafes, which offer coffee, paninis, muffins and other pastries. Some major operators, like Subway, have also doubled down on opening unique Subway locations. These locations include airports, amusement parks, stadiums, colleges, hospitals and other non-traditional spaces.

Industry growth

Over the five years to 2013, IBISWorld estimates that industry employment will grow at an average annual rate of 2.7% to 482,746 workers. This growth, which is about double the rate of the broader food-service sector, is directly related to the rise in revenue. Similarly, establishment numbers are expected to increase, averaging growth of 2.2% per year to 34,527 over the same period. Industry profit margins have been squeezed over the past five years, as more customers have opted for lower-price and lower-margin items. However, given the increase in sales volume, overall profit levels (earnings before interest and tax) have increased (although EBIT as a percentage of revenue has declined).

There has also been a noticeable shift in industry market share over the past five years. Subway has maintained its stronghold on the industry, and currently earns about 62.4% of industry revenue. On the other hand, Quiznos, once the industry’s second biggest player with over 4,000 stores at its height, has closed about 2,500 locations over the last five years. Quizno’s total network sales and market share both declined by over 50.0% between 2008 and 2013. High debt, internal disputes with franchisees and an attempt to match Subway’s value proposition, despite higher food costs, all contributed to the chain’s decline. However, smaller chains such as Jimmy John’s, Firehouse Subs and Jersey Mike’s have proven that Subway is not the only sub store franchise that can grow quickly. All three have undergone rapid growth and increased their market share over the past five years by chasing a defined segment of the market.
Industry Performance

Industry Outlook

Over the five years to 2018, IBISWorld forecasts that industry revenue will increase at an average annual rate of 2.7% to $22.3 billion. The Sandwich and Sub Store Franchises industry will continue to benefit as the economy slowly improves, unemployment rates decrease and consumers begin to spend money on luxuries like restaurant dining more often. During this period, consumer spending is expected to increase at an average annual rate of 2.9%. Additionally, demand for sandwich and sub shops will increase as companies continue to expand their healthy menu options. Aggressive international growth will also reinvigorate major franchises’ overall revenue.

Improving conditions

Intense competition will likely continue over the next five years. The broader food-service sector will face significant price-based competition and an increased emphasis on the regular introduction of new products. Most sandwich and sub store franchises will introduce new healthy food alternatives and expand their current product lines, in an attempt to protect profit margins and attract non-traditional customers. Major operators will seek to expand revenue and profit by offering alternatives to red meat products, such as chicken, turkey and vegetarian items. Operators will also continue diversifying into new areas, such as cafes and breakfast menus. Subway and other franchises will also continue to increase their presence in non-traditional locations, such as airports, amusement parks, retail stores and other locations.

Over the next five years, profitability is also expected to improve, as consumers start purchasing higher-priced items. The fastest growing franchises over the past five years have been chains such as Jersey Mike’s and Jimmy John’s, which offer higher priced gourmet options as compared with Subway. This trend is expected to continue over the next five years, as the economy recovers and consumer spending grows. While value will remain an important factor, consumers will increasingly have health, taste and quality driving their purchasing decisions. The industry’s continued segmentation of high-profit menus, items such as coffee and breakfast, will also encourage profit margin growth over the next five years. Sandwich and sub store franchises will strive to emulate Starbucks and McDonald’s success by expanding their beverage options to include more coffee-based drinks and smoothies. These low-cost and high-profit menu items offer a quick way for companies to increase their revenue and boost profit.

Growth in disposable income will allow consumers to return to dining out

Over the five years to 2018, IBISWorld forecasts that industry revenue will increase at an average annual rate of 2.7% to $22.3 billion. The Sandwich and Sub Store Franchises industry will continue to benefit as the economy slowly improves, unemployment rates decrease and consumers begin to spend money on luxuries like restaurant dining more often. During this period, consumer spending is expected to increase at an average annual rate of 2.9%. Additionally, demand for sandwich and sub shops will increase as companies continue to expand their healthy menu options. Aggressive international growth will also reinvigorate major franchises’ overall revenue.

Intense competition will likely continue over the next five years. The broader food-service sector will face significant price-based competition and an increased emphasis on the regular introduction of new products. Most sandwich and sub store franchises will introduce new healthy food alternatives and expand their current product lines, in an attempt to protect profit margins and attract non-traditional customers. Major operators will seek to expand revenue and profit by offering alternatives to red meat products, such as chicken, turkey and vegetarian items. Operators will also continue diversifying into new areas, such as cafes and breakfast menus. Subway and other franchises will also continue to increase their presence in non-traditional locations, such as airports, amusement parks, retail stores and other locations.

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Industry Performance

Industry development

While the domestic economy is projected to slowly improve, operators will still intensely compete for their fair share of revenue. Over the next five years, the number of establishments is forecast to increase at an average of 1.0% per year to 36,335 in 2018. Over the same period, employment is projected to grow at an average annual rate of 2.1% to 535,235 people. This number will be partly inflated by the increasing use of casual employees to meet peak customer service periods. Moreover, IBISWorld projects that the average industry wage will increase from $9,971 per worker in 2013, to $10,105 in 2018. Despite the long-term trend of declining wages within the food-service sector, due to automation of food preparation, wages and employment are set to increase over the next five years, because of the industry’s recovery from depressed wages during the recession.

International expansion

While international trade is not a factor for this industry, many domestic franchise operators will continue to expand internationally over the next five years. The food-service sector is becoming increasingly globalized and the largest sandwich and sub store players will increasingly look overseas for revenue and profit growth. Fast food franchise brands have not saturated the market in Asia and the Middle East as they have domestically, and operators such as McDonald’s and Yum! Brands are currently experiencing their strongest growth in these regions. In the Sandwich and Sub Store Franchises industry, Subway already has about 15,000 international stores and has paved the way for less mature sandwich and sub store franchises to expand internationally. Brand recognition will be a key requirement for any move beyond North America, so franchises will need to build a strong reputation domestically, before they attempt to take on the global market.
Industry Performance

**Life Cycle Stage**

Industry IVA is expected to outperform GDP over the 10 years to 2018

Firms have adapted their menus and prices to better match consumer tastes and preferences

The number of industry establishments has grown aggressively

Some segments of the industry are reaching saturation point and growth is slowing

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**Key Features of a Growth Industry**

- Revenue grows faster than the economy
- Many new companies enter the market
- Rapid technology & process change
- Growing customer acceptance of product
- Rapid introduction of products & brands

**Quantity Growth**

- Many new companies
- Minor growth in economic importance
- Substantial technology change

**Decline**

- Shrinking economic importance

**Maturity**

- Company consolidation
- Level of economic importance stable

**Quality Growth**

- High growth in economic importance
- Weaker companies close down
- Developed technology and markets

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**SOURCE: WWW.IBISWORLD.COM**
The industry was able to avoid recessionary declines, mainly due to major player Subway, and its wildly successful Five Dollar Footlong promotion (which began in 2008). Subway, which holds over 60.0% of the industry’s market share and therefore has a large influence on overall revenue, offered sandwiches at an attractive price point to generate consumer interest. This strategy helped negate the effect of the weak economy. The industry has also experienced significant shifts in the market and changes in consumer preferences. Demand for healthy foods has increased, and consumers are increasingly rebuffing high-fat, high-salt and super-size meals as the obesity epidemic grows. For many franchises, this factor has become a cornerstone of their marketing strategy, enabling them to target a new segment of the market and renew interest in their products. Subway was one of the first restaurants to capitalize on consumers’ health and weight concerns, with the company successfully marketing the health benefits of its sandwiches. In 2000, Subway began an advertising campaign using Jared Fogle, who lost a significant amount of weight by eating Subway sandwiches.

Many operators have expanded their menu options to ensure that they can retain the biggest portion of their customers’ dining out dollars as possible. For example, in 2010, Subway added breakfast items to its menu, hoping to steal some breakfast market share away from McDonald’s and Dunkin Donuts. In 2011, Subway started experimenting with Subway cafes, which offer coffee, paninis, muffins and other pastries. Over the ten years to 2018, IBISWorld estimates that industry employment will grow at an average annual rate of 2.4%. The growth is directly related to rise in Subway’s popularity, despite recessionary conditions. Similarly, establishment numbers are expected to rise 1.6% per year over the same period.

As a result of these trends, industry value added (IVA), which measures an industry’s contribution to GDP, is expected to grow at an average rate of 2.9% per year over the ten years to 2018. The industry has strongly outperformed the food-service sector as a whole as well as the US economy, with GDP growth of 2.1% per year on average expected over the same ten year period. The industry is in the growth phase of its life-cycle, although some segments of the industry are slowing and approaching saturation point. Revenue, employment and establishment numbers are all expected to grow at a slower rate over the next five years than the past five years.
The Sandwich and Sub Store Franchises industry offers three distinct dining establishment options. The largest segment includes dine-in, limited-service restaurants, which account for about 46.8% of industry revenue in 2013. These establishments are individual restaurants that offer consumers the option to eat their meal on the premises or take their food to go. Many of these restaurants are located within strip centers, next to popular shopping areas or in standalone buildings. The share of revenue consumed by these restaurants has declined slightly over the five years to 2013, though this segment still comprises the most industry establishments. This trend reflects the changing needs of the consumer, as many have become increasingly time-poor and often prefer a variety of meal choices in one location. On the other hand, the share of revenue accounted for by franchise sub sandwich shops in non-traditional locations has grown significantly during the past five years. Non-traditional sub sandwich locations include establishments in mall food courts; airports; hospitals; convenience stores and gas stations; and college and university cafeterias. Together, takeout and cafeteria locations account for about 53.2% of industry revenue. In general, the growth of takeout locations and cafeteria establishments has been helped by the financial effects of the recession. Potential franchisees shifted toward these locations because their initial investment was significantly less than it took to build, open and operate a standalone restaurant location. Takeout locations account for about 19.7% of industry revenue, and they include establishments located in convenience stores, gas stations and hospitals. These locations restrict...
Demand from potential franchisees in opening new locations correlates highly with consumer demand for the actual sandwiches. Overall, consumers primarily value the product based on individual taste. Consumer taste preferences depend on the quality of the ingredients, the variety of menu items and the method of preparation. For example, some consumers may prefer industry player Firehouse Subs for its hot sandwiches, while other consumers may prefer Jersey Mike’s Subs for the company’s emphasis on Italian-style cold cuts. In addition, consumer preferences also hinge on sandwich prices and their disposable income levels. Consumers with higher disposable income are more likely to spend on premium sandwiches, while others with lower incomes rely on sandwich shops for quick, cheap and convenient menu options. For example, Subway garnered huge success during the recent recession for restructuring its menu to focus on $5 foot-long sandwiches. Consumer demand for sub sandwiches also depends on smaller convenience aspects like location, hours of operation and dining area options.

Demand from potential franchisees regarding investment in a new franchise sandwich shop location is largely based on the market popularity of specific brands. When a brand’s consumer dining options by offering limited to no seating on the premises. They are designed to operate on a much smaller scale than typical restaurant establishments, and they target a consumer demographic that relies on sub and sandwich shops for quick, convenient takeout dining. Because of changing consumer needs, the share of revenue consumed by takeout locations and the number of these locations have grown during the past five years. The remaining share of revenue is accounted for by cafeteria sub and sandwich shop locations. Cafeteria locations are located in mall food courts, airports and in university cafeterias. These establishments are similar to takeout locations, but they provide consumers with a dining hub. Sub and sandwich shops have operated within cafeterias for more than a decade. The share of revenue that cafeteria shops account for has grown slightly over the past five years.
products & markets

Demand Determinants continued

popularity is growing, potential franchisees are more likely to invest. After investigating the growth potential of a specific sandwich shop brand, most potential franchisees factor in the cost of investment into their demand. High franchise fees, advertising and royalty costs and total initial investment may shift investment potential away from one brand to another.

Major Markets

When consumers from any demographic increase their dining out and spending rates, it benefits restaurants and eating establishments of all types. IBISWorld estimates that about 56.7% of all dining revenue in 2013 will be spent at limited-service restaurants (including fast food and coffee and snack shops), while full-service restaurants will make up the additional 43.3% of revenue. In general, sub and sandwich shops attract consumers who are looking for a healthy alternative to typical fast food, but with the same price, quickness and convenience. As such, almost every conceivable consumer demographic will purchase a sub sandwich from a franchised fast food establishment. However, the extent to which consumers will dine at these restaurants varies, with the most notable difference involving consumers with different levels of household income.

The largest market segment for this industry comprises consumers with household income below $50,000. This segment is expected to account for roughly 52.0% of industry revenue in 2013. Currently, households that make less than $50,000 per year spend about 36.6% of their food budget on restaurants. This demographic has increased its consumption of fast food sandwiches over the past five years, partly because of prevailing industry trend of including value sandwiches as part of the regular menu (e.g. Subway’s Five Dollar Footlong promotion). Consumers in this income bracket shifted away from other fast food in favor of these value sandwiches because of the increasing health consciousness of society over the past five years.

Consumer households with income from $50,000 to $75,000 consume...
Products & Markets

Major Markets continued

roughly 36.0% of industry revenue in 2013. Households in this income bracket typically spend about 42.4% of their food budget on dining out. The industry’s smallest segment, households with income of about $75,000, is expected to make up about 12.0% of industry revenue in 2013. Households in this income bracket typically spend about 45.7% of their food budget on dining out. In general, both of these consumer segments spend less at fast food restaurants than at other, full-service dining establishments. However, the amount of fast food that consumers in both of these brackets have bought over the past five years has stayed relatively normal. This amount only decreased slightly, in line with the general cutback in discretionary spending that occurred because of the recession and overall falling disposable income.

International Trade

Sandwich and Sub Store Franchises industry does not engage in any form of international trade as it is a service-oriented industry.
Products & Markets

Business Locations 2013

Additional States (as marked on map)

1 VT 0.2  
2 NH 0.5  
3 MA 2.2  
4 RI 0.4  
5 CT 1.0  
6 NJ 3.0  
7 DE 0.3  
8 MD 2.1  
9 DC 0.3

Establishments (%)

- Less than 3%
- 3% to less than 10%
- 10% to less than 20%
- 20% or more

SOURCE: WWW.IBISWORLD.COM
The industry’s business locations are distributed according to the population. Since the industry provides quick meals to consumers, operators need to be located near their customer base. There is a larger share of establishments in the Southeast and Southwest regions, and a smaller share in the New England and Plains regions. The Southeast and Southwest have higher concentrations of franchised establishments and a higher share of employment and revenue, resulting in this trend. California, the state with the largest proportion of establishments, is also the state with the largest population. The industry typically has a higher concentration in areas where households have an annual income of at least $50,000 per year. Therefore, this level of geographic concentration is not expected to change in the near future.
The Sandwich and Sub Store Franchises industry displays a high market share concentration, with the top four franchise companies accounting for about 74.7% of industry revenue in 2013. Overall, the sandwich market is dominated by Subway, which accounts for 62.4% of the entire industry. Subway experienced immense success by being at the forefront of the healthy fast food movement. For example, the company greatly increased its ad campaigns to target health-conscious consumers, displaying ads with weight loss testimonials and showing the nutritional value of its menu. Once Subway’s healthy image was established, the company encouraged all of its franchise locations to alter the menu to include value-priced sandwich items. This strategy came at the onset of the US recession in 2008, when consumers became greatly concerned with overspending on activities like dining out. Jimmy John’s has also thrived over the past five years and gained significant market share. On the other hand, Quiznos, the industry’s third largest company, lost significant market share during the past five years, as it chose to chase Subway in a price battle, even with its expensive, premium ingredients. This move squeezed profitability from a large number of Quiznos shops, forcing close to 2,500 closures. As Quiznos suffered, industry concentration continued to grow, as small- to medium-size franchises like Jersey Mike’s and Firehouse Subs began finding moderate success in local and regional markets. Over the next five years, the dominance of Subway, the growth of smaller franchise sandwich shops like Jimmy John’s and Jersey Mike’s will contribute to increased concentration.

Accessibility to consumers/users
Consumers choose to eat fast food for the taste and price, but they also enjoy the quickness and convenience of dining in a fast food establishment. Successful franchise operators must find a convenient location to attract consumers.

Proximity to key markets
Franchisees must consider location when opening a new establishment, as location and convenience influence demand for industry products.
Competitive Landscape

Cost Structure

Purchases
Food and beverages are usually purchased from wholesalers, particularly from operators that can guarantee prompt delivery and quality. These suppliers are often pre-selected and screen by the parent company. This factor enables franchises to secure group purchasing discounts and minimize variability among the price and quality of inputs. However, fluctuations in the cost of food significantly influence industry revenue and profit. In the short term, many cost increases cannot be passed on to consumers or clients. Therefore, menus, portion sizes and other inputs into food service must be continually monitored. The other major source of inefficiency is waste, due to fluctuations in demand, oversupply of meals or excess ingredients that cannot be used and subsequently spoil.

IBISWorld estimates purchases will account for 35.0% of an average firm’s revenue in 2013.

Wages
Wages are high because of the labor-intensive nature of food preparation, cooking, serving and cleaning up. Despite the labor intensive nature of the industry, wages are lower for sandwich and sub store franchises compared with full-service restaurants because the nature of the work is low skilled. Labor costs include wages and benefits, such as health, workers’ compensation and unemployment insurance. Labor intensity affects menu prices and industry profitability, since the cost increases cannot simply be passed directly to consumers in the form of higher prices, especially given the weak economic conditions and rising unemployment. Most of the employees

Sector vs. Industry Costs

---|---
Profit | 1.4 | 3.6
Wages | 2.2 | 35.0
Purchases | 3.6 | 4.5
Depreciation | 13.2 | 12.5
Marketing | 6.5 | 4.5
Rent & Utilities | 6.5 | 4.5
Other | 3.0 | 6.5

SOURCE: WWW.IBISWORLD.COM
Competitive Landscape

Basis of Competition

The rapid growth of the Sandwich and Sub Store Franchises industry during the past five years has resulted in greater internal and external competition for franchise operators.

Internal competition
Franchise sub and sandwich shops compete internally on price, location, convenience and menu variety. Since fast food is typically an inexpensive dining option, consumers have become increasingly accustomed to lower prices. It can be expensive to offer consumers fresh, made-to-order sandwiches with premium ingredients at a high volume. Nevertheless, companies must find the right price point for their menu items to maintain profitability while still capturing a significant share of consumer attention. Firms also compete against each other for location and convenience. The location of a sandwich shop and its hours of operation play a major role in a consumer’s decision to dine there. High-traffic areas (e.g. malls, airports and business districts) are conducive to large sales volumes. Finally, franchised shops compete on menu variety. Because this industry is highly competitive, firms must regularly introduce a range of food products to attract a new clientele. For example, Subway recently began expanding its menu offerings and convenience aspect by encouraging shops to open doors earlier and offer consumers a small range of breakfast items.

External competition
Franchise sandwich shops compete externally with other food service markets, such as fast food restaurants, full-service restaurants, coffee and snack shops and local, independent sandwich restaurants. For example, established fast food franchise companies such as McDonald’s and Burger King have begun to capitalize on health consciousness by rebranding, remarketing and diversifying their menus to include healthier alternatives. In addition, franchise sub shops must compete against coffee and snack shops that offer similar menu items. For example, Starbucks has opened several new locations geared toward a cafe environment, offering sandwiches and other restaurant offerings in addition to their standard coffee products. Full-service restaurants also add competition to this industry by offering many quick and cheap takeout dining options to consumers. Finally, franchise sandwich shops may face heavy local or regional competition from independent sandwich restaurants, like local delis, which may have well-established and loyal customers.

Cost Structure

Franchise fees
Industry franchise fees, or royalties, are expected to account for an average of 8.5% of industry revenue. In addition, franchisees are also expected to spend about 4.5% of their revenue on marketing and advertising, with a significant portion going directly to the franchisor, which they then spend on a mix of local and national marketing and advertising. Most franchises also have an initial franchise fee, which generally ranges from $10,000 to $30,000. The initial franchise fee for Subway is $15,000.
Competitive Landscape

Barriers to Entry

In general, parent companies in a growing franchise industry like the Sandwich and Sub Store Franchises industry typically encourage potential franchisees to open up new locations in budding markets. As such, the barriers to entry for the industry are low. The industry is dominated by the Subway chain of restaurants, which currently holds a market share of 62.4%. While one company’s presence would typically deter new entrants in any other industry, Subway continues to open up new shops throughout the United States and in various countries. This consistent growth benefits potential new franchisees looking to capitalize on the growing strength of the brand and encourages entry to this industry.

Though the growing industry encourages investment in new locations, some standard barriers may deter entry. For example, the short run total cost of investment for opening a new sandwich shop may discourage new franchisees. In addition, multi-unit owners of franchise locations carry a competitive advantage over new franchise owners because of their established investments with the parent company. Parent companies tend to favor their largest franchisees in offering new locations and even in aspects like new product debuts or new technologies. There is also significant competition among franchised companies to obtain suitable establishment locations, which has increased the cost of prime sites.

Barriers to Entry checklist

<table>
<thead>
<tr>
<th>Barriers to Entry checklist</th>
<th>Level</th>
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<tbody>
<tr>
<td>Competition</td>
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<td>Capital Intensity</td>
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<td>Technology Change</td>
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<td>Regulation &amp; Policy</td>
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<tr>
<td>Industry Assistance</td>
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SOURCE: WWW.IBISWORLD.COM

Industry Globalization

The Sandwich and Sub Store Franchises industry exhibits a low level of globalization. However, during the past five years, the presence of chains like Subway and Quiznos overseas has increased dramatically. Because competition in the US market is heavy, parent companies have expanded operations abroad and have enticed potential franchisees to open locations in new, foreign markets. Subway has been at the forefront of this movement, operating in 98 different countries. Over the next five years, IBISWorld expects industry globalization to increase as companies look to hedge the domestic competition and expand their brand into foreign markets.
Player Performance

Subway
Market share: 62.4%

Subway is a fully franchised chain that primarily sells sub sandwiches, soups and salads. The chain is the second largest seller of fast food in the United States, after McDonald’s, as measured by total network sales. Doctor’s Associates Inc., a Milford, CT-based company, headed by the restaurant’s founder Fred DeLuca, privately owns Subway. All stores are franchised and the company only employs a small office staff. Globally, however, Subway has over 250,000 people working in its franchised stores. In the United States alone, Subway reportedly serves nearly 2,800 sandwiches every 60 seconds. The company markets its products as healthy alternatives to typical fast food. Founded in 1965, Subway began franchising Subway shops in 1974, after opening 16 individual shops on its own. Currently, Subway has nearly 40,000 restaurants operating in 102 different countries, about 60.0% of which are based in the United States.

Over the past decade, Subway significantly boosted its marketing campaigns and has been the frontrunner of advertising toward a healthier demographic. Its current slogan, “Eat Fresh,” was implemented in 2002, and the company chose this slogan to highlight its use of freshly baked breads and fresh produce in sandwiches made directly in front of customers, tailored to their exact specifications. Subway looked to capitalize on this characteristic in order to separate it from most fast food establishments. In 2000, Subway began running ads with Jared Fogle in the United States, a man who attributed eating Subway sandwiches as a key aspect of his weight-loss success. Jared proved to be a valued spokesman for the company, as his ad campaigns during the early 2000s were fundamental to Subway’s immense growth. In 2008, the company shifted away from its established healthy image to focus on its

---

Subway (US segment) – financial performance

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue ($ million)</th>
<th>(% change)</th>
<th>Operating Income ($ million)</th>
<th>(% change)</th>
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<td>12,220</td>
<td>1</td>
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*Estimates

Source: IBISWorld
Jimmy John’s Gourmet Sandwiches is a franchise sandwich shop that was founded in 1983 and is headquartered in Champaign, IL. Jimmy John’s menu has a focus on simplicity, with only a limited number of meats, cheeses and breads for customers to select. The company tries to stay close to its original philosophy of quick service and basic ingredients. Jimmy John’s is owned by J.T & Company Investments, LLC and began franchising its establishments in 1993, after the owner opened several locations throughout the Illinois area. Jimmy John’s has been one of the fastest growing chains in terms of store numbers and total network sales in the United States over the past five years. The company has about 1,600 stores, which is more than double the number it had in 2008. About 97.0% of Jimmy John’s stores are franchised.

United Capital Business Lending invested $1.9 million in the company in 2012 for further store development and Jimmy John’s will continue to grow through the franchise model. The company estimates that a potential

Five Dollar Footlong promotion (along with a number of variations of this theme in different countries) This was a campaign that coincided with the recession, and the promotion has proven to be successful in attracting new customers while boosting sales.

Financial performance
Subway is a private company and does not publicly disclose its financial results. However, based on sales per store, IBISWorld estimates that Subway’s US segment revenue will grow to $12.2 billion in 2013, up from about $9.6 billion in 2008, yielding annualized growth of 4.9%. Despite its market dominance within the industry, Subway has continued to grow quickly, even throughout the economic downturn. Generally, the company has grown aggressively over the past five years through its flexible franchise model and has surpassed McDonald’s as the number one fast food restaurant in the United States in terms of store numbers.

Additionally, the societal shift towards healthy eating and increased media coverage about obesity, diabetes and heart disease has assisted the company’s rise, as consumers gravitate toward convenient, but healthy, food options.

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales ($ million)</th>
<th>(% change)</th>
<th>Operating Income ($ million)</th>
<th>(% change)</th>
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</table>

* Estimate

SOURCE: IBISWORLD
Major Companies

Player Performance continued

In addition to Subway and Jimmy John’s, the Sandwich and Sub Store Franchises industry is dominated by small- to mid-size chains that have recently expanded after originally catering to a regional market.

Quiznos
Estimated market share: 3.7%
Quiznos is a fast food company based in Denver, CO and made its mark on the industry by offering toasted sandwiches at premium prices. The company was once the second-largest sub sandwich franchise chain in the United States, however, a string of store closures over the past five years have seen the company’s total network sales decline dramatically. Quiznos’ total network sales declined from an estimated $1.6 billion in 2008 to $716.0 million in 2013, representing an annualized decline of 15.5%. Over the same period, the chain closed almost 2,500 stores. Ultimately, a number of factors have contributed to the company’s decline. For example, Quiznos took on overwhelming amounts of debt in a leveraged buyout during the height of the market in 2006. In addition, the company had multiple instances of controversy with its franchisees. The high cost of food and company advertising led to multiple lawsuits, which cost the company about $200.0 million in settlement money. Quiznos endured even more financial turmoil when the recession struck in 2008. Subway, the company’s biggest rival, capitalized quickly on its value menu sandwich deals and was even able to expand its operations during the downturn. Quiznos began chasing its competitor and rebranded its menu to offer value sandwiches. The decision to compete on price proved to be the downfall for many of the company’s stores. The use of premium ingredients in inexpensive menu items squeezed profitability at locations that already faced declining sales.

In late 2011, Quiznos approved a deal that would keep the company from entering bankruptcy reorganization. Avenue Capital Group was handed 70.0% ownership of the chain after investing nearly $150.0 million. The main objective of the restructuring is to cut a majority of the company’s debt, improve the company balance sheet and strengthen the Quiznos brand with consumers. The move has already helped the company cut nearly $300.0 million from its $870.0 million in debt. Although the company is making moves to rebrand and eliminate its financial troubles, the turmoil of the past five years has left Quiznos with declining revenue and reduced market share.

Financial performance
Over the five years to 2013, Jimmy John’s has displayed explosive growth. Since 2008, over 100 new Jimmy John’s locations opened every year. IBISWorld estimates Jimmy John’s total network sales will grow 21.6% per year on average over the five years to 2013 to reach $1.3 billion. Growth has been achieved through both an increase in store numbers and in the average sales per restaurant, which are among the highest in the industry.

Other Companies

franchisee’s initial investment could range between $300,000 and $485,000, after paying an initial franchise fee of $35,000. Jimmy John’s, as the franchiser, charges the franchisee a 6.0% royalty fee and a 4.5% advertising fee each year.

In addition to Subway and Jimmy John’s, the Sandwich and Sub Store Franchises industry is dominated by small- to mid-size chains that have recently expanded after originally catering to a regional market.

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Major Companies

Jersey Mike’s Subs
Estimated market share: 1.8%
Jersey Mike’s Subs is a submarine sandwich franchise that was founded in 1956 on the Jersey Shore and is headquartered in Manasquan, NJ. Jersey Mike’s began franchising in 1987 and the company now has a presence in 33 states. Jersey Mike’s initial franchise fee is $18,500 and estimates that franchisees must make a total investment of about $160,000, though costs vary. Over the five years to 2013, Jersey Mike’s franchises have grown at a rapid pace. The company operates more than 750 locations throughout the United States, up from just 300 in 2008; in 2012 alone, the company opened about 150 stores. Jersey Mike’s differentiates itself from Subway by offering higher quality ingredients at a slightly higher price point. The company has also achieved growth through targeting multiunit, multibrand franchisees that can open stores much quicker than single-unit operators, due to existing financing, employees and infrastructure. Jersey Mike’s Subs is expected to generate nearly $350.0 million in total network sales in 2013.

Firehouse Subs
Estimated market share: 1.5%
Firehouse Subs is a franchise restaurant chain that specializes in hot sub sandwiches. The company was founded in 1994 by former firefighters and is based in Jacksonville, FL. In addition, the company also runs the Firehouse Subs Public Safety Foundation, which provides community support for firefighters. Currently, the company’s franchise fee is $20,000, with estimated total investment ranging from $200,000 to $300,000. Over the past five years, Firehouse has also experienced rapid growth and presently has over 600 locations in 35 states, up from about 300 in 2008. As a result, IBISWorld estimates Firehouse will generate roughly $300.0 million in revenue in 2013.
Operating Conditions

Capital Intensity

The Sandwich and Sub Store Franchises industry carries a moderate level of capital intensity. For every $1.00 spent on labor, the average firm is expected to invest roughly $0.15 in capital. The majority of capital investment comes with initial startup costs of opening a new franchise location. Capital costs vary for each location and for each franchisee, with most franchisors offering different financing options based on the capital requirements of each new establishment. Overall, this industry relies most heavily on its labor. In 2013, wages are expected to consume about 24.6% of industry revenue. Because this industry is service-oriented, it requires employees for face-to-face service and labor input in areas like acceptance of deliveries, order-taking, serving and cleaning. Franchisees may also hire an employee to manage the store, though many oversee operations themselves.

Tools of the Trade: Growth Strategies for Success

New Age Economy

Recreation, Personal Services, Health and Education. Firms benefit from personal wealth so stable macroeconomic conditions are imperative. Brand awareness and niche labor skills are key to product differentiation.

Investment Economy

Information, Communications, Mining, Finance and Real Estate. To increase revenue firms need superior debt management, a stable macroeconomic environment and a sound investment plan.

Old Economy

Agriculture and Manufacturing. Traded goods can be produced using cheap labor abroad. To expand firms must merge or acquire others to exploit economies of scale, or specialize in niche, high-value products.
Operating Conditions

Technology & Systems

Over the past five years, technology change within the Sandwich and Sub Store Franchises industry has been moderate. According to a Restaurant Technology Study undertaken jointly by Hospitality Technology and Deloitte & Touche, industry operators regularly leverage technology to minimize labor and food costs, reduce waste and increase sales. Firms also use technology to improve business processes, support growth, maintain current operations, improve meal experiences and help gain an advantage over their competitors.

New technological systems have been put in place to ensure quality service and to reduce customer waiting time. Parent companies redesign kitchen layouts, update order processing systems and enhance cooking equipment in order to reduce food preparation time and make the experience more convenient for the customer.

Revenue Volatility

Over the five years to 2013, the Sandwich and Sub Store Franchises industry has exhibited low revenue volatility, with average change of about 1.6% per year. For example, revenue growth in 2009 amounted to 6.8% on the heels of Subway’s massive success at providing value menu items and regularly offering consumers $5 foot-long sandwiches. Establishment numbers were also up 4.3% in 2009, confirming the dominance of Subway and its rapid expansion. On the other hand, revenue growth in 2013 is expected to be 2.0%. Though this growth is still beneficial for the entire industry, it indicates a slowdown in expansion after the surge from 2008 to 2010. This measure of revenue volatility does not reflect the performance of the food-service industry as a whole. In fact, the industry has grown consistently during the past five years, with volatility only being determined from years of slower or more rapid growth.

A higher level of revenue volatility implies greater industry risk. Volatility can negatively affect long-term strategic decisions, such as the time frame for capital investment.

When a firm makes poor investment decisions it may face underutilized capacity if demand suddenly falls, or capacity constraints if it rises quickly.

Volatility vs Growth

* Axis is in logarithmic scale

SOURCE: WWW.IBISWORLD.COM
Operating Conditions

Regulation & Policy

Level & Trend
The level of Regulation is Medium and the trend is Increasing

This industry is subject to a moderate level of regulation, though it has increased significantly during the past five years. Some of the general restaurant and franchise establishment regulations include minimum-wage, employee benefits, workplace conditions, workers’ insurance and payment of health insurance coverage. Smoking bans in restaurants are also typical in many states. In addition, the US Food and Drug Administration’s (FDA) Model Food Code plays a key role in this industry’s regulation. This code is issued every four years, serving as a “best practice” guide to food handling and presentation in restaurants. Finally, all franchise restaurants must comply with the FDA’s Nutritional Value law, which sets standards for nutritional values of individual foods and meals. If claims such as “low fat” or “heart healthy” are made on a menu, the owner must be able to demonstrate to officials, when requested, that there is a reasonable basis for the claim. In recent years, food labeling and nutritional value disclosure has become increasingly stringent in major markets like New York and California.

New York and California became the first states to implement strict rules requiring large restaurant chains to disclose calorie counts and make other nutritional information more accessible for consumers. Beginning on January 1, 2011, the California Health and Safety Code Section 114094 required that food facilities that operate under common ownership or control with at least 19 other facilities of the same name in the state must disclose calorie counts on all indoor menu boards, brochure menus and alternative display tags or menus, including drive-through area boards and menus. Franchise sandwich and sub stores in California fall into this category, so they must comply with these regulatory changes. Over the next five years, other states may follow suit, requiring all franchise establishments to comply with similar disclosure standards.

Industry Assistance

Level & Trend
The level of Industry Assistance is None and the trend is Steady

This industry receives no form of assistance.
### Key Statistics

#### Industry Data

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#### Annual Change

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<td><strong>Value Added</strong> (m$)</td>
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<tr>
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<td><strong>Domestic Demand</strong></td>
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<td><strong>Consumer spending</strong></td>
<td>--</td>
<td>--</td>
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</tr>
<tr>
<td><strong>Imports</strong> (%)</td>
<td>2.3</td>
<td>1.8</td>
<td>1.9</td>
<td>2.2</td>
<td>2.1</td>
<td>1.7</td>
<td>1.5</td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td><strong>Wages</strong> (%)</td>
<td>3.3</td>
<td>3.7</td>
<td>3.7</td>
<td>3.7</td>
<td>3.7</td>
<td>3.7</td>
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#### Key Ratios

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<tbody>
<tr>
<td><strong>IVA/Revenue (%)</strong></td>
<td>35.60</td>
<td>36.11</td>
<td>36.33</td>
<td>36.60</td>
<td>35.66</td>
<td>34.51</td>
<td>34.15</td>
<td>33.67</td>
<td>34.08</td>
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<tr>
<td><strong>Exports/Revenue (%)</strong></td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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</tr>
<tr>
<td><strong>Wages/Revenue (%)</strong></td>
<td>40.39</td>
<td>39.29</td>
<td>38.59</td>
<td>39.04</td>
<td>39.02</td>
<td>39.44</td>
<td>40.19</td>
<td>40.80</td>
<td>40.57</td>
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<tr>
<td><strong>Employees per Employee</strong></td>
<td>35.0</td>
<td>35.0</td>
<td>35.0</td>
<td>35.0</td>
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</tr>
<tr>
<td><strong>Average Wage</strong> (m$)</td>
<td>19,278</td>
<td>13.80</td>
<td>13.99</td>
<td>13.62</td>
<td>13.62</td>
<td>13.80</td>
<td>25.00</td>
<td>13.84</td>
<td>13.91</td>
</tr>
<tr>
<td><strong>Share of the Economy (%)</strong></td>
<td>0.04</td>
<td>0.04</td>
<td>0.04</td>
<td>0.04</td>
<td>0.04</td>
<td>0.04</td>
<td>0.04</td>
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</tr>
</tbody>
</table>

Figures are inflation-adjusted 2013 dollars. Rank refers to 2013 data. SOURCE: WWW.IBISWORLD.COM
Jargon & Glossary

Industry Jargon

FRANCHISEE The party in a franchising agreement that is purchasing the right to use a business’s trademarks, associated brands and other proprietary knowledge in order to open a branch.

FRANCHISOR The owner of the original operation. The Franchisor decides to allow other people to replicate their system in exchange for a fee.

IBISWorld Glossary

BARRIERS TO ENTRY High barriers to entry mean that new companies struggle to enter an industry, while low barriers mean it is easy for new companies to enter an industry.

CAPITAL INTENSITY Compares the amount of money spent on capital (plant, machinery and equipment) with that spent on labor. IBISWorld uses the ratio of depreciation to wages as a proxy for capital intensity. High capital intensity is more than $0.333 of capital to $1 of labor; medium is $0.125 to $0.333 of capital to $1 of labor; low is less than $0.125 of capital for every $1 of labor.

CONSTANT PRICES The dollar figures in the Key Statistics table, including forecasts, are adjusted for inflation using the current year (i.e. year published) as the base year. This removes the impact of changes in the purchasing power of the dollar, leaving only the “real” growth or decline in industry metrics. The inflation adjustments in IBISWorld’s reports are made using the US Bureau of Economic Analysis’ implicit GDP price deflator.

DOMESTIC DEMAND Spending on industry goods and services within the United States, regardless of their country of origin. It is derived by adding imports to industry revenue, and then subtracting exports.

EMPLOYMENT The number of permanent, part-time, temporary and seasonal employees, working proprietors, partners, managers and executives within the industry.

ENTERPRISE A division that is separately managed and keeps management accounts. Each enterprise consists of one or more establishments that are under common ownership or control.

ESTABLISHMENT The smallest type of accounting unit within an enterprise, an establishment is a single physical location where business is conducted or where services or industrial operations are performed. Multiple establishments under common control make up an enterprise.

EXPORTS Total value of industry goods and services sold by US companies to customers abroad.

IMPORTS Total value of industry goods and services brought in from foreign countries to be sold in the United States.

INDUSTRY CONCENTRATION An indicator of the dominance of the top four players in an industry. Concentration is considered high if the top players account for more than 70% of industry revenue. Medium is 40% to 70% of industry revenue. Low is less than 40%.

INDUSTRY REVENUE The total sales of industry goods and services (exclusive of excise and sales tax); subsidies on production; all other operating income from outside the firm (such as commission income, repair and service income, and rent, leasing and hiring income); and capital work done by rental or lease. Receipts from interest, royalties, dividends and the sale of fixed tangible assets are excluded.

INDUSTRY VALUE ADDED (IVA) The market value of goods and services produced by the industry minus the cost of goods and services used in production. IVA is also described as the industry’s contribution to GDP, or profit plus wages and depreciation.

INTERNATIONAL TRADE The level of international trade is determined by ratios of exports to revenue and imports to domestic demand. For exports/revenue: low is less than 5%, medium is 5% to 20%, and high is more than 20%. Imports/domestic demand: low is less than 5%, medium is 5% to 35%, and high is more than 35%.

LIFE CYCLE All industries go through periods of growth, maturity and decline. IBISWorld determines an industry’s life cycle by considering its growth rate (measured by IVA) compared with GDP; the growth rate of the number of establishments; the amount of change the industry’s products are undergoing; the rate of technological change; and the level of customer acceptance of industry products and services.

NONEMPLOYING ESTABLISHMENT Businesses with no paid employment or payroll, also known as nonemployers. These are mostly set up by self-employed individuals.

PROFIT IBISWorld uses earnings before interest and tax (EBIT) as an indicator of a company’s profitability. It is calculated as revenue minus expenses, excluding interest and tax.

VOLATILITY The level of volatility is determined by averaging the absolute change in revenue in each of the past five years. Volatility levels: very high is more than ±20%; high volatility is ±10% to ±20%; moderate volatility is ±3% to ±10%; and low volatility is less than ±3%.
Jargon & Glossary

IBISWorld Glossary continued

**WAGES** The gross total wages and salaries of all employees in the industry. The cost of benefits is also included in this figure.
At IBISWorld we know that industry intelligence is more than assembling facts. It is combining data with analysis to answer the questions that successful businesses ask.

Identify high growth, emerging & shrinking markets
Arm yourself with the latest industry intelligence
Assess competitive threats from existing & new entrants
Benchmark your performance against the competition
Make speedy market-ready, profit-maximizing decisions

Who is IBISWorld?
We are strategists, analysts, researchers, and marketers. We provide answers to information-hungry, time-poor businesses. Our goal is to provide real world answers that matter to your business in our 700 US industry reports. When tough strategic, budget, sales and marketing decisions need to be made, our suite of Industry and Risk intelligence products give you deeply-researched answers quickly.

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