

OPENING A TOGO'S FRANCHISE IN
LIVINGSTON, CALIFORNIA

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of
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In Partial Fulfillment
of the Requirements for the Degree
of Master of Business Administration

By
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CERTIFICATION OF APPROVAL

OPENING A TOGO'S FRANCHISE IN
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DEDICATION

I dedicate my project work to my family and friends who have supported me throughout the program. A special thank you to my mom, Rosa Fuentes, for teaching me that with hard work and dedication anything is possible if you really want it. Because of her I am who I am today, a strong, hardworking, independent woman such as herself, who came to this country of opportunities with three little children to give us a better future.

I also dedicate this work to my husband, Aurelio Guzman, and my children, Jowan A. Guzman and Giselle K. Guzman. To my husband, I am grateful for his love and support during my undergraduate work and now through this graduate program. I know it was difficult for him and more so to my children. All the work I have done, I have done with them in mind.

I also dedicate this work to my mother-in-law, Josefina Guzman, for always being there when I needed her to watch my son during my undergraduate work, and now for being there to watch my daughter when I had group projects, she was always available to watch her. To my sister-in-law, Teresa Guzman, who was also always there to pick up my daughter when I was not able to pick her up from school. I will always be grateful for that.

Finally, to all my many friends who supported me and encouraged me throughout the program, and my new friends I found in the program. In particular, to

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ABSTRACT

The purpose of this project was to research and plan the process it will take to open a Togo's franchise in Livingston, California. Through the research, the author concluded her desired location would need to be approved by Togo's, as the county in which she desired to open a franchise was already a locked location. In order for her to get the desired location approved a franchise contract would need to be signed. Once a franchise contract is signed and the location approved, the author will need to secure funding to begin the process of opening a Togo's franchise.

CHAPTER I

HISTORY

The Togo's web site does not mention the name of the young San Jose University student who founded the original Togo's in San Jose. In search of the founder's name, the author discovered where the name Togo's originated. Two young Michigan University students, Tom Neumann and Gordon Reed, combined the first two letters of their first names, and came up with TOGO'S. This name fits perfectly where their original shop had no seating, so the sandwiches were "to go." Neumann and Reed opened the first Togo's in Marquette, Michigan in 1964. Neumann left the business in 1965, and a year later, Reed sold the name and business to Joseph Fountain. Reed moved to California and opened a sandwich shop at 336 East William Street near San Jose State University (Wikipedia, 2017). See Figure 1 for a picture of the location in San Jose.

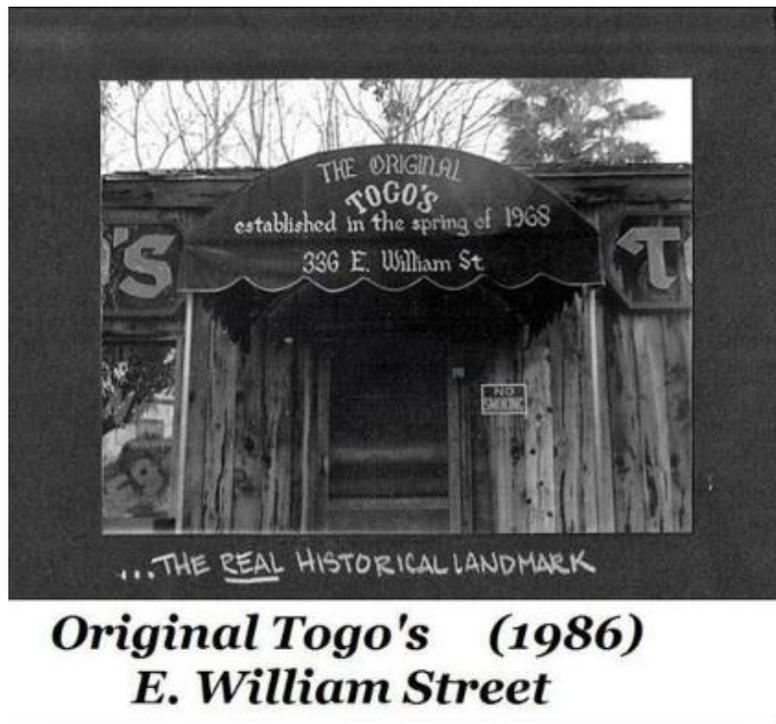


Figure 1. Original Togo's in San Jose, California

Another version of Togo's origin is narrated by Dina Medina (1993), a staff writer for the Spartan Daily at San Jose State University. In Medina's version, Jenny Price, general manager of that location at that time, talks about two SJSU business students, Gordon Reed and Tom LePort. According to Price no one knows where they both are. She just said they sold out and left. Medina adds that Mike Cobler (pictured on Figure 2), President of Togo's, believes that Togo's began when he bought the sub shop in 1971 when he was 21 and a psychology student of SJSU. Cobler says he came upon a struggling sandwich shop and saw a cardboard "for sale" sign. Cobler said, "I didn't know anything about the restaurant business; I was completely

ignorant.” He said he was a struggling student himself, on food stamps, and he appreciated a good meal at a fair price (Medina, 1993).



Figure 2. Mike Cobler stands in front of his first Togo's

When Cobler first took over, he sold roast beef and pastrami sandwiches for 85 cents. Later, he changed the name from Togo's Subs to Togo's Eateries, and modified the menu from five sandwiches to 31. At the time, the place was a shack with used Sears refrigerators. He decided to purchase a walk-in refrigerator to allow him to keep fresh food. Before then, everything was frozen. The shop grew slowly thanks to word of mouth. During summer sessions, business was slow, but when school was in session there were lines out the door and around the corner.

CHAPTER II

OPENING A TOGO'S FRANCHISE

Why Togo's?

Why did I decide to go with Togo's? First, whether you want to open a business to build for your future and that of your children, or you just want to be self-employed, you must love what you are selling. Whether it is a service or a product, I believe that you have to love or have a passion for what your business is. In my case, I love salads and sandwiches, and I believe that you can never go wrong with tons of vegetables and preferred meat. Both my husband and I love Togo's. I also love Subway sandwiches but my husband has had enough bad experiences with the one in our town that he won't go there anymore. In addition, we cannot open another Subway franchise in our geographic area, mainly due to territory restrictions. We have never been disappointed with what we have ordered from Togo's. My husband loves Togo's pastrami sandwich, which is the #9 on their menu. My favorite is their Farmers Market salad which I order in a spinach wrap, with low fat balsamic vinaigrette. Another reason why we became interested in Togo's is because it is a well-known franchise on the West Coast. No need to spend extra time and money on marketing or advertising your sandwich shop as this is part of being a Togo's franchise owner. I also like how Togo's Guest Support staff promptly addresses customers' bad reviews over particular locations. As a franchise owner this is a plus because you will be contacted by Togo's Customer Service department and they will

let you know about the bad review and see what you can do to improve customer satisfaction. See below Figure 3 & Figure 4, two examples of how prompt Togo's responds to bad customer reviews.

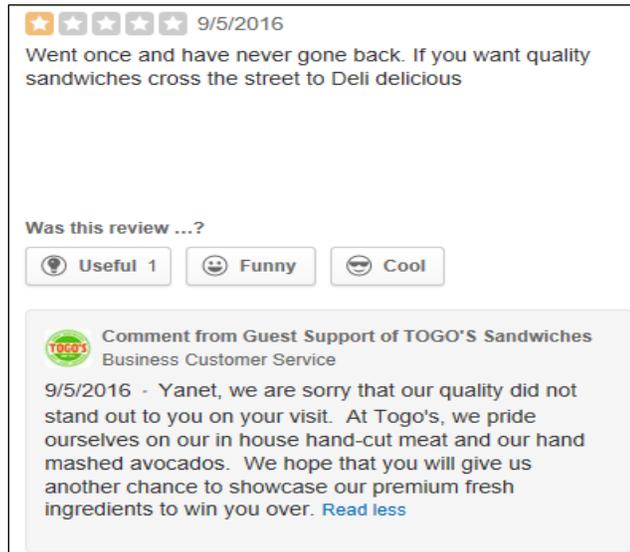


Figure 3. Guest Support comments on a negative review (1)

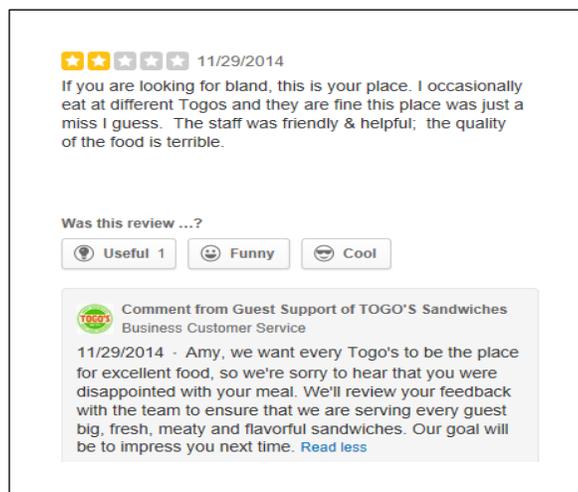


Figure 4. Guest Support comments on a negative review (2)

First Steps

The first step is to go to the Togo's website (www.togos.com) and request franchise information. Once you have filled out your information you will receive their franchise report in PDF format via email. This report contains franchisee comments, startup costs, and a look at Togo's executive team. Shortly after receiving the franchise report you will be contacted by a franchisee recruiter. Later, they will schedule a 15 to 30 minute phone appointment to get to know you more and to determine if this opportunity is a good fit for you. From that point forward you keep in touch with your recruiter. They will answer any questions you may have, and will provide you with any information you request or need (Togo's Franchise, 2017).

Startup Costs

A Togo's franchise cost between \$239,700 and \$543,200. The cost varies depending on location, size of the location, who develops the location, who constructs it, and the amount and terms of the franchisee's financing. The Togo's franchise candidate will need \$150,000 in liquid capital and a net worth of \$300,000 to open one restaurant. For those who are interested in opening three or more locations the candidate will need \$450,000 in liquid capital and \$900,000 in net worth. Figure 5 below shows a breakdown of all the costs to open a franchise. (Franchise Information Report, 2016)



FRANCHISE INFORMATION REPORT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee	\$21,000 to \$30,000	Lump Sum	\$5,000 Upon Signing Deposit Agreement (if applicable) and Balance Upon Signing Franchise Agreement	Us
Leasehold Improvements	\$115,000 to \$213,000	Lump Sum or Financed	Before Opening	Third Parties (your Landlord and/or Contractor)
Real Estate/Rental Deposit	\$2,000 to \$14,000	As Agreed	As Incurred	Landlord
Equipment, Fixtures and Furniture	\$65,000 to \$108,000	Lump Sum or Financed	As Incurred, Before Opening	Approved Suppliers
Signage	\$2,500 to \$11,000	As Agreed	As Incurred	Approved Suppliers
Architectural Fee	\$8,000 to \$30,000	As Agreed	As Incurred	Approved Suppliers
Point of Sale (POS) System	\$9,000 to \$13,000	Lump Sum or Financed	As Incurred, Before Installation	Approved Supplier
Opening Inventory	\$5,000 to \$11,000	Lump Sum	Before Opening	Approved Suppliers
Miscellaneous Opening Costs	\$4,000 to \$34,700	Lump Sum	As Incurred	Suppliers, Utilities, Employees, Etc.
Uniforms	\$200 to \$2,500	Lump Sum	Before Opening	Approved Supplier
Insurance	\$500 to \$7,500	Lump Sum or Monthly Payment	As Incurred	Insurance Company/ Agent
Travel and Living Expenses While Training	\$0 to \$10,500	As Agreed	As Incurred, During Training	Airlines, Rental Car Agencies, Restaurants, Hotels, etc.
Grand Opening Marketing Fee	\$7,500 to \$30,000	Lump Sum	Before Opening	Us
Additional Funds for First 3 Months of Operation	\$0 to \$28,000	As Agreed	Monthly and As Incurred	Us, Third Parties and Employees
TOTALS	\$239,700 to \$543,200			

Figure 5. Breakdown of startup costs (Franchise Information Report, 2016)

Funding

Togo's partners with Franchise America Finance to make financing simple. Franchise America Finance has set aside a pool of funds specifically to help Togo's franchisees get started. They also partner with Guidant Financial to the same end. To be considered a candidate for a Togo's franchise, applicants need \$150,000 in liquid capital and a net worth of \$300,000 to open a single restaurant. There are a few options a candidate can consider to fund his or her small business investment, including Rollovers for Business Start-ups (ROBS), U.S. Small Business Association (SBA) loans, and unsecured loans. An SBA loan is government-backed at low market rates. This type of loan offers attractive repayment terms. ROBS allows entrepreneurs to invest their own retirement funds into a franchise without taking a taxable distribution or taking out a loan. With unsecured loans, an entrepreneur can get up to \$150,000 financing without personal collateral. This type of loan requires a solid credit score and may be funded in 3 weeks or less. An entrepreneur can combine these programs to increase his or her buying power (Franchise Information Report, 2016).

My plan is to open a single restaurant that my husband will run while I keep my full-time job. Keeping my job will allow for a steady income with full benefits for my family. As home prices keep rising in my neighborhood, I have seen my home appreciate in value to \$304,452. To finance the current venture, I plan to get an equity loan of \$100,000 from my house and use \$60,000 from our savings. This will allow us to have \$160,000 in liquid capital. For additional funds we can combine our

retirement money and take out a total combined amount of \$150,000 from our retirement plans. If needed, we will also consider taking out an SBA loan to allow us to have more buying power.

Staffing Plans

Based on my research, a typical Togo's sandwich shop employs an average of 14 employees. During the grand opening period additional help is hired, but on average they have about 14. You want to start with about 20 to 25 employees typically because they are students and they usually leave. About 1 to 2 months after opening you usually end up with 14 part-time employees. Usually, students work about 15 to 30 hours a week. Togo's employees are not full time because it is generally more expensive and complicated to run your business if you have to provide full benefits to employees. This is even more true with a small business. Based on my visits to Togo's and reviews online, employees for this type of work tend to be high school and college students. I plan on hiring high school and college students, as well as my family members. For a while now, I have been part of a group of local professionals who volunteer at Livingston High School every year to help the young students with mock interviews, to help them improve their interview skills. During this time, I have seen a lot of young students who want to work locally while attending school. A few of them need to improve on their communication skills, interact with others, and step outside their comfort zone. I would love to employ this type of student to help them develop their communication and customer service skills. This will also help them with their work ethic and with taking responsibilities.

Once a restaurant is up and running the owner gets a feel for what rush hours are. Typically, a Togo's franchise will need two to three hours prep time before opening. The first employee should usually arrive by 7:30 or 8:00 a.m. if your opening time is around 10:00 a.m. This employee is the slicer, who will oversee slicing all the vegetables for the day. The second employee will be prepping the meats such as the tuna, chicken, and pastrami. Following this, the first sandwich station should be prepared and ready for when the door opens. During lunch rush hour, you will have two sandwich stations ready. Once the lunch rush hour ends, some employees will also end their shift while others start to come in to prepare for dinner rush hour.

CHAPTER III

LOCATION

Livingston, California

The location I am considering for a Togo's is in Livingston, California. In the last couple of years, I have noticed a tremendous amount of traffic increase at the Winton Parkway exit of Highway 99. One would expect businesses in that particular area to do quite well, if they are managed properly. Businesses currently in this area are quite diverse. They include Travelcenters of America (TA, a truck stop), a Shell gas station, Burger King, Popeyes, McDonald's, Chevron, Taco Bell, Quik Stop, Carl's Jr, Jack-in-the-Box, Starbucks, Subway, Little Caesars Pizza, a liquor store, O'Reilly Auto Parts, CVS, Rancho San Miguel Market, and an AutoZone. A Panda Express and Marriott Fairfield Inn will also open in 2017. In a phone conversation, Tyan Swanson, a Togo's Franchise Recruiter, stated on April 25, 2017, that their Merced County territory is pretty much locked in, and that she thinks I may not be able to open a Togo's where I would like to open one. Nevertheless, she indicated that they would come and research the area once I sign a Franchise contract with them. Although this is not something I want to do at this moment I am confident that the franchise at the Livingston location will be very profitable, even more so than the one in Atwater. TA not only brings truck drivers daily, but also I see a lot of travelers and touring buses. The traffic I see daily is quite impressive for such a small town.

For this reason, I am focusing on the Winton Parkway exit rather than the Hammatt Avenue exit or any other area in town such as Main Street. Livingston is a small town, and my concern has been that small businesses tend not to do well in such an environment due to a lack of travelers and other groups going through the town. Of concern also, is the fact that so many local people go to other towns such as Atwater or Turlock to do their shopping.

For businesses like Togo's, traffic is a determinant factor. To ascertain how much traffic passes through State Route 99, also commonly known as Highway 99, I decided to research and see if I could get some data on traffic counts that pass through Winton Parkway off Highway 99. Highway 99 is a North and South state highway that stretches almost all through the Central Valley. I was able to find some data on <http://www.dot.ca.gov/trafficops/census/>; however, here I was only able to find data through 2015. The California Department of Transportation has not yet posted 2016 information because their traffic count starts October 1 and ends September 30. I downloaded Excel files from 2001 to 2015, that contained traffic volumes for all vehicles on California state highways. From all those files, I sorted out Route 99, then from there I sorted out two exits only, to gather the data I was looking for. Then, I sorted by "WINTON PARKWAY" and "LIVINGSTON,HAMMATT AVENUE." I sorted "LIVINGSTON, HAMMETT AVENUE" because I knew "WINTON PARKWAY" was a newer exit; therefore I downloaded all available years. The files did not contain data on "WINTON PARKWAY" for 2001, so I excluded that year and used 2002 forward.

The Annual Average Daily Traffic (AADT) at Winton Park post mile 29.001 on 99 has increased over the years. Based on the data I was able to collect and sort for this location, I created a table that included the perfect change of traffic volume over 2002 to 2015 years (see Table 1). For the purpose of studying Route 99 “back” means south and “ahead” means north. For additional traffic census explanations refer to Appendix A. The AADT going north shows that the average daily traffic has increased 45% since 2002. The AADT going south shows that daily average traffic has increased 49%.

Table 1

Traffic Volume Percent change from 2002 to 2015

Percent from 2002 to 2015	Back Peak Hour	Back Peak Month	Back AADT	Ahead Peak Hour	Ahead Peak Month	Ahead AADT
% Change	28%	32%	49%	24%	28%	45%

Since 2015 I have noticed a high increase in traffic, not only because I live in this town but every time I head out north on Highway 99, I see the traffic stalling going south. The fact that many people exit the freeway on Winton Parkway led me to seriously consider opening a Togo’s there. That exit is more visible to most travelers going through Livingston. I would be able to attract much more foot traffic at that location than the Togo’s at the Applegate exit in Atwater. The Applegate exit does not attract many travelers going south since Winton Parkway is before the Applegate exit. In addition, there are many more dining options at Winton Parkway and most importantly for truck drivers there is no space to exit. TA is the best

destination for them. Here, they can get parking for their trucks, they can shower, eat, and rest.

Another thing I examined was the number of vehicles that pass through southbound 99, of Winton Parkway. The logic behind focusing on southbound versus northbound is that traffic going southbound will pass Livingston's Togo's before Atwater's. See Table 2, back AADT traffic volume is higher than ahead AADT traffic. Table 2 shows 48,500 vehicles going southbound in 2002 compared to 64,000 vehicles in 2015. That is 15,500 more vehicles going southbound on a daily basis. When Table 2 is graphed, it is clear that the peak month and the average daily traffic in a month are getting closer together as you can see in Figure 6.

Table 2

AADT from 2002 to 2015

Year	Back Peak Month	Back AADT
2002	48500	41500
2003	49000	42000
2004	49000	43000
2005	54000	47000
2006	54000	47500
2007	54000	47500
2008	52000	46000
2011	62000	64000
2012	64000	56000
2013	64000	56000
2014	64000	56000
2015	64000	62000

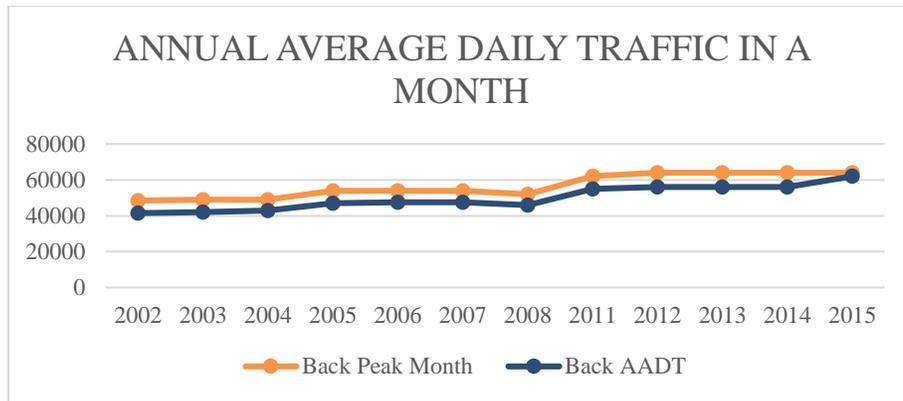


Figure 6. AADT from 2002 to 2015 graphed

Next, is the hourly daily count of vehicles passing through southbound 99. The numbers in Table 3 indicate that traffic has remained unchanged after 2011. Things seem to have changed, however, around 2016 and 2017 as I have personally have noticed an increase in traffic for the past year. Figure 7 is Table 3 graphed for a better visual of the trend.

Table 3

Peak Hour Traffic from 2002 to 2015

Year	Vehicles
2002	4450
2003	4500
2004	4500
2005	4900
2006	4900
2007	4900
2008	4750

2011	5700
2012	5700
2013	5700
2014	5700
2015	5700

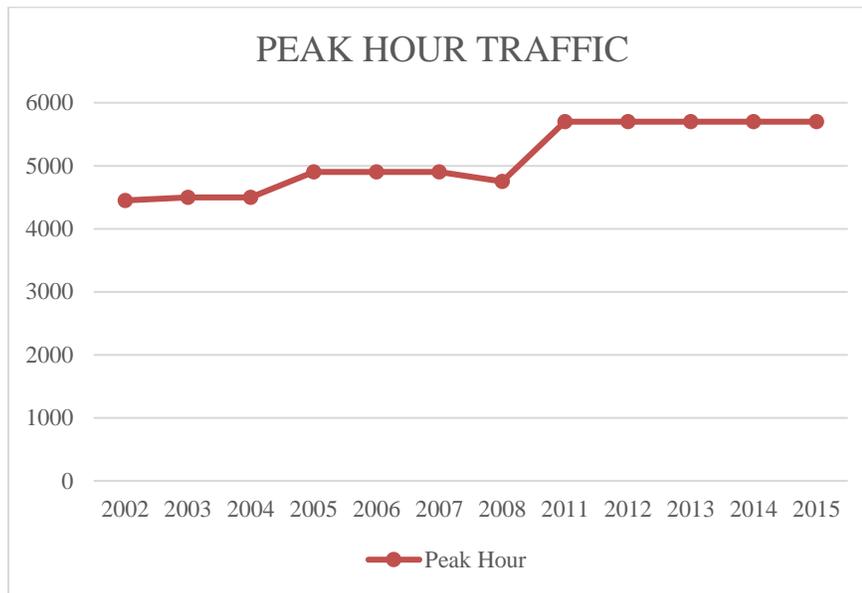


Figure 7. Peak Hour Traffic from 2002 to 2015 Graphed

CHAPTER IV

MARKETING PLAN

As a franchise owner, I will have the advantage of working with Togo's management team. The team will work with me before the doors open for business. The Togo's team will ensure that my restaurant makes a big splash in my community during the grand opening. Togo's will take care of all of my marketing for the first 3 to 6 months that my restaurant is open for business. (Franchise Information Report, 2017)

One key benefit of being a Togo's franchisee is brand recognition. The value added of offering sandwiches to the customer under the Togo's brand name compared to offering similar sandwiches under a generic or lesser-known brand name is obvious. So obvious, that it justifies my choice.

The Market & Target Market

Page 9 of Togo's Franchise Information Report indicates that the demand for sandwiches is fast-growing. Sandwich shop franchises generated \$22 billion in sales in 2015, according to IBIS World research. Technomic also reports that 94% of consumers eat at least one sandwich a week, which equals about 300 million sandwiches each week. Besides sandwiches, Togo's offers other options that include salads and salad wraps for those who want healthier meals. Togo's target market includes customers who will pay for quality. Togo's offer a \$6 Daily Deal to bring in young customers who are temporarily short of cash. When Togo's brings in young

customers with the \$6 Daily Deals, the objective is long-term brand loyalty. As these young customers continue to grow, get better paying jobs, and earn more money, it is anticipated that they will keep coming back over time and spend more on other premium sandwiches which are close to \$10. Guests are happy to pay for superior ingredients and a great taste. Togo's sandwiches are big and meaty, with much more in protein than other places. This is what makes the sandwiches so satisfying.

(Franchise Information Report, 2017)

The Competition

Togo's biggest competitor is Subway, although Technomic estimates Subway's average unit sales fell 3.4% in 2015. Subway owns more than 27,000 restaurants in the United States and continues to open new locations. Togo's believes its guests patronize Togo's because of their fresh ingredients, artisan bread, and meat that is sliced daily making for a better flavor and because their sandwiches taste so fresh. This is unlike its competitors who offers presliced meats that contain a lot of sodium as a preservative. Togo's also believes that its guests love the portions and the large amount of protein that makes their sandwiches so delicious and filling. Guests, certainly, notice the difference. As a Togo's and Subway customer, I notice the difference. As Togo's states, their ingredients, portions, and service are what set them apart from the competition (Franchise Information Report, 2017). Subway is located in the area where I would like to open a Togo's. I know my franchise will be much more profitable and I will be able to get Subway customers into my store because I believe in the Togo's management team's first-rate marketing program. Not only will

I have a good team behind me, my restaurant will honor specials advertised on TV. We will offer a better customer experience by training employees with Togo's team's assistants on providing the best customer experience for guests, a clean and inviting restaurant from the outside to the inside of the restaurant. These are the things Subway in Livingston lacks. They do not honor advertised specials. The outside of their location does not have a nice clean landscape. In fact, most of the surrounding area is dry. The drive-thru sign looks old and faded. The customer service is not that great, and they need to have someone clean the floors and tables more often. For these reasons, I am very confident the Subway in Livingston will not be much of a competitor.

Product and Service Strategy

Togo's custom builds every sandwich. They offer an infinite list of flavor combinations. Togo's menu offers a long list of cold sandwiches, hot sandwiches, toasted and signature sandwiches, salads and salad wraps, Pick Two (from a half salad, half soup, or half sandwich), kid's meal, soups and sweets, and drinks. Togo's has assigned numbers to their most popular sandwiches, and those are the ones that appear on their menus. Still, customers are not required to pick from the numbered menu; they can custom build their own sandwiches. Most of Togo's guests are loyal customers who use the numbers as a shortcut to order their favorite meal. For example, instead of ordering "turkey and avocado" they ask for a Number 24. Togo's is picky on their ingredients: they use premium pastrami, daily hand-mashed Haas

avocados and low-sodium turkey breast. Their chicken is all-natural without antibiotics or preservatives, and artisan breads are baked daily. See Figure 8.



Figure 8. Togo's Products

Togo's is an established franchise and the list of their products is already set. As is true with other franchise systems, Togo's franchisees are not allowed to modify the current menu. Thus, I need to focus more on the service strategy and all of the intangibles that augment the customer's experience. Togo's is already known for its fresh ingredients, bigger portions, and tasty products. I need to go even farther than just selling good quality food. I am going to focus also on the offering concept I learned in Dr. Gnepa's Strategic Leadership Marketing class. According to the

textbook we used, instead of using these terms *product* or *service*, one should use the concept of *offering*, which focuses on benefits and satisfaction offered, by identifying the unmet needs and wants of the target market. The book states, and I agree, that “Offerings illustrates not only the buyer needs served, but also the types of customer groups sought and means (technology) for satisfying their needs” (Kerin & Peterson, 2013).

What can I *offer* more to a Togo’s guest that Subway in Livingston is not currently offering? From my personal experience, Subway is not offering a clean environment and welcoming experience when I walk in to that location. Cleanliness will be emphasized at my Togo’s location because customers at Subway are not getting that experience most of the time. I would not mind spending a little more; not only for the better-quality food, but customers will get more walking into my store than a similar restaurant and get more out of their experience than just a simple sandwich.

Pricing Strategy

Togo’s franchise owners get a standard retail price (SRP) list. However, franchisees have complete pricing flexibility. Togo’s prices compared to their competitor Subway are higher, but Togo’s only buys premium quality ingredients so they spend a little more for quality. For Togo’s it is all about bringing the guest experience to life and providing generous servings, juicy and savory products, so for them, paying a little extra is worth it (Franchise Information Report, 2017). Table 4 compares prices of similar products in the local area, and compares what Subway

offers compared to Togo's. I added sodas to the list because Togo's recommends that franchise owners work with a soft drink supplier to regularly recalibrate their fountain drink machine's sensors. Togo's believes that guests will notice the taste difference and come back, in part because of it. This should boost margins in a big way.

Table 4 Togo's vs. Subway Price Comparison

Togo's	Price	Subway	Price
6" Turkey & Cheese	\$6.69	"6 Tukey Breast	\$4.25
Farmers Market Salad	\$6.95	Veggie Delight	\$5.00
20oz. Soda	\$1.75	21oz. Soda	\$1.60
Soup Broccoli Cheddar	\$3.75	Soup Broccoli Cheddar	\$2.50

Promotion Strategy

Being a Togo's franchise owner has its benefits. As mentioned earlier, Togo's knows the importance of building a solid customer base. As a franchise owner, to cover the costs of marketing materials and direct marketing costs, I will need to pay for a Grand Opening Marketing Fee in the range of \$7,500 to \$30,000 before the grand opening. With its first-rate marketing program, this is designed to help new owners thrive in their local markets. I will not have to worry about anything outside my four walls. Togo's Management Team will take care of the marketing for the first 3 to 6 months that the store is in business. After this transition period, Togo's Management Team hands over the reins to the franchisee. This transition period includes intensive, individualized coaching and continual training on a wide range of marketing topics. Togo's team will be on my side and work with me 3 months before the grand opening. My assigned marketing manager will help me develop and

customize a marketing plan based on how much foot traffic is in my area. One of Togo's proven strategies is to give away 1,000 premium pastrami sandwiches on opening day. This giveaway will generate a huge line on the first day in business. The giveaway strategy requires the customer to register to get the free sandwich, which creates a substantial database of guests to market to, going forward through Togo's loyalty rewards program. Grand openings of new businesses in a small community such as Livingston will also generate free publicity via print and radio outlets (Franchise Information Report, 2017).

Togo's loyalty rewards program is called Tribe Rewards. It requires a guest to register online or download the Togo's Tribe app in the Apple or Google stores. The program works as follows: for every \$1 spent, guests earn 1 point. When they reach 50 points, they receive a \$5 reward. Guests can also earn points in other ways. Just about everyone is on social media nowadays. Guests who share their love for Togo's can earn points. A guest can also earn points by referring a friend. They are required to check their accounts frequently, though. All \$5 rewards that are not used within 60 days will expire. Togo's also gives rewards for birthdays, anniversaries, or promotional rewards. These also have an expiration date, usually 7 or 10 days. Guests can check their account status on the app or online at togostribe.com (Togo's, 2017).

Togo's encourages franchise owners to maintain ongoing marketing efforts. Togo's encourages franchisees to engage with their communities by building community partnerships. Franchisees can develop a catering business by visiting local businesses, schools, and other organizations. Franchisees can go to these local

potential customers by dropping by with free sandwiches and paper menus.

Marketing to groups such as soccer meets and football games, and reaching out to local businesses is also recommended. Togo's believes that once the food is in their mouth their feet will bring them back. Togo's knows the importance of targeting specific demographics. For example, in addition to the longtime fans, whom they call their Heritage Customers, Togo's also focuses on targeting Millennials by going where they are, on social media. Togo's has a page on Facebook, Twitter, and Instagram and Togo's regularly updates its YouTube content (Franchise Information Report, 2017).

CHAPTER V

FINANCIALS

With the financial information provided by the Togo's Franchise Information Report, I was able to create a simple Profit & Loss (P & L) statement and an income statement (see Figure 9, and Figure 10). I began with the average revenue of a Togo's restaurant provided in Togo's Franchise Information Report. The average revenue of a Togo's restaurant is about \$669,117 annually, based on 142 franchisee-owned restaurants that submitted P & L reports for a 52-week period ending December 26, 2015. I would have to assume that these average revenues, are most likely bigger cities with much higher foot traffic, than what Livingston, California would have. These franchisees reported that their costs of goods sold was an average of 33.5% of their revenue. These restaurants reported that their direct labor costs equaled 19.95% of their revenue and their utilities 2.66%. As for the rest of their expenses, I went off the rough estimates from the table of startup costs (reference back to Figure 5). Using these rough estimates my estimated Profit & Loss statement showed net income after taxes of \$171,913 for a year (see Figure 9). For the income statement, I used the information from the Profit & Loss statement and projected net income before taxes to be \$241,310 for Year One (see Figure 10).

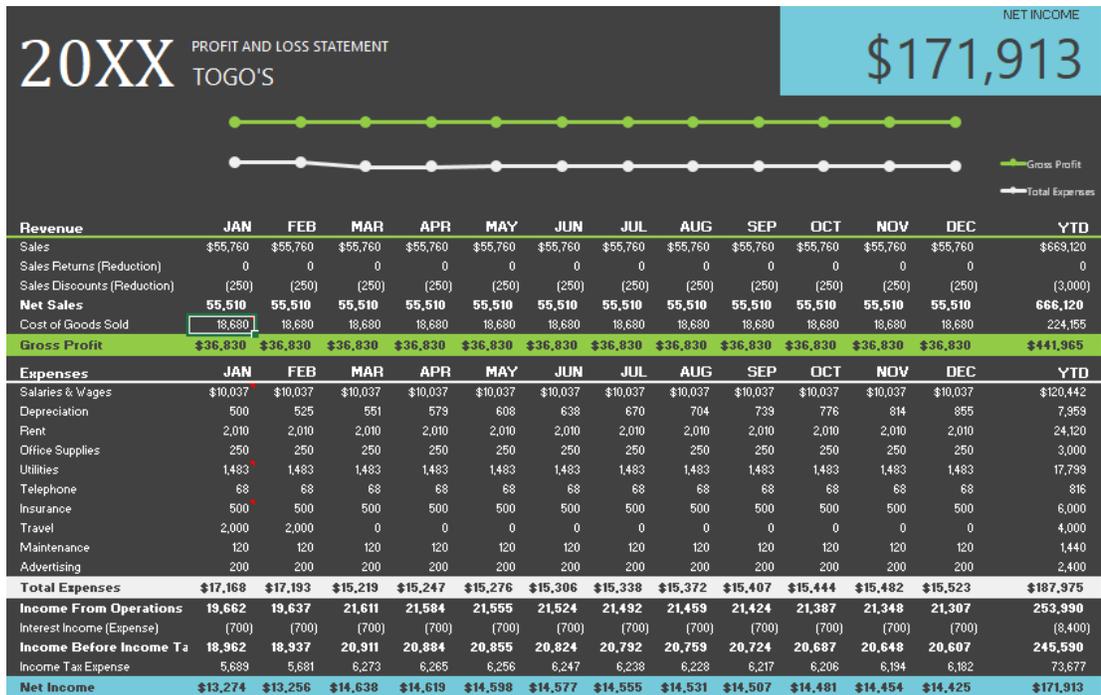


Figure 9. Profit & Loss Statement

**TOGO'S SINGLE FRANCHISE
1 YEAR**

Financial Statements in U.S. Dollars

Gross Sales		669120	
Less: Sales Returns and Allowances		(3000)	
Net Sales			672120
Beginning Inventory		18680	
Add:	Purchases	224155	
	Freight-in		
	Direct Labor		
	Indirect Expenses		
Inventory Available		242835	
Less: Ending Inventory			
Cost of Goods Sold			242835
Gross Profit (Loss)			429285
Advertising		2400	
Depreciation		7959	
Insurance		6000	
Office Expense		3000	
Rent		24120	
Repairs and Maintenance		1440	
Telephone		816	
Travel		4000	
Utilities		17799	
Wages		120442	
Total Expenses			187975
Net Operating Income			241310
Gain (Loss) on Sale of Assets			
Interest Income			
Total Other Income			0
Net Income (Loss) Before Taxes			241310

Figure 10. Income Statement

CHAPTER VI

CONCLUSION

Beyond any doubt, to open a Togo's franchise takes a great deal of planning, beginning with requesting franchise information. Soon after that, a franchise recruiter schedules a 15 to 30-minute phone appointment. Once you decide if Togo's is the right fit for you, you need to decide how you are going to fund your new franchise. After you have your finances in place, signing a franchise contract will be the next step. Deciding on a location will be the next step. In my case I have in mind Livingston, California. However, during my research and in conversations I had over the phone, Tyan Swanson, a Togo's Franchise Recruiter, stated that my county (Merced County) is pretty much locked in. Not being approved for the location I desire will be a deal breaker to me. Working on this project had given me more encouragement to seriously consider opening Togo's, because it's a well-known brand on the West Coast. Not having to put extra efforts toward advertising is a plus, along with Togo's standard procedures and what type of products. The Togo's team is on your side, training you and guiding you all the way up through 3 to 6 months after the grand opening. I anticipate making this project a reality in the future.

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REFERENCES

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APPENDIX

APPENDIX

TRAFFIC OF CENSUS EXPLANATIONS

Explanation of AADTs

AADT – Annual Average Daily Traffic are traffic volumes estimates representing the average value of daily traffic over the course of a year.

Back annual average daily traffic (AADT) usually represents traffic South or West of the count location and is the total volume for the year divided by 365 days.

Ahead annual average daily traffic (AADT) usually represents traffic North or East of the count location and is the total volume for the year divided by 365 days.

Do not double the counts because these numbers capture both directions of traffic. The counts are taken at a location on the highway for both directions of travel.

Peak Hour usually represents an estimate of the "rush hour" traffic which usually occurs between 7 and 8 AM, and between 5 and 6 PM. Peak Hour values indicates the volume in both directions. In urban and suburban areas, the peak hour normally occurs every weekday. On roads with large seasonal fluctuations in traffic, the peak hour is the hour near the maximum for the year but excluding a few (30 to 50 hours) that are exceedingly high and are not typical of the frequency of the high hours occurring during the season.

Peak Month ADT is the average daily traffic for the month of heaviest traffic flow, usually July or August. This data is obtained because on many routes, high traffic volumes which occur during a certain season of the year are more representative of traffic conditions than the annual ADT.