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Subway Changes Its Menu, Adds SaaS

– Patrick Thibodeau, Computerworld

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Subway is a fast-food franchise operation with some 35,000 restaurants worldwide. Like many big enterprises, it expected to host a new mission-critical spending-management system in-house. It ended up doing the exact opposite.

To get an idea of just how much of a departure Subway made from its original direction, consider the basic facts: The vendor providing the software as a service ([SaaS](#)), Coupa Software, is only five years old and is funded with venture capital. Its software is hosted on Amazon.com's [cloud](#) platform. Subway, in contrast, has a big enough investment in its data centers that it could have undertaken the project internally at only an "incremental" cost.

"We didn't set out to look for a SaaS-based solution at all," said Carman Wenkoff, the deputy CIO of Subway's Independent Purchasing Cooperative (IPC), the unit that negotiates purchasing for Subway franchisees and handles IT needs.

The IPC's decision says something about the ability of SaaS and cloud-based service providers to establish themselves quickly. It also says something about the way vendors that adopt those business models can win large enterprise customers.

The IPC initially set out to develop a system that would help franchisees better manage their spending. Subway franchises, which are located in nearly 100 countries, currently use mostly manual processes to order food, paper goods, uniforms and services from suppliers.

Part of the goal of modernizing the spending-management system used by franchises was to improve cost management by offering better forecasts of franchise sales and supply needs.

The IPC's data centers have become large enough that "in most cases it makes sense for us to internalize the technology, even if it is traditionally licensed," Wenkoff said. "You get to a certain point in size where the investment for us is just incremental to bring another technology in-house," he said.

The company looked at systems such as electronic portals connected to back-end accounting systems. But the IPC ended up choosing to work with San Mateo, Calif.-based Coupa because of its approach to designing software.



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"Because it was SaaS-based, we almost passed on it because we were looking for more of an internal solution," Wenkoff said.

But what changed the IPC's mind was the user interface on Coupa's software. It has a consumer-like feel to it, with graphical features like shopping carts. The intent is to make it relatively simple for a diverse user base.

As the IPC investigated its options, Wenkoff said the group began to realize how important the user interface would be in helping with adoption of the new system.

About 50% of Subway restaurants are operated by lone franchisees who typically aren't tech-savvy, said Wenkoff. If the company deployed a system that was difficult to use, adoption rates could suffer in the face of franchisee resistance.

"Our intention is to make this so obvious a solution that within months of deploying it, we eliminate all other forms of ordering," Wenkoff said.

The IPC plans to begin rolling out the SaaS offering to restaurants in late October, with full deployment in the U.S. and Canada set for midyear 2012.

Chris Dwyer, an analyst at Aberdeen Group, said cloud-based spending-management systems are a trend, and users are turning to these systems "to gain real-time visibility into your corporate budget."

Coupa's advantage has been its ease of use, which "attracts more people to use it" in a company, Dwyer said.

Subway did have other questions beyond the basic one of whether SaaS was the right way to go. Coupa's use of Amazon's cloud platform was also a concern. In April, Amazon suffered a [partial outage of its services](#) that affected some of its customers for several days.

But Coupa CEO Rob Bernshteyn said the outage only caused 15 minutes of downtime for his company because Coupa had designed its system to be able to fail over to unaffected parts of Amazon's cloud.

"A lot of the onus is on the vendors to design the software and the architecture in a way that that can withstand a failover situation," Bernshteyn said.

Wenkoff said both [security](#) and reliability were fundamental needs "which we thought would be obstacles to getting a deal done." But those issues turned out not to be obstacles, he said, and the service level agreement includes some "beefy" terms to minimize risks.

Subway didn't disclose the cost of the project, but Wenkoff said that, on paper, "you can always make the case for bringing [a system] in-house and doing it less expensively." But the SaaS model offers certain benefits that might justify a higher cost, such as the ability to make updates on the fly.

With a global in-house deployment, Wenkoff said, what typically happens is the first version gets deployed, but the opportunity to upgrade to a new version may not arise for some time. With Coupa's SaaS model, he explained, the IPC has the ability to update the app as needed.

Patrick Thibodeau covers SaaS and enterprise applications, outsourcing, government IT policies, data centers and IT workforce issues for Computerworld. Follow Patrick on Twitter at [@DCgov](#), or subscribe to [Patrick's RSS feed](#). His email address is pthibodeau@computerworld.com.

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