

Krispy kreme objectives



Krispy Kreme is a famous chain of donut and coffee store all around the world. In 1937, Vernon Rudolph founded Krispy Kreme in Winston-Salem. Since then Krispy Kreme's mission has been to provide the best service and highest-quality products to customers. At first, Vernon Rudolph started his business by selling donut to other stores. But in 1938, he opened the first Krispy Kreme store in Winston-Salem and began to sell donuts to customers. Today, Krispy Kreme grows rapidly in international business with the opening of a lot of stores in Australia, United Kingdom, Asia and Middle East... not to mention its franchise expansions.

In this case, we will discuss about Krispy Kreme strategies, the reason why Krispy Kreme need to revamp its own strategy plans as well as the environmental factor that influence the company.

PART II

Objective Case Question 1

Explain Krispy Kreme's strategic and operational plans.

Every business needs a strategy or at least an operational plan in order to grow and make more profits. Strategy is a plan for achieving objectives and following the mission statements. Strategic planning includes three planning level: corporate, business and functional.

In this case study, we will discuss about the expansion of Krispy Kreme Doughnuts. Since going public, Krispy Kreame has been a standout in America with more 300 stores in 44 states and expensed to other country such as Canada, UK, Mexico, Australia, Japan...[1]This growth can be considered as both opportunity and threat. This is the opportunity of

expansion: in the final quarter of the year 2003, worldwide sales of Krispy Kreme doughnuts increased nearly 29% to 251. 1 million dollar. Company revenue, which includes sales from company stores, franchise fees and other operations rose more than 31% to 169. 6 million dollar[2]. Even though this expansion brought profits to the company, Krispy Kreme has downturn. One of the reasons is they opened too many stores in too little time and ship their doughnuts to a grocery stores everywhere and anywhere, diluted the appeal of its core product-The Original Glazed. When they sold their doughnuts to a grocery store, they would lose two important factors. First, the quality is not originally good as when you eat them right as they come off conveyor belt at the retail store. Second, customers are too familiar with watching the doughnuts being made adds to magic of the product[3]. Krispy Kreme is also lack of advertising of their products and very weak menu. Another problem at Krispy Kreme is about franchises. The Krispy Kreme craze in the early 2000s drove millions of customers to stores, waiting in line for the cherished fresh glazed delicacies. As the result, the number of Krispy Kreme franchises increased very fast trying to enter the market. A new store may offer additional revenue to the home office, but the overall result is less profit for each individual store owner. For example, between 2003 and 2004, second quarter revenues increased by 15%, but same store revenues had only increased by 1 percent[4]. Beside doughnut, Krispy Kreme has been expanded into coffee business with the acquisition of Digital Java Inc. a coffee company in 2002. This acquisition met some strategic including eagerly wish for provide a coffee experience for customers, as well as company's integration.

The idea for selling coffee is wonderful, if the Krispy Kreme was consistent in its actions. Maybe there should be fewer stores with more ambitions put into them. Krispy Kreme could be a main competitor of Dunkin Doughnut with more chances to win customers back.

PART III

Objective question 2

Why is Krispy Kreme facing the need to revamp its strategic plans?

Obviously, Krispy Kreme's strategic plan is to make money, just like all business in the world. But having a wrong strategic plan can terminate the business and that why we will find out the reason that Krispy Kreme is facing the need to revamp its strategic plans.

One of the major competitors of Krispy Kreme is Dunkin Doughnut. In Dunkin Doughnut, managers everywhere continued to plod along, making the doughnuts and selling coffee. Someone even named it "better than Starbuck"[5]and actually more than haft of revenues of Dunkin comes from coffee business. People love Dunkin more than Krispy Kreme not only because delicious donuts but also it's the rest of menu. So this is the one reason for Krispy to revamp its strategic plans, to expanse in their menu. Otherwise, they will lose their customers.

Other reason for revamping strategic plans is about customers. In Australia, Krispy Kreme has 50 stores for 21 million people. Krispy Kreme failed to understand that in this country they needed to operate as a specialty retailer. People would travel to the store to buy a dozen of doughnuts. Sometime they travel by airplane just to buy a big bag of Krispy Kreme

doughnuts. It suggested that the brand had a very strong novelty value in Australia. But how sustainable this level of demand really was? Selling them by dozen is not appropriate for individual customer and customers cannot have differentiated brand experience or amazing product.

PART IV

Objective question 3

Was Krispy Kreme's performance affected by the low-carb diets that were popular?

Explain.

In the face of growing consumer distaste for high-carb foods like bread and pasta, Krispy Kreme cut its full-year earnings forecast by 10 percent and said it would shut down or sell off operations of Montana Mills Bread Co., a gourmet bread and pastry chain it bought last year. The low-carb diets are not affected too much to the company because in USA just 6 or 7 million people are on low-carb diet and most of American don't change the way their eat. The low-carb fad is certainly having an impact but there are a number of other things, such as its rapid store expansion and the low productivity in its new stores. The company has become increasingly dependent on selling doughnuts in grocery stores and other retailers. Dunkin' Donuts may also be a problem for Krispy Kreme. Dunkin' Donuts, which touts the quality of its coffee, sells a more diverse line of breakfast foods than Krispy Kreme, with bagels, muffins and breakfast sandwiches in addition to its own doughnuts.

PART V

Objective question 4

Which management function is the focus of this case?

(Chapter 1)

In this case, Planning is the main function of management. It is the basic management function which includes formulation of one or more detailed plans to achieve optimum balance of needs or demands with the available resources.[6]

In the 1990s, Krispy Kreme grew rapidly to the national phenomenon with 366 stores in 44 states[7]all for selling doughnuts. This business strategy soon ran to the problem and downturn because they had too many stores to control, lack of advertising, cost increased in ingredient and franchises problem. In order to recovery from the crisis, Krispy Kreme have been deployed some strategic planning included add variable choices to its menu, advertising on TV and radio, produce healthier products and try to develop based on its own strength. Krispy Kreme become famous because of its signature Original Glazed Doughnut and the company try to take the advantage on that when they selling Glazed Doughnut only by a dozen. They know people loving it. But if they don't do something, they will lose their customers. The writer comment is Krispy Kreme should close unprofitable store as well as diversify and expand in product mix. Krispy Kreme potential still very big, they can win their customer back if they change their strategy into right path.

PART VI

Objective question 5

To which environmental factor did Krispy Kreme attribute its problems, and to which environmental factor did analyst attribute the problems?

(Chapter 2)

The environmental factors that influence Krispy Kreme included customers, competitors, technologies and its structure.

Krispy Kreme is a major competitor in restaurant industry, well-known for its doughnuts. But by 2006, Krispy Kreme's net loss was about \$135. 8 million and in 2007 it had cut back to 299 stores compared to 366 stores in 1990s. Krispy Kreme attribute the problems were low-carbohydrate and low-fat diets. A diet is external environment problem that still effect to Krispy Kreme today. Krispy Kreme's core product – Original Glazed doughnuts – unfortunately is very high-carbohydrate, reverse with customers demand of low-carb food. Even Krispy Kreme can see the problem about low-carb foods, they cannot change their technology to make healthier doughnuts because if they do that, their doughnuts won't have original taste anymore and can hurt their business even further.

But that is what Krispy Kreme said. Besides that, there is more than one problem about Krispy Kreme. The analyst stated that Krispy Kreme have grown too fast but also low productivity in its new stores, too reliance to franchisors and grocery stores when Krispy Kreme only own 108 stores in 300 stores of Krispy Kreme. Another problem is since this is perfect competition market, there is no significant barrier to enter the market, Krispy Kreme faces with considerable competition from small and large companies,

<https://assignbuster.com/krispy-kreme-objectives/>

especially Dunkin' Donuts. They compete very hard in quality as well as price.

PART VII

Conclusion

Inclusion, every company sometime make a mistake in their strategies, what important is they can recovery and get experience through that mistake so that they won't repeat that mistake. The Ex-Chief Executive Officer Daryl Brewster have done that by increased advertisements, expanded the product line. The new CEO James Morgan is bringing profits back to Krispy Kreme when revenues for Winston-Salem Krispy Kreme doughnuts rose by 6.3% to \$87.9 million in its fiscal second quarter and net income rose to \$2.2 million from a loss of \$157,000 compared to a year ago[8].

Although Krispy Kreme is not as profitable as the old time, managers of Krispy Kreme are trying their best to revive the company. Avoid expanding too fast again, grow slowly, learn something from their competitors and especially listen to the customers are some of recommendations.

By realize the problem and step-by-step begin to implement the right solutions, the Krispy Kreme Doughnuts, Inc. can once again thrive in today's restaurant industry markets.