

# Dunkin' donuts franchise analysis

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## Case Study Report Dunkin Donuts : Betting Dollars on Donuts

----- Submitted By

----- Group Members:

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Executive Summary Dunkin' Donuts is a business in food retail. They are the world's largest coffee and baked goods chain. Dunkin' Donuts have been in business since 1950 and have been franchising since 1955. This franchise serves more than 2 million customers a day. Dunkin' Donuts sells 52 varieties of donuts and more than a dozen coffee beverages as well as bagels, breakfast sandwiches and other baked goods. It is important to look at consumer usage and future trends before entering into the market. Dunkin Donuts is part of the snack shop market.

The snack shop market had almost 10 billion in sales worldwide in 2003 alone. Snack shops have an advantage because they are popular among all consumer groups. Dunkin' Donuts has retained a consistent database of customers, while also gaining additional consumers through the progression of time and emergence of newer markets. The report discusses the task environment that Dunkin' Donut operates in. It describes the competitive environment and its customer base. The company follows different competition strategies and has goals to achieve through them.

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We also discuss the external environment of the company which includes the socio-cultural environment and the global environment. The environmental effects of Dunkin' Donuts is also discussed. We describe the degree of change and complexity and the effects of competitive rivalry. Lastly, we analyze the Porter's Five Forces in terms of the industry Dunkin' Donuts operates in.

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Dunkin' Donuts was begun in 1050 by William Rosenberg with a single shop in Quincy, Massachusetts. In 1946, he founded Industrial Luncheon Services, a company that delivered meals and snacks to workers in the Boston area. The success of Industrial Lucheon Services convinced Rosenberg to start the Open Kettle, a doughnut shop in Quincy, Massachusetts. Two years later Open Kettle changed its name to Dunkin' Donuts. He began franchising additional outlets in 1955, and by 1979 there were a thousand Dunkin; Donuts outlets in the Northeast. Through a series of transactions in the 1980s and 1990s, Dunkin' Donuts became the quick service restaurant operation of the British firm, Allied Domecq PLC.

In 2002, as Allied Domecq looked for growth opportunities, it's Dunkin; Donuts (DD) business was described as a " sleeping giant" as much for its fiercely loyal clientele as its \$2. 8 billion in sales and more than 3, 800 U. S outlets. Dunkin' Donuts, At-A-Glance ? Dunkin' Donuts is owned by Dunkin'

Brands Group, Inc. (NASDAQ: DNKN), one of the world's leading franchisors of quick service restaurants. Dunkin' Brands is the parent company of both Dunkin' Donuts and Baskin-Robbins. ? Dunkin' Brands Group, Inc. is headquartered in Canton, Massachusetts. ? At the end of 2011, Dunkin' Brands Group, Inc. had franchisee-reported sales of approximately \$8. billion. ? Dunkin' Brands, the parent company of Dunkin' Donuts and Baskin-Robbins is one of the largest QSR (Quick Service Restaurant) companies in the world with nearly 7, 000 retail shops in nearly 60 countries worldwide. ? Dunkin' Brands Group, Inc. has a nearly 100 percent franchised model. ? There are more than 10, 000 Dunkin' Donuts restaurants in 32 countries.

Mission Statement “ Dunkin' Donuts will strive to be the dominant retailer of high quality donuts, bakery products and beverages in each metropolitan market in which we choose to compete. ”

Products Dunkin Donut serves the following items :

- 1) Donuts
- 2) Fritters
- 3) Crullers
- 4) Biscuits
- 5) Munchkins
- 6) Bagels
- 7) Muffins
- 8) Danish pastry
- 9) Cookies
- 10) Brownies
- 11) Bagel Twists
- 12) Breakfast sandwiches
- 13) Hash browns
- 14) Oven toasted items
- 15) Coffee beverages
- 16) Bulk Coffee
- 17) Espresso, Cappuccino, and Lattes
- 18) Iced Coffee
- 19) Iced Lattes
- 20) Latte Lite Espresso
- 21) Turbo Coffee

Leadership Dunkin' Donuts' coffee heritage goes back more than 60 years – something no other leading restaurant brand can match. ? Dunkin' Donuts sells more than 1. 5 billion cups of hot and iced coffee globally every year. ? According to the NPD Group / CREST, Dunkin' Donuts serves the hottest traditional and iced coffee in America. In the highly competitive U. S. coffee market, Dunkin' Donuts is distinguished for brewing a superior guest experience. For six years running, Dunkin' Donuts has been recognized by the Brand Keys Customer Loyalty Engagement Index as number one in <https://assignbuster.com/dunkin-donuts-franchise-analysis/>

customer loyalty in the coffee category. ? Dunkin' Donuts coffee is freshly ground, freshly brewed and freshly served. If not used within 18 minutes, Dunkin' Donuts coffee is discarded and a new carafe is freshly brewed. ? Like creating a fine wine, there are countless step involved in producing coffee, and Dunkin' Donuts coffee experts travel around the globe to ensure consistent quality at each turn.

Dunkin' Donuts uses 100 percent Arabica coffee beans and has its own coffee specifications, which are recognized by the industry as a superior grade of coffee. Based on Dunkin' Donuts Quality (DDQ) specifications, coffee is milled and processed specifically for the company. ? Dunkin' Donuts Dunkin' Donuts is the #1 retailer of freshly-brewed iced coffee. Each Dunkin' Donuts restaurant double brews the coffee before pouring it into cooling units to make sure its iced coffee is always full of flavor and never watered down. ? Dunkin' Donuts' lattes and cappuccinos are authentic - made with only Fair Trade Certified™ coffee beans blended for espresso and fresh milk - and available in regular or decaffeinated, hot or iced. The beans are ground and the milk is steamed for each individual serving.

Dunkin' Donuts was the first national brand to sell espresso beverages that are made exclusively with Fair Trade Certified coffee. ? Dunkin' Donuts now offers Dunkin' Donuts K-Cup portion packs, making ? America' s Favorite Coffee? available for use with the Keurig Single-Cup Brewing system. Sold exclusively at participating Dunkin' Donuts restaurants in the United States, Dunkin' K-Cup portion packs are offered in five popular flavors, including Original Blend, Dunkin' Decaf, French Vanilla, Hazelnut and Dunkin' Dark

Roast. ? Dunkin' Donuts' coffee excellence team features two of the world' s foremost experts on coffee, Jim Cleaves and Ellen Rogers.

Both are dedicated to finding the world' s best coffee and brewing the perfect cup. Jim is a licensed Q Grader, having passed the world' s most rigorous coffee evaluations skills testing program, while Ellen is an International Coffee Expert in coffee tasting and analysis and a Coffee Quality Institute Board Trustee. They each travel regularly throughout the world, tasting as many as 600 cups of coffee each day in order to choose the highest quality coffee beans for Dunkin' Donuts. Strategic Growth From the beginnings as a single restaurant in Quincy, Massachusetts, Dunkin' Donuts is now a global brand with more than 10, 000 locations in 32 countries.

The growth is testimony to the fact that people everywhere appreciate what Dunkin' Donuts offers: high quality food and beverages served all day in a friendly, fast environment at a great value. In the United States, Dunkin' Donuts has maintained steady, strategic and disciplined growth, opening new restaurants in our core markets in the Northeast and in cities all throughout MidAtlantic, Southern and Midwestern states. We now have more than 7, 000 restaurants in 36 states and the District of Columbia. From Boston to Buffalo, New York to New Orleans, Philadelphia to Florida, Chicago to Charlotte, Dunkin' Donuts is an important part of daily life for millions of Americans.

And while Dunkin' Donuts has nationwide brand recognition, we believe we have significant opportunity to expand our number of restaurants in the United States as well as around the world. We believe we can double our footprint in the U. S. to 15, 000 Dunkin' Donuts restaurants over the next 20

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years. And it's not just America running on Dunkin' – Dunkin' Donuts has a strong presence internationally, with more than 3,000 Dunkin' Donuts locations in 31 international countries across four continents. The company maintains steady global expansion, opening new restaurants in Europe, Asia, the Middle East, and Latin and South America. Asia-Pacific is a particularly exciting area for growth.

Dunkin' Donuts has already opened more than 88 locations in Greater China since launching there in 2007, and has nearly 900 shops in South Korea. In 2010, the brand re-entered Russia with new restaurants in Moscow, and in 2011 we announced plans to open 500 Dunkin' Donuts restaurants in India. In 2012, the first Dunkin' Donuts restaurants were opened in India and Guatemala. Culinary Excellence Dunkin' Donuts is committed to providing guests with the best-tasting, high-quality food and beverages. To meet that commitment, we assembled a culinary dream team of acclaimed chefs to create new and innovative menu choices to meet the evolving needs of Dunkin' Donuts' busy, on-the-go customers, raising expectations about what is possible in a quick service meal.

As people find themselves busier than ever, and are snacking more frequently throughout the day, Dunkin' Donuts' culinary team is meeting guests' changing eating habits and expectations for fast, satisfying menu items that can be enjoyed any time of day. In addition to the brand's famous coffees, lattes, donuts, bagels and muffins, Dunkin' Donuts has delicious breakfast sandwiches -- available all day -- with several choices featuring breakfast favorites such as smoked cherry wood bacon, egg whites, freshly baked croissants and toasted English muffins. Dunkin' Donuts has also

introduced new oven-toasted bakery sandwiches, in several varieties including Texas Toast Grilled Cheese, Chicken Salad and Tuna Salad. Dunkin' Donuts also continues to offer a full lineup of innovative snacks and beverages, including Bagel Twists, Coolatta slush drinks, hash browns, cookies and more.

Dunkin' Donuts' culinary team also directed the introduction of the brand's DDSMART line of better-for-you menu items. DDSMART includes many delicious food and beverages with fewer than 300 calories, such as Egg White Flatbread Sandwiches and Wake-up Wraps, coffee and espresso beverages, teas and a Coolatta with skim milk. Dunkin' Donuts' team of skilled culinarians is led by Executive Chef and Vice President of Product Innovation Stan Frankenthaler. Frankenthaler is a three-time James Beard Award nominee and author of The New York Times best-seller, *The Occidental Tourist*. Before joining Dunkin' Brands, he was owner and chef of Salamander restaurant in Boston, named by Zagat's as one of the city's "Top Ten Restaurants." Dunkin' Donuts' culinary team also includes Executive Pastry Chef Christopher Boos, who represented the United States in the Coupe du Monde de la Patisserie (the World Pastry Cup), and Sous Chef Phillip Kafka, former commis chef at Harrods in London. Dunkin' Donuts' team also features two of the world's foremost experts on coffee, Jim Cleaves and Ellen Rogers. Jim is a licensed Q Grader, having passed the world's most rigorous coffee evaluations skills testing program, while Ellen is an International Coffee Expert in coffee tasting and analysis and a Coffee Quality Institute Board Trustee. Together, they are responsible for



developing and introducing new coffee beverages and blends. Dunkin' Donut (DD) SMART

Eating smart when on the go can be hard. But the DDSMART menu from Dunkin' Donuts makes it easy. The selection of ' better-for-you' foods and beverages ensures our restaurants offer great-tasting choices that fit your lifestyle and meet your dietary wants and needs. Food and beverages with the DDSMART Logo are reduced in calories, fat, saturated fat, sugar or sodium by at least 25% compared to a base product or other appropriate reference product, and/or contain ingredients that are nutritionally beneficial. Corporate Promise We're committed to offering a wide selection of foods and beverages so you can enjoy what's right for you. Nutritional Advisory Board

The Dunkin' Brands Nutrition Advisory Board, comprised of leading experts on nutrition, health and wellness, will assist Dunkin' Brands' management with research and perspective to aid in the development and reformulation of products that meet the evolving needs of customers while incorporating current nutritional science. DDSMART (0-5K) Making smart choices about what you eat is one way to stay on track. Another is keeping active. Run your first 5K or train for your next! Task Environment Competitors: Dunkin Donuts mainly competes with high end coffee providers like Starbucks. Starbucks is a major competitor of Dunkin' Donuts which creates competition in the area of upscale coffee.

However DD can still compete in the coffee industry with its simple drip coffees – regular and decaf. Also, having its focus on donuts and other baked goods it also competes with the likes of Krispy Kreme. Competition Strategy

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In order to remain competitive in the industry Dunkin' Donuts follows a competition strategy. This is what we depicted: \* Expanding Outlets- It is a goal of DD to be as outreaching as possible to its customers. Therefore it does so by expanding its number of outlets throughout America and beyond its borders as well. Dunkin' Donuts has its densest cluster in the Northeastern region of the country and is now having a growing presence in the rest of the country.

Moreover it is also creating a brand image in other countries though opening outlets there. Example countries are Canada, Brazil, Qatar, South Korea, Pakistan and the Philippines. As a part of its strategy the company plans to expand aggressively. It has a goal of expanding to 15000 outlets by the year 2020. This goal is further achievable as the company has a franchise system - this makes the acquisition of capital and operator smoother. It is noteworthy however that the company wants to limit its expansion to not being too omnipresent. It is also partnering with large supermarkets to achieve widespread market prominence. This is done to create a store-within a store concept.

The supermarket has to be large enough to allow DD full expression of its brand. This is important for enhancing overall performance of the strategic allies. \* Expanding Products- Dunkin' Donuts also sees an opportunity of grabbing a new base of customers. The company recognizes the new generation and is trying to come up with products that appeal to their taste. As a result of such, the company has expanded its range of products to several types of hot and cold beverages, baked goods and confectionery items other than donuts and the new breakfast to go menu. Along with that,

Dunkin Donut maintains its simple and straight-forward morning snacks. This gives it a competitive edge of distinction against its competitors.

This may enable Dunkin' Donuts to persist in the competitive industry with newer dimensions. Consumers The type of customers Dunkin Donuts has also affects its operation nature. Based on its competition strategy it has the following goals to achieve: \* The main goal of expanding outlets - Dunkin' Donuts wants to have greater outreach to its customer through the expansion of more outlets in various parts of the country. The company aims that in future its customers do not have to go far to pick up a box of doughnuts. Moreover, it wants to boost up its brand image to its customers and the best way to do it is to make the brand name more apparent in more regions. Goal of expanding products - Dunkin' Donuts also tries to cater to the needs of the new generation and its taste appeals. It does so by creating the new range of products, namely the breakfast-to-go menu. General Environment International/Global environment - The brand Dunkin Donuts does not have the chain in America only, but also managed to curve out international niches. It is not only expected markets such as Canada and Brazil but also in some unexpected areas like Qatar, South Korea, Pakistan, Philippines. This has various implications for Dunkin Donuts. For instance: diversifying risk, entry into newer markets, larger customer base and so on.

Socio-Culture- Due to the change in people living style, Dunkin tried to help people find their product in the reach of the customer. Dunkin Donuts also caters to the change in demographic characters through their new range of products. Therefore socio-cultural norms and consumer tastes affect it's the products made by Dunkin' donuts. Environmental Effects Degree of Change

and Complexity: \* Degree of Change-This is the extent to which the environment is relatively stable or dynamic. Dunkin' Donuts has a relatively stable environment. It has a consistent base of consumers. It serves the masses with coffee-the most popular beverage globally. Moreover it has a limited product line. That is, it produces a relatively small number of products.

However, the company is likely to be in a dynamic environment as well. As a result of carrying out its plan of expansion, Dunkin' Donut has undertaken the production of more food items and diversifying its area of production. This introduces dynamic changes to its operation style. Moreover, the company is also aggressively expanding its outlets-which mean that it is extending its capacity of production significantly. \* Degree of Homogeneity-It the extent to which the environment is relatively simple or relatively complex. It considers the number of elements in the environment and segmentation. Dunkin' Donuts operates in a relatively simple environment.

It has a consistent base of competitors, and a consistent base of customers. It also has a stable network of suppliers. Hence the number of elements in its task environment is fairly constant and few. It could be argued otherwise that the company operates in a fairly complex environment. With its expansion into different states in America, Dunkin' Donuts has to operate with a larger base of operators. Other than that, entering international markets also mean that the company has to compete with foreign forces and face foreign governments. Overall, given the industry that Dunkin' Donuts operates in it is likely to face a low level of uncertainty.

This is because it operates in a stable and simple environment. On the contrary, given the probable impact of its expansion plan it faces a moderate level of uncertainty - if consumers do not indulge in the company's newer items Dunkin' Donuts is likely to have a 'diluted brand image'. Risk in Expansion Strategy Franchising Dunkin Donut has devised many strategies to make more turnover out of the business running on a daily basis. One method to expand into diverse business environment is to franchise, something that is easy since Dunkin Donut is already a franchise system making access to operators and capital easier. Franchising more means expanding to a more diverse business environment.

This brings in the factor of complexity which increases its degree of homogeneity such as in terms of globalization. Globalization is one factor that has to be considered since it is a necessity to diversify the organization into the attainable business environment. Also executives tend to focus too much on franchising new stores. However money invested on establishing these new franchises could have been otherwise invested into their current stores. Moreover the older store, being set up on a particular geographical area will tend to have a broader experience handling the economic and socio-cultural environment of the area it has been set up on.

So resources, time and energy input on the older stores renovating, expanding and restocking would make it a more formidable asset to Dunkin Donuts as opposed to establishing a whole new franchise itself which is essentially playing a key role in expansion. Wider range of food variety Expansion would also require that Dunkin Donuts change its food menu, a factor of Dynamic, implicating a degree of change. Dunkin Donuts has

maintained its image of simplicity in the products it offers-drip coffee and donuts Unlike many other companies, Dunkin Donuts have stayed on its ground in maintaining their simplicity in the food it offers and on the process has earned customer loyalty of diverse groups.

Thus a degree of change imposes a risk of diluted brand appeal since Dunkin Donuts will face a risk of losing its customer who values the authenticity and simplicity of Dunkin Donuts. There is also a probable occurrence of loss of respect among its original consumer groups, resulting in lower sales and turnover. In short, expansion leads to uncertainty, which in turn might lead to a diluted image of Dunkin Donuts Competitive Rivalry Due to the increase of competition, Dunkin Donuts is increasing their number of outlets in various locations. Moreover, they are also increasing their item in the food menu in order attract all sorts of customer and to compete effectively with its competitors . THANK YOU