

Krispy kreme srategic plan essay sample

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This strategic plan considers the growing market of the doughnut and coffee industry and looks to keep Krispy Kreme as a forerunner within this industry. This proposes some environmental analysis, contingency plan, and implementation in order to continue growth and maintain a competitive advantage within the market. Company Background

Krispy Kreme Doughnuts first opened its doors on July 13, 1937. A Mr. Vernon Randolph first acquired a secret yeast recipe from a French chef from New Orleans and opened his first store in a building in Winston-Salem, NC. He started just selling doughnuts to local grocery stores, but with the aroma of hit, fresh doughnuts lingering in the streets, people demanded these doughnuts for purchase. So Vernon then cut a hole in the outside wall and sold fresh doughnuts to people passing by on the streets.

By the 1940s, Krispy Kreme had a small chain of stores, most family owned that used the Krispy Kreme recipe but were made from scratch. Mr. Randolph felt this didn't provide consistently across all stores, so he built a mix plant and developed a distribution system to provide a consistent dry mix to all Krispy Kreme stores. From then on, Krispy Kreme continued to grow into the business it is today. Mission

Krispy Kreme Doughnuts mission is “to touch and enhance lives through the joy that is Krispy Kreme.” This shows the care that the company has in sharing the greatness of their recipe with the world. Krispy Kreme not only wants to provide a great tasting doughnut, but wants to actually make a difference in the lives of its customers through their quality. Vision

Krispy Kreme's vision is "to be the world leader in sharing delicious tastes and creating joyful memories." This statement reflects what Krispy Kreme is aspiring to be as a company in the doughnut industry. They not only want to be popular locally, but take it further and be the leader of the world in the industry. Values

The values of Krispy Kreme include being the best at what they do while keeping customer service and quality at the forefront of their business.

These statements focus on providing fresh foods in a timely manner to keep customers happy and tasting delicious doughnuts. By visiting different Krispy Kreme locations, we can check the consistent quality of their products and the will of employees to provide prompt and quality customer service.

Through research of community events the company participates in, we can also validate their values of customer service even outside the place of business. These values will help the company overcome possible internal and/or external environmental obstacles that may compromise the success of the business. Environmental Analysis

The success of a firm within their industry depends a lot on the number of other firms seeking the same market and the competition that this creates. Firms must possess and provide something different from others to gain this competitive advantage in order to attract more of the market than others. How is this done? Krispy Kreme will first identify its internal strengths and weaknesses in order to work on improvements. Then Krispy Kreme will analyze the external market, identifying threats and opportunities of other

firms in order to manage around that and gain an advantage Internal Analysis

Conducting an internal analysis on Krispy Kreme Doughnuts will identify some strengths within the firm that can be used for competitive advantage. Krispy Kreme can also grow and expand on these strengths to keep that advantage in far reach of other firms. Krispy Kreme has produced a very favorable and high quality doughnut with an excellent visual appeal not found elsewhere. This is in part from great technology that allows quick finishing of cooking of partially cooked doughnuts. Doughnuts are prepared in advance and cooked to a certain point (Krispy Kreme, 2001). They are kept stored properly and are then finished cooking by the technology of the “Hot Doughnuts Now” machine. This process helps prepare for large orders and big rushes, while still giving the customer quality and freshness. One big attraction of Krispy Kreme is there neon sign displayed at all stores which signals “Hot Now” when the doughnuts are fresh out the oven. Customers want freshness, so Krispy Kreme tells them when that is, without customers having to take chances on whether they will receive fresh, hot products. The innovation of this technology and idea is a major strength of Krispy Kreme and has been used for great advantage in the doughnut industry.

Along with identifying strengths with SWOT analysis, we can also identify some weaknesses of the firm that need improvements to stay ahead. One major weakness is the lack of advertisement for Krispy Kreme. Compared to competitors such as Dunkin Doughnuts and even Starbuck’s on the coffee side, we don’t see much marketing from Krispy Kreme. They tend to rely

mostly on reputation, which could be great in areas without competition, but larger areas, advertisements and promotions are very relevant. Krispy Kreme. This alone could be detrimental to the success of Krispy Kreme.

Demonstrating the SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis technique provides the best transition from an internal analysis to the external analysis. The SWOT analysis helps managers to thoughtfully consider the internal capabilities and the use of results to shape strategic options (Pearce & Robinson, 2011). External Analysis

Considering external factors in the remote environment, this consists of economic, social, political, technological, and ecological factors (Pearce & Robinson, 2011). We consider the possibility of a recession where consumers take finances critically. Some may think of doughnuts and special coffee drinks as luxury goods and may refrain from continued purchase. Krispy Kreme must find a way to offer discounts and quality at a lower price during these hard economic times. In the industry environment that may be opportunities or threats to Krispy Kreme, we notice a huge opportunity of third-party retailers offering products. Many convenience stores offer Krispy Kreme doughnuts, delivered every morning before day time. This may not be the quality of freshness that you may get in an actual Krispy Kreme location, but the brand awareness and visual still attracts customers. This is a convenience for those customers who may not reside near a store or have time before work in the morning. You see Starbuck's with actual setups in some stores, but the expenses behind having an actual operating location is

far more than having the small, convenient case as Krispy Kreme does in small convenience stores.

As we go through a time where consumers are more interested in the compliment product of coffee, Krispy Kreme must keep up with that demand. Compared to other retailers that offer coffee, consumers aren't as pleased with Krispy Kreme. We see Dunkin Doughnuts focusing most of their marketing on coffee drinks, rather than doughnuts. They even changed their logo to display coffee. Dunkin Doughnuts is changing their focus from doughnuts to drinks. Now, it's no longer, have some coffee with your doughnuts, but rather have some doughnuts with your coffee. Coffee is the primary product now. Although Krispy Kreme does offer some coffee and similar drinks, they still focus on doughnuts mostly, which could be a threat from other companies to tap into the market further. Differentiation Opportunity

Krispy Kreme Doughnuts prides itself in the quality and freshness of their products. Differentiation not only requires that the business have sustainable advantage, but it must also allow the business to offer a perceived higher value product at a lower differentiation cost. This can be seen in the hot doughnut technology oven that Krispy Kreme uses to keep doughnuts freshly baked at all times. This is a type of differentiation, offering customers freshly baked doughnuts, is something that stands out about the company that competitors are not comparing. Innovation Opportunity

While Krispy Kreme is not a big competitor in the coffee beverage market, they must still offer some type of special drink to attract customers.

Although the fresh, hot doughnuts are a signature of Krispy Kreme, offering a special doughnut and drink that is innovative and different can be of a great advantage. Currently, Krispy Kreme is marketing their “county fair” doughnuts and chiller drinks. With the addition of cotton candy and caramel apple doughnuts, Krispy Kreme also offers a fair-like chiller drink in cherry and cotton candy flavors. This innovative flavoring is a great strategy to attract customers during fair season. Not only are the customers getting their original hot and fresh Krispy Kreme doughnuts, but they are getting special flavor and special drinks that are typically not available in a doughnut shop. Value Chain Opportunity

Another alternative that companies should include is that of a value chain. This value is directed towards customers through a specific discipline that delivers superior customer value (Pearce & Robinson, 2011). One of the specific disciplines suitable for Krispy Kreme’s business system is operational excellence. This is a strategic approach that is focused on the lean and efficient operations involving the delivery of products and services. Operational excellence involves minimizing overhead costs and optimizing business processes while delivering a competitive price with minimal inconvenience to the customers. Customers are willing to pay cheap prices obviously, but do not want to lose value or quality of the product or service in the process. Krispy Kreme must use a system that allows the minimization of any expenses, such as the left-over overhead wasted each day. Low Cost Opportunity

Krispy Kreme must use a more efficient system of estimating orders per day to alleviate any excess product that is not reusable. Considering the semi-cooked method Krispy Kreme uses in order to have fresh, hot doughnuts within a quick time, we can focus the efficiency on that of the prepared, pre-cooked doughnuts. The doughnuts are semi-cooked and later finished in the hot oven for fresher and hotter doughnuts more frequently. Since the doughnuts are semi-cooked, they cannot be saved and used another day if not all fully cooked. Krispy Kreme can implement a system where orders must be placed in advance for the last hour of business. Krispy Kreme will continue to cook doughnuts consistently throughout the day and welcome walk-in orders, but as the day goes on, less preparation will be made to estimate a point where they will run out just as business closes. If orders are placed ahead of time, managers can assure those orders are prepared for on top of the original quantity of prepared, semi-cooked doughnuts. This system will allow more efficient order estimation and keep excess overhead down.

Grand Strategy

The main objective at this point for Krispy Kreme is to maintain market advantage and stay atop competition with the increased focus on coffee beverages. With this focus in mind, a product development grand strategy would be the most suitable and beneficial grand strategy. This strategy's primary goal is to improve Krispy Kreme's current doughnuts and coffee beverages by introducing similar products that may be accepted and can be marketed through existing customers. Many loyal customers love the Krispy Kreme brand, so will be devoted to try new and improved products. By

introducing various new flavors of doughnuts, the company keeps customers wanting more and looking forward to what's next.

Krispy Kreme can also benefit from introducing another type of beverage or just beverage flavor of an existing beverage. With the current “county fair” marketing going on, Krispy Kreme has introduced cotton candy and caramel apple flavor doughnuts. They have also introduced cherry and cotton candy chiller beverages, something not usual in the doughnut shop industry. These new products and product developments keep customers wanting more. To go along with these current marketing strategies, Krispy Kreme should also introduce a new coffee beverage flavor. Many shops have the typical cold and hot coffee drinks with caramel, French vanilla, and mocha flavors.

Introducing some additional flavors such as apple cinnamon, pumpkin spice, chocolate chip, and others may be a great marketing strategy that taps into other markets that don't offer these kinds of flavors. Customers are curious and will try Krispy Kreme's new products and may become devoted

customers. Key Success Factors

Krispy Kreme has been a major competitor within the doughnut business for quite some time now. This success is greatly in part to some major key factors that Krispy Kreme has mastered and taken a competitive advantage within the industry. Having effective managers at all locations is one powerful factor that may make or break the firm. Krispy Kreme has obviously done a successful job in assuring all managers are well trained and know the business that is being run. They know what the goals of the company are and work towards achieving those on a consistent basis.

Another important factor is the service of Krispy Kreme within the community it serves. Doing community projects keeps the firm's name on the community's mind and with high value. Reputation of any firm is critical when there is competition within the market. A bad experience or bad reputation can ruin a company. Word gets around fast regarding negativity, especially pertaining to a food service, so Krispy Kreme must continue to stay in the positive limelight of the community.

The primary goal of Krispy Kreme is to continuously expand and maintain the immense amount of store traffic in each store. A key success factor in allowing this to happen is determining how to keep the customers interested in what the stores have to offer. Innovation and product development are some other very serious factors that may make or break the firm. Customers will come back for quality, but Krispy Kreme also needs to attract new customers by offering something new and unique. A new product or product theme should be introduced semiannually to meet this goal. Risk

Management

In order for a firm to continue growth and excel within its industry, some risks must be taken. Without taking risks, a firm would be content with its current position without room for growth. No one knows exactly how the market will react throughout the year, so all business decisions are risks to a certain extent. To have a risk management plan, the risks must first be identified. By knowing what the firm wants to accomplish is a starting point in determining what the risks are. If the goals are not met on schedule, what issues could arise because of this?

Krispy Kreme takes risks daily with the pre-cooked doughnuts that are cooked thoroughly in batches as the supply is needed from the demand of customers. This is done strictly from averages and trends from past experiences within the company over the recent days. Averages aren't always reliable, so Krispy Kreme can easily over or under estimate the demand. With an underestimation, demand will exceed supply, causing a lack of prompt service. An overestimation will cause much excess supply, which will cost the company extra overhead that cannot be used, essentially losing probable revenue. To alleviate this problem, managers should keep a close count of the inventory of raw and inventory of pre-cooked dough in order to determine if the supply will meet demand as the day goes on. If demand is high for the day and supply is running out, managers should make the call soon enough to prepare more pre-partially cooked dough in time to supply the demand.

The risk of placing effective managers within the organization is also very critical for Krispy Kreme. As stated previously, managers must be able to make decisions based on predictions and averages. Proper training of these managers can alleviate any managerial issues down the road. Managers should be required to pass certain skills and situational tests before being given their own location. This will coincide with the overall plan for alternatives and success of the business. Contingency Plan

When considering areas of high-risk within the business, it is best to have a plan running concurrently to supplement the business and minimize the risks involved. These plans are contingency plans and will aid as a backup in case

the primary strategies run into issues. Part of the risk of ineffective managers can be aided by the continuous training and development of managers. Managers should be promoted from within the company to assure the employees know the business. There will be training classes ongoing to assure that there is more than one manager available for each location. This will ensure thorough knowledge of the business in each location at all times. If one manager is absent, there will be another to fill in at any given time.

The other major risk identified previously is that of excess overhead in situation where supply exceeds demand for the day. There will always be a discount towards the end of the day to get rid of excess foods. Although the full revenue would not be made, Krispy Kreme will still recover the costs of the overhead by offering the doughnuts at half-price starting 2 hours from closing. Products will also be setup to be delivered to local stores that receive in the morning to also receive before closing. Krispy Kreme will supply these doughnuts at also the half-priced discount.

Krispy Kreme expects to have these new procedures and strategies in effect by the first quarter of next year, 2013. With that deadline in place, Krispy Kreme will keep a close eye on any managerial issues and excess overhead that may pay a part in this strategy. By effectively managing these issues if they arise with this contingency plan, Krispy Kreme's break-even point should be realized fairly quickly. Conclusion

Having an implementation plan is an organized and methodical way of successfully reaching a goal. Having a risk management plan is a way of identifying potential issues, while creating a contingency plan with solutions

to the potential issues is a backup plan to reduce the likelihood of not having a successful implementation. Analyzing what could be can lessen the chance of failure and what could be. Uniting this risk management and contingency plan with what already is in place would create an immense chance of success.

References

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