

Customer retention policy in dominos pizza uk



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Domino's Pizza has been known as one of the leading pizza brands in the whole world. Now in its 25 years of existence, it already has 627 stores in the United Kingdom and the Republic of Ireland. Just in the first half of 2010, its gross profit has climbed to 237 million Euros. One of the reasons behind Domino's Pizza's successes is its loyal customers. Through their different customer retention programs, this leading pizza chain has been able to prove that indeed customer is the key to a successful business.

A lot of businesses are striving these days. Due to the challenging economy and extreme competitive market, a lot of companies have been trying to figure out how to stay in business. Customer retention and loyalty is one of the strategies that companies are now utilizing to earn more profit. Studies have shown that keeping one existing customer is five to seven times more profitable than finding one new customer. Also, customer profitability rate usually increases in a retained customer (Kotelnikov, 2010). It is therefore important to retain loyal customers for a business to continue earning.

Knowing customers' satisfaction rating is not the reliable way to ensure that customers will come back. There are many instances that a customer is satisfied with a product but will easily buy a competitor brand. In a study made by Professor Robert Peterson of the University of Texas, he found out that in most surveys, 85% of a company's customers said they are "satisfied", however they are still willing to buy from another provider. This proves that there is no significant proof that customer satisfaction is equivalent to repeat purchases (Griffin, 2002).

What companies should focus on is not merely customer satisfaction but customer loyalty. Customer loyalty is a concept which is geared more towards behavior rather than attitude. A loyal customer, will not randomly buy a product, but will be biased in buying the product she is loyal of. It will be the hobby of a loyal customer to continue buying the product of her choice frequently and she will also recommend this product to her family and peers. A concept under customer loyalty is customer retention. This is the length of relationship of a customer buys a certain product or service over a period of time (Griffin, 2002). A company is able to retain customers when their customers know that they are buying value. Customers always want superior service and they want to be assured that all their needs will be fulfilled through buying a certain product. Value is created when a company is able to fulfill these needs and give the customer excellent service. By giving customers a great experience, improved financial performance and more loyal customers are sure to follow.

A ripple effect is surely to take place when a company has loyal customers. A number of economic effects will surely benefit the company. Through repeat

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buyers, revenues and markets will grow. By having sustainable growth, a company will be able to establish its business and retain the best employees. These employees then will be motivated and start caring for the company. They will be interested in cutting costs and improving the quality of products which increases customer value and productivity. When productivity and loyal customers increases, it will be hard for other brands to compete with business. Through these chains of events, it could clearly be seen that retaining loyal customers is the key to a successful business.

It has been said that by gaining 5% more loyal customers would lead to a 25% and 100% increase in profit (value) per customer. Because of this huge gain, companies are advised to attract and keep customers who are inherently more loyal as they prefer long-term relationships, profitable customers they spend more and pay their bills on time and customers who value your product because they find it better than other competitors. (Reichheld, 1996)

It isn't easy to attract customers these days. Simple marketing and sales information is not enough to persuade customers to buy a certain product. Customers now want to be in control and get the marketing information that they want, when they want it and on their own purchasing terms. Technology is now also being used to nurture customer relationships. Websites call centers, social networking sites and short messaging services are just some of the unique and innovative ways of interacting with a customer (Griffin, 2002). Customer data can now be stored in databases of computers which not only show the customer's name and address but also more personal information of each customer such as birthdays. Through knowing more

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about the customer, they companies are able to establish an intimate connection with their clientele that hones customer loyalty. This technique is also referred to as “ mass customization”.

Domino’s Pizza, the number one pizza delivery company in the UK, has used this tactic which has given their profit a big boost. Domino’s Pizza was started by two brothers, Tom and James Monaghan. They bought a small pizzeria for \$500 in Michigan which they named “ Dominick’s Pizza”. After 8 months, James quitted the business thus giving Tom the freedom to change their business’ image and named it “ Domino’s Pizza”. His business, after learning about franchising grew, and the first UK store was established in 1985 in Luton.

Domino’s Pizza gives a huge importance to customer loyalty. To be able to be the best pizza delivery company in the world, one of their principles is to take great care of their customers. That is why they value customer feedback. According to Robin Auld, sales and marketing director of Domino’s Pizza in UK, getting customer feedback is essential in making both positive and negative changes within a business. It definitely helps in differentiating and evolving their brand.

To be able to reach their millions of customers, Domino’s Pizza has used technology to their advantage. Television advertisements in top shows such as Britain Got Talent, Simpson’s and the World Cup have greatly helped in making their brand known to consumers. And their mode of pizza delivery service has been a hit. Indeed for customers who don’t want to cook and want a fast meal, they could easily dial the Domino’s Pizza hotline and order

their favorite pizza. They just have to wait for 20-25 minutes and their pizza is right at their doorstep. Pizza delivery is great business for Domino's since due to the economic crisis, people would rather stay at home than dine out.

Delivery is now also available via Domino's website. A customer can now order from the website, pick their own toppings and get automatic notifications of what is happening to their pizza. For example, upon ordering, a notification will be sent to the customer that the dough of the pizza is now being made. Customers are actively involved in the pizza making process and no longer just waiting around for their pizza to be delivered. Ordering Domino's Pizza via interactive TV is also now available. By clicking on the remote, viewers can scroll through the menu and payment options. This kind of marketing which is very easy to access has given indeed raised their profits.

Domino's has also been one of the first brands to use Four square as a customer retention tool. Four square is a mobile interactive networking site where customers can easily give their feedback on Domino's product and service.

Through these tools, Domino's Pizza has been able to establish great customer relations and customer loyalty which has been greatly beneficial to their company's success.

METHODOLOGY

Both qualitative and quantitative analysis will be used in this paper.

Qualitative research is achieved through the interviews and focus group discussions. Its aim is to know deeper the opinions of the participants by

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having more specific questions. It seeks to answer the “ why” in the study through the analysis of things like transcripts, emails, notes, photos and videos. It does not rely on statistics or number. This kind of research is used to know the attitude of the people, behavior, value systems, culture and lifestyle. That is why in-depth interviews for this kind of analysis have fewer participants. Some of the approaches to quantitative analysis are focus group discussions, content analysis, in-depth interviews and evaluation. It also involves other unstructured material such as customer feedback forms, journals and reports.

Quantitative analysis, on the other hand, is used to generate statistics through large scale surveys. This type of research needs a big number of participants, usually 50 or more interviewees. This kind of research uses structured questionnaires that uses closed questions and have a set of responses. The goal of this kind of research is to link one independent variable to another. Approaches to this kind of survey are usually on the street interviews and telephone interviews.

To be able to know the customer retention policy strategies of Domino’s Pizza, which is the first objective of this paper, a qualitative approach will be used wherein key employees of the top pizza delivery franchise will be interviewed. We will ask them specific in-depth questions on the vision of their companies and how they crafted their strategies with this vision in mind (see appendix A). Three to five key employees from both the marketing and executive department of Domino’s Pizza will be interviewed.

For the second objective, which is to know the most effective customer retention strategies, both a qualitative and quantities analysis will be used. A focus group discussion with 10-20 participants in the youth age group (18-35 year of age) will be held which will be guided by specific questions (see appendix B). These participants should be loyal customers of Domino's pizza who have regularly been ordering from the pizza franchise for at least 2 years. A quantitative study will also be done by giving out a structured questionnaire about the feedback of customers regarding Domino's Pizza's customer retention strategies (see appendix C). The third objective of knowing why the chosen successful client retention strategies are effective to customers will also be discussed in the focus group discussions.

To prove that the customer retention policy of Domino's Pizza works, a quantitative research studying the increase of profit that Domino's Pizza had over the years depending on their customer relation approaches will be studied. Charts and graphs will be used to see the increase of profit in relation to their customer retention policies.

And to conclude this paper, recommendations on customer retention strategies will be given basing on this study. This is to help budding business craft its own customer retention policies that will also hone customer loyalty which is going to be beneficial for their business' success.

SURVEY DESIGN

APPENDIX A

Survey questions for the employees of Domino's Pizza UK.

Name: _____ age: _____

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Position in company: _____ years in company: _____

1. What is the vision of Domino's Pizza?
2. How important is customer loyalty to the company?
3. How important is customer satisfaction to the company?
4. How does customer feedback influence the policies of the company?
5. What are the factors that Domino's Pizza looks at before crafting their customer retention strategies?
6. What are the customer retention policies that have been effective to the company?
7. How does the company gauge the success of these strategies?
8. Can it be said that the customer retention policy of the company has greatly influenced the increase of income of the company?

APPENDIX B

Instrument Title: Discussion Guide: Focus Group 1

Total Participation Time Required: _____

Total Focus Group time: _____

Overall Question to Answer in Focus Group Discussions:

The purpose of this study is to know how the customer retention strategies of Domino's Pizza affects its customers and how these strategies have made them loyal customers of Domino's Pizza.

Introduction

Welcome participants

Explain purpose of the focus group discussion and why participants were chosen.

Discuss general ground rules and discussion guidelines such as the importance of every one giving their inputs, talking one at a time, and being prepared for the moderator to interrupt anytime to make sure all the topics are covered.

Remind everyone that information discussed will be confidential.

Issues for Discussion

How long have you been customers of Domino's Pizza?

What can you say about the product of Domino's Pizza?

What can you say regarding their services?

Do you think that their TV advertisements have influenced your buying decision?

How have their customer service policies such as delivery through phone, web and TV affect your buying decision?

What are the other factors that make you a loyal customer of Domino's Pizza?

What services does Domino's Pizza have that keeps you buying their products rather than buying another competitor brand?

What other customer retention policies do you want Domino's Pizza to do for you to become a more loyal customer?

How important is their customer retention strategies for you to keep on buying their product?

Closing

Clarify answers that are not clear

Give observations and generalization

Closing Remarks

Thank the participants

APPENDIX C

Survey Question

Sampling: Random

Name: _____ Age: _____

Please encircle the best answer for each question:

1. Have you ever bought Domino's Pizza?

Yes___ No: ___

2. Where did you learn about Domino's Pizza?

TV Ads ___ Newspaper___ Radio___ Web___ Others___

3. How did you order from Domino's Pizza?

Phone___ Web___ Interactive TV___

4. What can you say about the speed of their service?

Fast___ Just on time___ Late___

5. What can you say about their pizza?

Delicious ___ Satisfying___ Could be better___ Horrible___

6. Have they asked for customer feedback after you ordered?

Yes ___ No___

7. How did you give your feedback?

Thru customer satisfaction survey___ thru phone ___ thru website _____

8. If you answered website, how did you give your feedback?

Via tweeter ___ via face book ___ via foursquare___ via you tube_____

9. What can you say about Domino's Pizza's loyalty points program? Will it make you buy more pizzas?

Yes ___ maybe___ No___

10. What can you say about Domino's Pizza's cash back program? Will it make you buy more pizzas?

Yes ____ maybe____ No ____

11. What is more important to you in buying pizza, the quality of the product or the quality of customer service?

____ Quality of product ____ Quality of customer service