

Strategic planning case study- dunkin donuts

[Business](#), [Company](#)



The company has been studied and a case study regarding the growth of the company from 1950 till today has been studied. Growth strategies of the company have been used to understand how they reached the position of America's largest QSR.

The Legal, Moral and Ethical Issues of the company have also been studied and the solutions to those issues and the implementation has been studied

Contents Abstract i Introduction 1 Strategic Planning 1 The Process 1 Dunkin' Donuts 3 Mission Statement 3 Vision Statement 3 Case Study 3 Growth Strategy 4 Growth Strategies used by Dunkin' Donuts 4 SWOT ANALYSIS 9 Legal, Moral and Ethical Issues 10 Conclusion and Recommendation 11 Bibliography 12

Part ' A' Introduction Strategic Planning Strategic planning is a process that brings to life the mission and vision of the enterprise. A strategic plan, well crafted and of value, is driven from the top down; considers the internal and external environment around the business; is the work of the managers of the business, and is communicated to all the business stakeholders, both inside and outside of the company. As a company grows and as the business environment becomes more complex the need for strategic planning becomes greater. There is a need for all people in the corporation to understand the direction and mission of the business.

Companies consistently applying a disciplined approach to strategic planning are better prepared to evolve as the market changes and as different market segments require different needs for the products or services of the company. The Process There is no one formula or process for strategic planning. There are however, principles and required steps that optimize the

value of strategic planning. The steps in the process described in this series of articles on strategic planning are presented below:

- Current Situation Analysis Segmentation Analysis
- Strength, Weakness, Opportunities, and Threat Analysis
- Core Competencies Analysis
- Key Success Factors
- Business Unit Strategy / Business Plan
- Balanced Score Card
- Evaluation The choice, of the planning process that works best, should be driven by the culture of the organization, and by the comfort level of the participants.

The strategic planning process must mirror the cultural values and goals of the company. There are a number of important steps to remember in the process of strategic planning.

They include collecting a meaningful and broad data base, resourcefully thinking about separation, defining gaps, assessing core competencies, and understanding the identifying critical resources and skills. An important distinction in the process is to recognize the difference between strategic planning and the work being done, and strategic thinking, or the creative, intuitive input. The planning element involves the data collection, goal setting, expectation definition and statement of direction.

Strategic thinking includes the intuitive and creative elements. This thinking process takes into account and helps to leverage the values of the internal culture of the business and external characteristics of the market. Strategic

planning can be a challenging process, particularly the first time it is undertaken in a company. With patience and perseverance as well as a strong team effort the strategic plan can be the beginning of improved and predictable results for a company.

At times when the business gets off track a strategic plan can help direct the recovery process. When strategic planning is treated as an ongoing process it becomes a competitive advantage and an offensive assurance of improved day to day execution of the business practices. (Mathews & Lee) Use of an outside, independent facilitator can help in the process and in the development of a strategic plan. An outside resource can provide objectivity and serve as a “ devil’s advocate” as well as a sounding board for the management charged with plan development.

In the final analysis the plan must have the authorship and ownership of the owner and the managers who must execute and follow the strategic plan. It must be their plan. The strategic plan, to be of real long-term value, must be treated as an ongoing business process. It must be reflective of the owners’ mission and vision. It must evolve and change to reflect changing market and economic conditions. It must be proactive to competitive, market and economic conditions. If those steps are followed, the strategic plan will institutionalize a culture of continuous improvement and disciplined change.

Strategic planning, when treated as a work in progress, rather than as a binder on a shelf, or a file in a computer, provides business with a real and lasting competitive advantage. It will help determine and direct the quality of relationships with suppliers, employees, unions, customers, and bankers. To get your business to where you desire it to be, start with determination and

drive to develop a useful and living strategic planning process. Give it strong support and leadership from the top down. Develop and evolve it with participation and buy-in from the bottom up.

Strategic planning is your company's road map to your vision. (Wheelin, 2005) Dunkin' Donuts 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 1995. This franchise serves more than 2 million customers a day. Dunkin' Donuts is owned by Dunkin' Brands. Dunkin' Brands has two companies in its portfolio which are Dunkin' Donuts and Baskin Robins. It works under a 100% franchise model and reduces store costs and can then concentrate more on menu and product innovation.

Mission Statement Make and serve the freshest, most delicious coffee and donuts quickly and courteously in modern, well- Merchandized stores. Vision Statement America run on Dunkin' Case Study From the beginning from 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 the core markets in the north - east and in cities all throughout Mid Atlantic, Southern and Midwest states. (Donuts, 2011) They now have more than 7, 000 restaurants in 36 states and the District of Columbia, Dunkin' Donuts is an important part of life for <https://assignbuster.com/strategic-planning-case-study-dunkin-donuts/>

millions of Americans. While Dunkin' Donuts has nationwide brand recognition, they have a significant opportunity to expand the number of restaurants in the United States as well as all around the world.

The company believes that they can double the footprint in the U. S to 15,000 Dunkin' Donut Restaurants over the next 20 years. The company has a strong presence internationally as well with more than 3000 Dunkin' Donut Restaurants over 31 international countries across 4 continents. The company maintains stable global expansion, opening new restaurants in Europe, Asia, Middle East and Latin and South American countries. Dunkin' Donuts has already opened more than 88 locations in Greater China and has nearly opened 900 shops in South Korea.

In 2010, the brand Re-entered Russia with new restaurants in Moscow, and in 2012, the first set of Dunkin' Donut Restaurants were opened in India and Guatemala. (Donuts, 2011) To achieve this high rate of growth across most of the world, and a vision to continue to achieve and steadily grow at a high rate Dunkin' Donuts under the company Dunkin' Brands has a strongly formulated Growth Strategy. Growth Strategy Growing a business requires ongoing work in an environment of continually emerging global challenges.

One of the most fundamental aspects of the growth process is the formation and distribution of competences within and among organizations. To a large extent, the challenges for businesses are innovation and internationalization to grow businesses. The goal of any business growth is to increase revenue and profitability with a reduced business cycle time that is more productive, innovative and export-led, delivers high-value products/services for

customers and markets around the world. The following are major areas where businesses have to take initiatives to support growth strategy:

- Market Growth Financial Transformational Initiatives
- Supply Chain Management
- Outsourcing Concept (Kumar, 2010) Growth Strategies used by Dunkin' Donuts The company's largest operating segment, Dunkin' Donuts U. S. experienced positive comparable store sales growth in eight of the last ten fiscal years. The fiscal year 2011 with comparable store sales growth of 5. 1%, was the highest annual comparable store sales growth since 2005, and 7. 4% for the fourth quarter of 2011, which was the highest quarterly performance in the past seven years.

There is a strong intention to continue building on comparable store sales growth momentum and improving profitability through the following initiatives: * Further increase coffee and beverage sales. Since the late 1980s, the company has been transformed into a coffee-focused brand and have developed a significantly enhanced menu of beverage products. Approximately 60% of Dunkin' Donuts U. S. franchisee-reported sales for fiscal 2011 were generated from coffee and other beverages, which is believe to generate increased customer visits to the stores and higher unit volumes, and which produce higher margins than their other products.

They plan to increase the coffee and beverage revenue through continued new product innovations and related marketing, including advertising campaigns such as 'America Runs on Dunkin' in 2011 Dunkin' Donuts created a product called the K- Cups, which is a 12\$ box with 14 K-Cups. This product had been an idea from the customers themselves, as it is an easier

and more convenient method. It is used in the Keurig brewing system. The company that makes them, Green Mountain Coffee Roasters Inc. , first announced its partnership with Dunkin' Donuts in February.

Dunkin's decision to sell the K-Cups only in its outlets will help drive customers there and perhaps lead them to make additional purchases. It could also keep the brand from becoming too omnipresent, which is widely believed to be a mistake made by Krispy Krem`e Doughnuts Inc. when it started selling its products in gas stations and grocery stores. * Continue to develop enhancements in restaurant operations. The company will continue to maintain a highly operations-focused culture to help the franchisees maximize the quality and consistency of their customers' in-store experience, as well as to increase franchisee profitability.

In support of this, there has been an initial enhancement and ongoing restaurant manager and crew training programs and developed new in-store planning and tracking technology tools to assist the franchisees. As a result, over 164, 000 respondents, representing approximately 93% of all respondents, to the company's Guest Satisfaction Survey program in December 2011 rated their overall experience as " Satisfied" or " Highly Satisfied. " Continue Dunkin' Donuts U. S. Immediate store expansion The company believes there is a significant opportunity to grow the points of distribution for Dunkin' Donuts in the U. S. even the strong potential outside of the Northeast region to increase the per-capita penetration to levels closer to those in their core markets. The company's development strategy resulted in 243 net new U. S. store openings in fiscal 2011. In 2012, it is expected that their franchisees will open an additional 260 to 280 net new

points of distribution in the U. S. , principally in existing developed markets. They believe that strategy of focusing on contiguous growth has the potential to, over approximately the next 20 years, more than double our current U. S. footprint and reach a total of 15, 000 points of distribution in the US.

In the near term, there is an intention to focus the core development on other markets east of the Mississippi River, where currently there is only approximately one Dunkin' Donuts store for every 99, 600 people. In certain established Eastern U. S. markets outside of their core markets, such as Philadelphia, Chicago and South Florida, they have already achieved per-capita penetration of greater than one Dunkin' Donuts store for every 24, 160 people. * Expand into new markets using a disciplined approach. The Company believes that the Western part of the U. S. e presents a significant growth opportunity for Dunkin' Donuts. However, a disciplined approach to development is the best one for the brand and franchisees. Specifically, in the near term, they intend to focus on development in markets that are adjacent to the existing base, and generally move westward in an immediate fashion to less penetrated markets, providing for marketing and supply chain efficiencies within each new market.

Focus on store-level economics. In recent years, they have undertaken significant initiatives to further enhance store-level economics for their franchisees:

- Reducing the cash investment for new stores.
- Increasing beverage sales.

- Lowering supply chain costs and implementing more efficient store management systems.

The Company believes these initiatives have further increased franchisee profitability. Dunkin' Donuts recently entered into an agreement with the franchisee-owned supply chain cooperative that provides for a three-year phase in of flat invoice pricing across the franchise system, which, coupled with the cost reductions noted above, should lead to cost savings across the entire franchise system.

It is believed that this will be one of the drivers of the immediate development strategy, by improving store-level economics in all markets, but particularly in newer markets where their growth is targeted. Store-level economics have also continued to benefit from increased national marketing and from the introduction of Dunkin' K-Cups into their restaurants. Drive Accelerated International Growth. They believe there is a significant opportunity to grow points of distribution Dunkin' Donuts in international markets.

Their international expansion strategy has resulted in more than 3, 500 net new openings in the last ten years. The key Elements of the future Growth Strategies are: Grow in Their existing core markets. The Company's international development strategy for Dunkin' Donuts includes growth in their existing core markets. Dunkin' Donuts intends to focus on growth in South Korea and the Middle East, where they currently have 857 and 229 points of distribution, respectively. During fiscal 2012, the company is expected to open approximately 350- 450 new points of distribution internationally, principally in their existing markets.

However, there can be no assurance that their franchisees will be successful in opening this number of, or any, additional points of distribution. Capitalize on other markets with significant growth potential. Dunkin' Donuts intends on expanding in certain international focus markets where the brand does not have a significant store presence, but where they believe there is consumer demand for the products as well as strong franchisee partners. In 2011, it was announced that an agreement with an experienced QSR franchisee to enter the Indian market with Dunkin' Donuts brand.

The agreement calls for the development of at least 500 Dunkin' Donuts restaurants throughout India, the first of which is expected to open by the second quarter of 2012. By teaming with local operators, it is believed they are better able to adapt the brands to local business practices and consumer preferences. * Further develop the franchisee support infrastructure. Dunkin' Donuts plan to increase the focus on providing international franchisees with operational tools and services that can help them to efficiently operate in their markets and become more profitable.

Dunkin' Donuts plans to focus on improving on native-language restaurant training programs and updating existing restaurants for the new international retail restaurant designs. To accomplish this, we are dedicating additional resources to our restaurant operations support teams in key geographies in order to assist international franchisees in improving their store-level operations. Dunkin' Brands is compensated as a percent of franchisee top-line and it bears basically no store operating costs itself. With only 36 company- owned points of distribution out of a total of 17, 016 as of June 30, 2012, the company is less affected by store level costs and

profitability and fluctuations in commodity costs than many other QSR operators. (Saibus, 2012)

SWOT Analysis

Strengths

- High operating Profit Margin
- Lower Costs than Industry High Brand Recognition
- Becoming Socially Responsible

Weaknesses

- High Debt
- Low Return on Equity Ratio
- High Interest Rate
- Need to better manage Fixed assets

Opportunity

- Pay off some debt
- Open more stores in the West
- Capitalize on high customer Loyalty

Threats

- Low entry Barriers into Industry
- Health Conscious society and Starbucks focusing on Health
- Wellness
- Krispy Kreme expands into the Global Market Part ' B' Legal,
- Moral and Ethical

Issues

- Recently in news articles, it was reported that there were approximately 350 lawsuits between Dunkin' and its franchisees.

The company has been accused of aggressively targeting shop owners in an effort to terminate franchise agreements and in the process collect hefty fees and penalties for alleged contract violations. Michelle King is Dunkin's Director of Public Relations and he states that strongly encouraged Dunkin' Brands to take a step back and reconsider its policy of litigation and instead embrace its process of mediation to settle disputes with franchise owners. He said, " It is the right thing to do to grow the brand in an increasingly challenging and competitive environment.

DDIFO is ready, willing and able to help see this process of mediation come to fruition. " (Leiber, 2009) * Due to the sudden increase in the consciousness of health and wellness, Dunkin' Donuts has come across a moral dilemma as most of their Products go against the code of healthy food. Their competitor Starbucks has taken a turn and concentrated more of healthy eating which has created a drop in the business of Dunkin' Donuts, to overcome this the company has also started concentrating on health food and beverages. Dunkin' Brands leaders have an added obligation to ensure that policies are communicated to employees and that business practices are designed to prevent improper conduct. They have a responsibility to build and maintain a culture of compliance by ensuring employees know that our integrity should never be compromised in order to achieve business results. The Code of Conduct provides employees and directors with guidance on doing the right thing. However, it is not an all inclusive list of do's and don'ts. The Overview sections outline the intended behavior and the Expectations and Examples of What to Watch Out For sections provide some examples of what employees and directors should and should not do. (Dunkin', 2012)

Conclusion and Recommendation

Strategic planning and management is what makes or breaks a company or Brand. Dunkin' Donuts, The Company I have done my study on is a brand which I think has put a lot of thought into the planning of business. Their techniques and business sense is what has brought them to be America's most popular quick service restaurant chain.

In this essay I have studied the growth strategies of the company and how from a single outlet in 1950, today it has a presence in most countries in the world. This is possible because of a proper vision that the company had and a set of strong Growth Strategies. The company has strongly believed in spreading and making their brand what people live by. I believe that Dunkin Donuts should aggressively target India, as it is expected to Grow over half a billion in Breakfast Food sales by 2016.

The Asia pacific Region is growing rapidly and should be Targeted within the next five years. The company should capitalize more on college campuses as what they serve is directly related to the average diet of a teenager. They should target this market in both America and abroad.

Bibliography

1. Brands, D. (2012). Annual Report 2012. Massachusetts: Edgar Online.
Donuts, D. (2011). Global Presence. Retrieved April 12, 2013, from
Dunkindonuts: <http://www.dunkindonuts.com/content/dunkindonuts/en/company/global.tml> Dunkin'. (2012).

2. Code of Business Conduct and Ethics. Canton. Kumar, D. (2010). Enterprise Growth Strategy: Vision, Planning and Execution. Surrey: Ashgate Publishing Group. Leiber, N. (2009, October 8).
3. Attorneys Criticize Dunkin' Donuts' Litigious Behavior. Business Weekly . Mathews, J. F. , & Lee, H. Business Development Index. Columbus: Ohio State University. Saibus. (2012). Dunkin' Brands Is Brewing Up Strong Performance. Seeking Alpha. Wheelin, T. (2005). Concepts in Strategic Mangement.