

Dominos: pizza delivery and new inspired pizza essay



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' s DOMINO'S PIZZA Domino's Introduction Executive Summary Analysis Debt Analysis The New Inspired Pizza Oven Subs Entry Reevaluation Marketing Campaign Weaknesses Frozen Pizza Recommendations Citations Executive Summary Competing in the market today can be very complicated. " The Pizza industry is a 30+ Billion per year industry (" Facts," 2010)" Maintaining a steady position in this industry is very imperative to us being successful in such a competitive market environment. Deciding when to expand a company is very important. There are decisions to be made for example whether management wants to vertically or horizontally integrate.

What Resources will be needed? Other decisions may be to add a new product line to compete with other companies already in the market.

Recognizing these issues early on help to eliminate falling behind in the market due to not recognizing competition when as it arises. So far to date Domino's has done a remarkable job at staying ahead of the game. Being an innovator in deliver, later marketing the HeatWave bag, and even entering into new markets with hot oven subs and pasta bowls. The latest of our strive for excellence has resulted in us revamping our recipe.

Just like everyone else we have our weaknesses, but our strengths are where we prevail. We have a great supply chain and have integrated it quite well. Our ability to change and implement these though our franchises have been relatively impressive. This is very unique to us indeed. We have overcome many obstacles. Since 2007 the economy has taken a downturn and has yet to recover completely. We have adapted by reducing prices, adding menu items and integrated a new recipe into our company to achieve more of a competitive advantage in this every changing market.

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As Trends change so do we. Even though we are doing great with the current changes, we need to take full advantage of the momentum and enter into a new market before a new competitor rises up and blinds us by surprise. The frozen pizza market has almost exploded in the last few years with America trying to get more for the buck. “ The frozen pizza market continues to perform well as consumers continue to seek value and convenience and are trading down from delivery and restaurant pizza companies(Shea, 2010)” to include us and our competitors.

This is our chance to get into the frozen pizza market. With brand recognition alone we should be successful and now that we have our new recipe behind us we should be able to be a strong contender. Expanding that even further and not only offering frozen but offering unfrozen pizza as well with fresh topping in my opinion has a recipe for success. Imagine customers grabbing a domino’s pizza while grocery shopping. They would be getting the same over freshness we offer without the need for delivery. We could penetrate that market from customers who normally don’t order delivery.

Dominos has made these decisions before “ We made a lot of tough calls in terms of expanding our menu and changing our recipe(Veenendaal , & York, 2010) “ according to Mr. Brandon. This is something we obviously are getting really good with. Without recognizing this new threat of competing with the frozen food isle we are destined to fall behind. Introduction Domino’s pizza first began in 1960 from a pizza store known as DomiNicks. It was purchased by Tom Monaghan and his brother James Monaghan for \$900.

James later sold his half of the partnership to Tom for a Volkswagen Beetle. In 1965 Tom now the sole owner of the company renames it to the name we recognize today as Domino's. The first Dominos pizza franchise originated from Ypsilanti, Michigan in 1967. In 1978 the Franchise had grown to over 200 stores. Then again only 5 years later in 1983 we hit another benchmark in our company by reaching our 1000th store and were international. Today approximately 90% of our company's domestic stores are franchised.

We use our company owned stores as a testing ground for our new products and technologies which we then pass onto our franchisees. Over our 45-year history, " Domino's has developed a simple business model focused on its core strength of delivering quality pizza in a timely manner. This business model includes a delivery-oriented store design with low capital requirements, a focused menu of pizza and complementary side items, committed owner-operator franchisees and a vertically-integrated distribution system (Reuters, 2010). In 1993 we had to discontinue a successful marketing campaign for delivery that was well known as the 30-minute guarantee and redirected our emphasis on more on the Total Satisfaction Guarantee; " If for any reason you are dissatisfied you're your Domino's Pizza dining experience, we will re-make your pizza or refund your money(" Our Heritage," 2008). " In the 1992 we rolled out bread sticks which had significance in that it was our first non-pizza menu item. Shortly after that in 1994 we introduced Buffalo wings to our domestic stores. This another technique used to complement our already thriving pizza delivery business.

When compared to others in the industry during this time we were sustaining our competitiveness by offering more of a range of products with speedy delivery. Spinning off into the hot wings market allowed us to grab attention of being more than just a pizza delivery business. We now had more variety with the same great speed and service. With the dot com bubble coming to light in the 90's, we again led the way by getting in early on the dominos.com. " The dot-com bubble was a speculative bubble covering roughly 1995-2000(" W dot-com bubble," 2010). We recognized this competitive advantage early and launch our first website in 1996, Dominos.com. Our ability to continue to recognize the importance of adapting to an ever changing market has been the key to us maintaining our current position today. In 1998 we launched another industry innovation by offering the first patented technology bag that keeps the pizza oven-hot to the customer door. It was called the Domino's Heat Wave and was used heavily in advertisement to gain customer confidence in the delivery of a hot piping pizza directly to their door and is still used today.

This added to our already strong brand recognition in the market and continued to add more of a distance between us and our competitors. By taking full advantage of the opportunity to be an innovator to pizza delivery, we not only provided a service that was not yet established in the market place early but established the brand name recognition for pizza delivery which is the key advantage over other competitors in the pizza delivery service. After most of the recent research that has been done today, it has come to our attention in today's market that customers would prefer a great tasting pizza over a speedy delivery.

The fact that we have shifted our ideas to revamping our recipes was a great challenge for us this past year and has worked out rather well. This was big step from our traditional idea of being successful by competing to make a speedy delivery and cheaper pizza. Today we are competing by making a great pizza with the added convenience of delivery to the customer door step hot and fresh as well. We operate out business in three segments, domestic stores, domestic supply chain, and international. Our domestic stores are comprised of 4461 franchise stores and 466 company-owned stores, generated revenues of \$493. million and income from operations of 121. 5 million during the fiscal year ended jan3, 2010. Our domestic supply chain segment, generated revenues of \$763. 7 million and income from operations of \$57. 0 million during 2009. Our international segment generated revenues of \$146. 8 million, of which approximately 53% related to franchises royalties and fees, and generated income from operations of \$66. 8million, of which approximately 91% related to franchise royalties and fees. This was all data taken from the 2009 dominos 10k.

This shows our ability to compete. Our mission statement says a lot about us as a company. “ Exceptional franchisees and team members on a mission to be the best pizza delivery company in the world (“ Bloomberg business week,” 2010)” shows that even though we have focused on selling more pizza than any other competitor in the market we want to encourage a fun atmosphere. By encouraging our employees to work as part of a team, it not only encourages a successful work environment, but also reflects over the counter to our customers.

This high energetic atmosphere surrounding our establishments has a great impact on the customer's perspective and how they perceive us and the value of not only the product we sell but our company as a whole. This is in line with our vision statement as well. One of our international vision statements of being "number one in pizza, number one is people ("Inside domino's," 2008)" shows our commitment not only to making great pizza but ensuring our customer's stay happy. Today more than ever people are addicted to fast food. It is a fast growing industry.

Fast food is considered by most to be a food that is consumed on the go. Customer's today love style, taste, and have preferences that we as a participant in the pizza delivery sector must tap into to be successful. "The Pizza industry is a 30+ Billion per year industry ("Facts," 2010)" Maintaining a steady position in this industry is very imperative to us being successful in such a competitive market environment. We have made a significant step forward by changing our game plan and mixing up our ingredients to get more of what Americans are in tune with. Americans eat approximately 100 acres of pizza each day or about 350 slices per second ("Facts," 2010)". Understanding the current eating habits of our customers today is the key to being successful in tomorrow world. We have led the way by being an innovator and setting the standard in delivery when we first began and don't need to stop now only by spicing up our ingredients. We now have the momentum to achieve so much more and I highly recommend we take full opportunity of this push forward to regain our customers and compete not only in pizza delivery industry, but in the frozen food isle as well.

There are so many avenues of completion we could look at and I would like to take this opportunity to give you're my insights and the direction I think we should pursue to take our company far in to the future and deter other from entering our industry. Analysis-Debt Analysis In analyzing our debt, I have discovered that our greatest strength according to standard and poor's is our ability to continue to have reductions in debt. This gives us a favorable upper hand in the market being that our competitor's realize that we now have plenty of working capital. Our favorable view of DPZ reflects the expected benefits we see from the company's four-pronged strategy. Namely, its ongoing reductions in debt, the early success of efforts to gain domestic market share via its " New Inspired Pizza," a heightened focus on operational excellence and financial strength among its domestic franchisee base, and continuing international expansion. (" S&p focus stock," 2009). " Hopefully this will help sustain our competitive differences among our competition. In looking at the financials from moneycentral. om, I have discovered that our net profit margin to be 5. 5% and papa john's net profit margin to be 5. 44%. This shows that we have a slighter higher return on every dollar we have invested and thus leading us to have a stronger position than papa johns. According to the 10k posted on investing. businessweek. com we have a strong cash flow and earnings stream " A substantial percentage of our earnings are generated by our committed, owner-operator franchisees through royalty payments and revenues to our vertically-integrated supply chain system(United states securities, 2010). Our system has produced strong cash flow for us, this had led to our success enabling us to invest in the domino's pizza brand, our stores, and our supply chain centers, pay dividends, and repurchase share of common stock, and <https://assignbuster.com/dominos-pizza-delivery-and-new-inspired-pizza-essay/>

repurchases and retire outstanding principle on our fixed debt notes and deliver a better than average return for our stockholders. Our system is a very diversified franchise system. We have come a long way in our line of business. Being that we not only integrated a new recipe to integrate it into this whole supply chain has been quite impressive.

With corporate deciding to change our ingredients in our pizza recipe to regain our customer base has been more than a success and the number reflect on our 10k for 2009. This reflects to an extent that our “ new inspired pizza” for the moment is working. New Inspired Pizza This new strategic decision to ramp up our recipe all came about after a study we conducted a study in 2009. We discovered that a lot of people did not like our pizza. With statement made like “ Domino’s pizza crust, to me, taste like cardboard (burkitt, 2009). We had no other option but to change the way we made pizza dough and sauce recipes and launched new and inspired pizzas earlier this year. We reformulated our ideas to regain new and old customers. After weighing the fact that we no longer have the lead in delivery and the taste of our pizza is a very important to our customers. This alerted us to the how our old strategic performance measured up. This again gave us a much needed opportunity to give the customers something different.

Our competition has decided to stay with their traditional style recipes and we now have the opportunity to surge forward and offer a more value to our customers with our new look and feel. We took a huge gamble in our advertising campaign for our “ New Inspired Pizza” by acknowledging our previous shortcomings of our pizza. This campaign included TV ads giving

customers a snapshot of our new ingredients. We have encouraged many to try our new pizza and so far it has been a successful campaign.

According to the data we collected I am pretty confident that the new pizzas have been a huge success, leading to 14% sales increase in the first quarter of 2010 at most locations opened more than a year. The fact that the customer realizes we listened to them, and we changed our pizza shows our loyalty to how our customer feel. They reacted by returning. As of the quarter ending march 28th, 2010 “ the company’s domestic same store sales grew 14. 3% as a result of increased store traffic from the successful introduction of its new and inspired pizza(“ Domino’s pizza announces,” 2010). There has been a lot of noise around the change to our pizza. I feel that it has obviously showed it was successful. Our President and chief executive officer J. Patrick Doyle, has been quoted as stating “ a remarkably better pizza, and our honesty in how we told consumers about it, is paying off with a revitalized overall category – with dominos leading that trend. We couldn’t be more please with the success of our new and inspired pizza (“ Domino’s pizza announces,” 2010). This is a very important statement in that that not only demonstrates that our president is in full tune with what is going on in our company but he truly understood what we faced and has inspired to our competitors that we will not throw in the towel and that we will be giant to contend with if they decide to get into our market. He later added “ Our international division kept up its phenomenal growth trajectory again this quarter, with continued success in our existing markets, along with new markets expected to open in Europe, Asia and Latin America yet in 2010.

I think we have by far the best international story in the sector. (“ Domino’s pizza revenue,” 2010) . ” This is very significant in that it relays another message that we are not only concerned about one division but multiple ones. We are very good at what we do. We show diversification and show the world we are global contenders. Sub Competition Another strength I see that we recognized approximately 2 years ago and was the idea to add oven baked sandwiches. This has led to our competitiveness in that we deliver not only pizza but hot oven baked sandwiches as well.

Prices at just \$4.99 and available in 4 varieties offers competitiveness to more than just pizza hut and papa john’s but other fast food chains as well. Papa johns does compete in this area with chicken strips but have failed to expand any further. They have desert pizza’s but so far that decision has not affected our sales. Customer’s ability to have the convenience of sitting at home and have us deliver their oven baked sandwich versus having to drive not only appeals to them on a convenience level but also that they save gas as well.

The president of dominos USA commented on the launch stating “ as of today, we are the largest sandwich delivery company in the nation. This launch springboards dominos in the lunch business by providing a product that is high quality, priced right and aimed at convenience-minded people without a lot of time. Of course, sandwiches are also available any time our stores are open (“ Domino’s pizza extends,” 2008). ” Reevaluation We have also reevaluated our domestic franchisee stores to change things up a bit. We have recognized the need for improved performance.

We recognized the three dimensions of performance according to the Strategic management by Bamford and West “ 1) summary measures that reflect the impact of integrated efforts across the entire company, 2) measures that can be compared to competitors and 3) measures that account for longer periods of time (Bamford, West, & Reviews, 2009)” We gave the stores a grade from A to D Based on sales, operating profits, and the strengths of their financials. This analyzed the summary of how the franchise stores measured up across our domestic market.

This allows to recognize problems and fix them without causing damages to our reputation. The franchisees that scored the lowest were offered assistance and advice on how to regain back their customer base. This big push forward in the implementation of reevaluation and adjustments to our existing stores to how we do business is much needed. We provided them with the option to be bought out. Due to our ability to repurchase these weaker franchisee locations, this led to stronger operators. These were measured we considered important when comparing to our competitors.

We did have to shut down a number of stores but the results we hope to achieve are higher sales for franchisees and a boost to company royalties as well. This all played in as a part of return on assets (ROA). After this strategic decision of realigning our stores this gave our existing stores more company profitability, and also focused on each store's strengths and weaknesses.

Marketing Campaign Without an effective marketing campaign and getting the word out that we got it, our changes would have been pointless. There comes a time when we realized changes needed to be made.

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The fact that we discovered customers were not completely satisfied with our pizza and reacted was a great move on our part to recognize it could damage us dramatically if changes were not made accordingly. This led to our drive to become better. In taking advantage of today technologically advances and using YouTube to relay the message that we got the message. It allowed customers to see exactly what we were doing to combat the flaws that they had pointed out. We were aware they were unhappy and this has helped in significantly getting the word out our pizza has changed and we do care about how our product taste.

Weakness A huge weakness that I feel that we really need to consider and get on board with today is the entry into the pizza into the frozen pizza industry. This has many potential upsides. This may be one of the best strategic moves we could make using the momentum we have with the revitalizing of our pizza. We need to show we can take on any competitor. Taking full advantage of the opportunity provided by the economy and using this to our advantage not only guarantees that we can be successful in the market but also seals the deal that when the economy picks up that we will remain victorious there.

The customers have rushed the frozen food isles in grocery stores since it may be cheaper to purchase and microwave a pizza than ordering from delivery which in general tends to be more expensive. Providing pizza's cheaper grasp the customer's attention when deciding where money gets the most for its value. We still provide a superior product but in my opinion we have to compete with price in this market to be successful and to do that

we need to be in this market. We have to look further than our traditional competitors and broaden our horizon.

This way of thinking and planning ahead assures we continue to be competitive and reestablished our ability to adapt to change. The Competition It is not secret who our biggest competitors are. The tradition pizza wars between us and pizza hut, and papa john's has been among the greatest. Today we not only compete with pizza hut as a top competitor but Papa john pizza as well. There are some other local establishments that try to compete but for the most part domestically, these are the top two we need to be concerned about and devote our attention to analyzing our marketing approach.

We need to remain vigilant and aggressive in assessing our competition and not forget that at any moment they could regain the momentum. So far we have sustained our position but to obtain sustainability in the market takes being very proactive and not underestimating the competition or taking for granted our current position. In comparing ourselves among other in the industry it is no secret that we must compete with papa johns and pizza hut to remain successful in our market. In analyzing the big three, domino's pizza they reported a " 1. % increase in domestic same store sales for the fourth quarter ending jan3rd (Morgan, 2010). " 2009, pizza hut reported sales were " down 9% for 2009(Morgan, 2010)", and papa john's " reported same-store sales were down . 5% this quarter (Morgan, 2010). " These numbers have demonstrated our ability to regain our competitive separation.

We have focused more on ramping up our recipe but " it is hard to gauge how to sustainable it is. Typically you see a few good weeks on any <https://assignbuster.com/dominos-pizza-delivery-and-new-inspired-pizza-essay/>

promotion, but this is such a different thing (Morgan, 2010). ” This approach should prove to be a successful market campaign but time will tell.

Pizza hut has elected to go with more of a traditional approach focused on price competition, with a “\$10 any way you want it(Morgan, 2010)” promotion. This shows their ability to at least acknowledge the market in that with a weaker economy customer want more the buck but in long term our ability to take time now to focus more on taste and excitement surrounding our company is a long term solution. Competing with price is fairly easy to implement but recipes take time and focus more on were a company want to go. Papa johns have also got caught up in this price war with pizza hut.

Offering same price comparisons similar to what pizza hut offers. Frozen Pizza In comparing ourselves with the frozen food industry which I feel we should consider a competitor, I have noticed a market that is quickly being dominated by a company Nestles(PK) who I think could soon be considered a serious competitor. By recognizing this threat now we can jump ahead of our traditional competition by entering into the market. Nestles add such brands as DiGiorno, Tombstone and California pizza kitchen when they recently acquisitioned Kraft(KFT) . They now own more than 50% of the frozen pizza market. this is more than there twice the share of their next major frozen pizza competitor Schans foods, maker of red baron, tony’s and freshmetta brands, who slightly hold less than 25% share of the category(Shea, 2010). ”

When analyzing and looking at the total sales generated in the 52 week ending august 9th, 2010 the brand digiorno generated sales of \$591, 262, 700 and for the week ending may 17th, 2009 generated \$534, 356, 200. The <https://assignbuster.com/dominos-pizza-delivery-and-new-inspired-pizza-essay/>

following charts are referenced from (“ Pizza sales 2009,” 2010) Top 10 Frozen Pizza Brands (for the 52 weeks ending August 9, 2010) DiGiorno| \$591, 262, 700|

Tombstone| \$270, 412, 700| Red Baron| \$256, 308, 000| California Pizza Kitchen| \$175, 750, 800| Totino’s Party Pizza| \$152, 630, 700| Top 10 Brands of Frozen Pizza (for the 52 weeks ending May 17, 2009) Brand Name| Dollar Sales| Unit Sales| DiGiorno| \$534, 356, 200| 100, 464, 200| Tombstone| \$254, 147, 400| 69, 809, 980| Red Baron| \$245, 141, 600| 62, 940, 960| California Pizza Kitchen| \$175, 838, 600| 32, 818, 720| This shows that the frozen pizza industry is having a huge impact on our society today and they are demonstrating that they can achieve a significant growth of sales in a relatively short amount of time.

Recommendations In researching our company and analyzing our success to date, and the current market conditions, I see a great opportunity for us to consider entry into the frozen pizza market and not only offer frozen but offer unfrozen daily made fresh pizza’s as well. This will allow the consumer to take our pizza home and get the oven freshness that we can offer without delivery as well. This not only will complement our ramped up recipe but will take less time to cook when a customer is not interested in delivery but rather take advantage of the convenience of cooking it themselves.

Unfrozen pizza and made daily with fresh toppings will be a great advertising campaign as well. “ the frozen pizza market continues to perform well as consumers continue to seek value and convenience and are trading down from delivery and restaurant pizza companies(Shea, 2010)” to include us

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and our competitors. For us to assume that this market doesn't affect us may be a big mistake on our part. I have seen no reason why we couldn't penetrate that market effectively, especially with our brand recognition.

So far we have done a great job at anticipating the market the knowing when to make changes and adapt or market to make successful changes that keep us on top of the market. We obviously understand our ability to adapt to change and get into other markets rather easily. From hot wings to now hot oven sandwiches our implementations are rather efficient and are easily transitioned to our stores. I have explained that the market is very intense and failure for us to expand into other parts that affect our industry may be a big mistake. I also think that we can take advantage of reducing our prices as well.

There is no reason why we cannot bundle our advertisement campaigns together and run them consecutively. Competing with pizza huts price not only may regain customers but also gives customer that otherwise shop for the cheapest delivery service a chance to taste our new pizza. With the time and effort we have put in the new taste of our pizza, I feel that we need to not only get the word out through commercials but through word of mouth as well being not only competitive with taste but price will be our another one of our tools to success. Citations Facts. 2010). Retrieved from <http://www.pizzaware.com/facts.htm> <http://www.dominosbiz.com/Biz-Public-EN/Site+Content/Secondary/About+Dominos/Diversity/>

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