Doughnut industry

Business, Industries

The doughnut market is extremely competitive. In the United States, the competitiveness is a function of the sheer number of doughnut stores; while abroad the sector is competitive because of the smaller size of the market. Regional doughnut chains such as California-based Winchell's Donut House and Rhode Island–based Bess EatonCoffee Shop& Bakery are generally slightly smaller than Krispy Kreme and have actually been using this insurgent company as a model for their own operations. While these companies often have a significant presence in their niche markets, they are often left in Krispy Kreme's shadow.

On the national level, Tim Horton's and Dunkin' Donuts hold 29 and 54 percent, respectively, of the overall market share, compared to Krispy Kreme's 12 percent share. The company also purports to compete with companies such as Starbucks and Einstein Brothers Bagels and with local supermarkets. What do these doughnut companies have been competing against with? According to Morey & Miller (2004) operation time of each store has a significant impact on doughnuts companies' success. There are stores that offer a 24 hour drive thru, and most stores are open in time for breakfast.

According to a study, it stated that consumers opt for donuts for their breakfast Price of the donuts remained to be competitive. Companies' gives several options when buying in volume has kept the donut market fresh What does it mean? People generally will buy in bulk to save. The more people buy an increase in profits for the company. Start with creating an experience that customers really value (Woolstencroft et. al. , 2005).

Customer service makes any brand stay on top. Staff is very important to a companies' success because they are the fore front of the stores. Importantly, they are the ones who deal with customers. As customers value reliability and consistency with doughnuts brand (Woolstencroft et. al. , 2005), they often associate the product and customer service altogether. There should be a clear distinction of having the right and quality product with the services offered by the company.

Dunkin Donuts

Dunkin' Donuts, owned by Allied Domecq, is clearly the doughnut king.

Its 5700 stores (though not all are stand-alone) dwarf the several hundred owned by Krispy Kreme. Nonetheless, in 2001, Dunkin' Donuts began to take notice of the underdog from North Carolina. When Krispy Kreme signaled its intention to expand into the Boston area, Dunkin' Donuts' home market, the move generated a " tremendous amount of discussion" (Peters, 2001) among executives at the giant doughnut firm, even though Dunkin' Donuts had more stores in Boston alone than Krispy Kreme had in the whole country. Dunkin' Donuts is an enormous challenge for the insurgent Krispy Kreme.

With nearly $3 billion of sales in 2002, Dunkin' Donuts dominates Krispy Kreme in many categories. More specifically, the Boston-based goliath spends moremoneyon advertising and has better name recognition, better coffee, lower-fat doughnuts, and more product offerings (Peters, 2001). However, Dunkin' Donuts' CEO Ken Kimmel has noted that, " While we are the biggest player in the doughnut business, that's not the sole focus on our business “(Peters, 2001). Dunkin’ Donuts’ product line extensions and co-branding strategies are actually being used as a model for Krispy Kreme today.

And while much of the hype in the doughnut community continues to focus on Krispy Kreme, the company is well aware that Dunkin’ Donuts is “ thriving in their [Krispy Kreme’s] backyard. (Peters, 2001) Another great idea from Dunkin Donuts is payment cards. They are making big inroads at Dunkin' Donuts, but efforts to get cash-wedded franchise owners to take plastic have a way to go, and contactless payments remain on the horizon. CardTechSecurTech 2006 conference in San Francisco this week.

Dunkin' Donuts likes cards because customers make purchases without wondering if they have enough cash, help the chain better understand buying habits, and buildloyaltyprograms though stored value gift cards. (CardLine, 2006) Krispy Kreme Most people who own doughnut shops consider bakeries, coffee shops, and grocery stores that sell doughnuts as competitors. Not Krispy Kreme. Despite the fact that Krispy Kreme spends an incredible amount of money building its own stores (twice as much as Dunkin’ Donuts), the company bends over backwards to foster relationships with would-be competitors, turning them into “ off-premises partners.”

Krispy Kreme used this unconventional approach to build a thriving “ off-premises partner” program to supply doughnuts to its competitors. Each Krispy Kreme store features a live factory tour, where visitors can watch doughnuts being made, which is part of its overall goal of creating a captivating experience. Watching the dough going in one end of the machine and freshly baked doughnuts coming out the other is an impressive sight.

Creating this “ doughnut theater” isn’t cheap—the doughnut maker alone costs $350, 000, and with all the other costs associated with building and operating a store, it can cost up to $1. 4 million for each location (Business Week, December 9, 2002) With that kind of investment, you would think both the company and the franchisee would be fiercely protective of their store locations. It might come as a surprise to learn that every Krispy Kreme location has a thriving wholesale business, selling doughnuts “ off premises” to supermarkets, bakeries, convenience stores, and even college campuses. Krispy Kreme Doughnuts creates customer evangelists because: (McConnell & Huba, 2003)

• It starts with a hot product.

• It's not just fried dough; it's an experience.

• Customer communications drive product development.

• The company's roots are in grassroots marketing.

• It gives away doughnuts so that people will buy them.

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