An overview of krispy kreme doughnuts inc

Business

Krispy Kreme Doughnuts Inc. specializes in retail donut market and was founded in 1937 in North Carolina. Today, there are over 400 stores which employ 3, 900 employees in 45 states and 4 countries. The company produces about 7. 5 million donuts each day. The company is one of the leading producers of donuts and is ranked 4th of the top 100 chains in the U. S. (standing as of 2004).

The company owns and franchises Krispy Kreme doughnut shops and sells over 20 different kinds of doughnuts, including its Hot Original Glazed variety.

Today, the company faces some significant challenges:

Employees are suing the company over mismanagement of retirement funds

Changes in eating habits have affected the company" s revenue

In May of 2004, the Krispy Kreme stock fell almost 18 % because of changes in dieting habits, particularly the low-carbohydrate phenomenon. The sale of packaged donuts dropped dramatically. The company claimed this was impacting sales but analysts were skeptical because doughnuts are not thought of as " part of a diet", any diet. And changes in America" s eating habits, especially thehealthcraze that seems to be the current pattern is likely to impact the sales of sugary and snack foods. Krispy Kreme doughnuts fall into both categories.

Changes in senior management always make investors wary. In 2005, Stephen F. Cooper was named CEO replacing Scott A. Livengood, who has retired as Chairman of the Board, President and Chief Executive Officer and a director of the Company. He will become a consultant on an interim basis. Steven G. Panagos has been named President and Chief Operating Officer (press release, 2005). The company hopes this change will turn things around.

In the company" s own words, " The Company also announced that the results for its fourth quarter ending January 30, 2005 have been, and may continue to be, adversely impacted by significant sales declines. For the eight weeks ended December 26, 2004, system wide and Company average weekly sales per factory store have decreased approximately 18% and 25%, respectively, compared to the corresponding weeks of the prior year. The quarter is also being adversely impacted by the substantial costs associated with the legal and regulatory matters previously disclosed. These factors may result in the Company experiencing a loss for the current quarter.

KZC will work with the Company to review whether it should take certain operational actions, which could include the consolidation of store locations. Any such actions could result in substantial losses, although it is expected that any restructuring charges largely would be non- cash charges. The system wide average weekly sales per factory store, is a non-GAAP financial measure. System wide sales data include sales at all company and franchise stores. The Company believes system wide sales information is useful in assessing our market share and concept growth (press release, 2005).

The company needs to change. One start may be to consider its offerings. Although the company was initially successful by making doughnuts, they may need to expand and also offer customers healthier choices, such as lowfat muffins and bagels. Although this will change the premise of their business it provides an opportunity for the company to gain new customers. Dunkin Donuts has successfully altered their offerings and so can Krispy Kreme.

The company also needs to settle their regulatory and legal affairs so that the company" s reputation doesn" t continue to be negatively impacted. Once they have a clean slate, they should issue a press release assuring consumers that Krispy Kreme has dealt with its issues and is back on track.

Addressing any quality control issues and consolidating where possible will also lend an air of credibility, especially to stockholders and potential investors. The company needs to put some significant checks and balances in place to prevent any additional financial scandals and prove that the goal of the company is to regain financial stability and profitability.

The company also faces increasing competition and needs to set themselves apart. One way could be to develop a " healthier" doughnut-one that is lower in fat but retains the taste.

Basically, the company needs an overhaul and having a new CEO is the best way to start. This is the perfect opportunity to implement change on every front. The biggest challenge facing the company is to make these changes as quickly and efficiently as possible to regain their competitive edge and name in the industry.