

Krispy kreme case study

Business



**ASSIGN
BUSTER**

The chief element of Crispy Seeker's strategy is to deliver a better doughnut and to appeal to customers in new ways.

They have taken great steps to insure customer satisfaction from the use of their proprietary flour recipe to their automated doughnut making machines. They have chosen to target mainly markets with 100, 000 households. They also were exploring smaller-sized stores for secondary markets. Crispy Seeker's strong brand name, highly differentiated products, high-volume production capability and multi-channel market penetration strategy has worked well.

With each new store opening there are lines waiting at the door all night to experience the Crispy Creme quality. In Denver, more than 3000 people stood in a line extending for more than three city blocks on opening day.

They have production areas in full view and anyone light that lights up when " Hot Donuts" are actually coming off the line. Crispy Creme makes customers feel good about indulging. Even Crispy Seeker's name brings a smile to people's faces. Question 2. I think Crispy Seeker's financial performance has been good.

Since its initial public offering in April 2000 it has grown from 140 stores to one with 218 locations in 33 states and Canada. Preliminary results for fiscal year 2002 showed sales topping \$621 million, up 39% from the previous year. Revenues climbed 30% to \$392 million. Crispy Creme is a product company and the most profitable part of the business is doughnut sales due to the high volume of loyal customers. Many Wall Street analysts considered Crispy Creme to be overvalued. Analysts said in April 2000 the stock was

destined for the \$15 to \$20 share range at best, which is where most known food related stocks are located.

Instead it had been hovering at a value of \$40 a share for most of the year. The stock rose to a high of \$54 and many analysts doubted Crispy Seeker's strategy and potential growth merited a stock price nearly 70 times projected 2002 earnings per share. I agree with the statement "the numbers just don't work." Question 3. Affordability of products Limited menu items Well-established and long running company Markets are leaning toward Long-term company values healthier foods

Loyal and strong customer base Heavy competition Nationally known brand of donuts Doughnut making theaters strong community relationship "One-of-a-kind taste" Expansion into premium coffee lines Stiff competition from several similar companies Diversification of product offerings Healthier product Expansion into a more global marketplace alternatives available Co-branding opportunities I believe the healthier product alternative has hurt Crispy Creme in some parts of the country.

My wife and I lived in Oregon for several years and this hype of product did not appeal to the people in Oregon They seem to live a healthier life style than mid-westerners. For example we never saw in a restaurant until we returned to the Midwest Based on the SOOT analysis I think Crispy Seeker's overall situation is good. I think they are in a position to continue successfully. It has a few threats and weaknesses and careful planning will minimize the potential problems in that area. They have several strengths and opportunities to work towards.

Question 5.

I think Crispy Creme has good growth prospects. They rank high in competitive strengths. An extremely important advantage Crispy Creme has is their brand name. I agree! This provides a huge source of competitive advantage over their competitors.

Although Crispy Creme has done a successful job in securing their position and maintaining a competitive strategy, they continually have to take strategic actions to stay ahead of their competitors. If Crispy Creme is to realize its target of 25% growth in earnings, there will have to be an increase in demand for product.

System wide sales for Crispy Creme between 1998 and 2002 increased on average 23.5%. Company revenues for that time period increased an average of 20%.

The net income increased an average of 42%. I think this can be repeated in the next five years if Crispy Seeker's strategy and demand for products continue. Question 6. I think Crispy Seeker's management needs to address the issue of advertising. They have depended on word of mouth, new store openings and strong community relationships for too long.

With all the different doughnut shops around they need to advertise what a great place they have. They should advertise that you can actually see the doughnuts being made in the doughnut making theater and that when the neon light says " Hot Donuts" they are hot off the press. In today's competitive market you have to have your face or gimmick everywhere to

get people to remember you. I love Crispy Creme doughnuts but I never knew any of this until reading this article. Question 7.

I would recommend diversification to Crispy Seeker's management to sustain the company's growth and profitability.

They should look into other avenues to generate revenues throughout the day because doughnuts are more of a morning item. Great Point! If they would start including sandwiches or bagels like Tim Horror's, they would attract a were customer Dads. I Delve mm Horror's restaurants nave a great future for exactly the reason you stated, a wider customer base. If a person goes in at lunch to grab a quick sandwich, I'm sure a doughnut or two would be in the bag. I know their goal is to make the best doughnut, but in today's health conscious society, o have to have products that suit the needs of a variety of people.