

Krispy kreme case analysis

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Krispy Kreme Case Analysis Running head: KRISPY KREME DOUGHNUTS, INC.

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Krispy Kreme Doughnuts, Inc. , began as a family-owned business back in 1937, as an expansion of a pre-existing business, when Vernon Rudolph purchased a doughnut shop along with the now-famous secret recipe for <https://assignbuster.com/krispy-kreme-case-analysis/>

making yeast-raised doughnuts. His doughnuts, which he delivered to grocery stores in the Winston-Salem, North Carolina area, quickly became immensely popular with customers. So popular in fact, that he cut a hole in the wall of his shop so that he could sell hot doughnuts to potential customers passing by on the street. Peter and Donnelly, 2009, Page 690). Who knows, but this may have been one of the first “drive-thru/walk-up” windows in the restaurant business! And that is just one example of Mr.

Rudolph’s and his early partner, Mike Harding’s, forward-thinking marketing ideas for that era. The idea of making all of the shops look the same, so that they would be recognized by patrons wherever they traveled, as well as the viewing windows for watching the doughnuts being made, were good examples of marketing promotional strategies.

These strategies are still considered by Krispy Kreme to be “Brand Elements” as reported in current, annual financial reports. By keeping control of the recipe and the doughnut-making process, they also maintained product standards and reduced, while not completely eliminating, the competition through the uniqueness of their product. In fact, attempts to change the recipe, or even the look of the shops, in later years met with negative reactions from customers and the company quickly returned to the original taste and feel of the “original” Krispy Kreme.

The company and its doughnut became synonymous with a particular look, taste and feeling. This emotion that became associated with Krispy Kreme, described as “a feel-good business” and one that “created an experience” as opposed to just selling doughnuts (Peter and Donnelly, 2007), became the core of the company’s marketing strategy, and just maybe, one of the prime

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reasons for its subsequent struggles in the early 2000's. Selling a “ feeling” or “ experience” can be a successful marketing tool. But that's just one of the tools that a successful marketing plan must encompass.

The company must also be prepared to grow with the times and change with that growth.

That is, the marketing strategy of one time and place may not necessarily translate and/or work in another. Financial systems of one era will not suffice for another and in this age of advanced access to information, inaccuracies can be extremely damaging to investor confidence. This analysis of the Krispy Kreme Doughnut, Inc. case study will attempt to uncover some of the reasons for the company's challenges, suggest some potential strategies and possible solutions as well the steps for implementing those strategies.

Situational Analysis 1 Environment Krispy Kreme Doughnuts, Inc.

was founded in 1937 and is headquartered in Winston-Salem, North Carolina. Krispy Kreme is a major competitor in the restaurant industry, known primarily for its donuts. Near the end of 2004 and the beginning of 2005, the economy began to slow. Other business in competition with Krispy Kreme began to crowd into its market and expansion plans that Krispy Kreme had projected had to be scaled back due to falling sales.

Consumer interest in reduced carbohydrate consumption, including , but not limited to, the interest in and popularity of low carbohydrate diets, such as the “ Atkins” and “ South Beach” diet plans have been blamed for declining sales in pre-packaged (grocery store) donuts. 2 Industry Analysis Their leading competitors are “ Dunkin Donuts”, with worldwide sales of \$2.

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7 billion (2002) 5200 outlets worldwide and a 45% market share based on dollar sales volume, and “ Tim Hortons”, a Canadian-based company, which has expanded in the U. S. Markets. Tim Hortons” sales in 2002 in the U. S. (160 outlets) and Canada (2300 outlets) were a combined \$651 million.

A major strategy that “ Dunkin Donuts” has used successfully is to emphasize its coffee sales more than its donut sales. Their drive-thru service makes it convenient for patrons to pick up a cup of coffee on the go, and maybe while they’re there, pick up a donut, too! They also have donuts with “ better” nutritional value, i. e. , are lower in calories, fat and sugar. One of their major strengths as a competitor is its name recognition and market saturation.

Its ad campaign slogan of “ Time to make the donuts! ” was very popular and made for memorable ads. “ Dunkin Donuts” is viewed by many patrons as more modern and more convenient because of their drive through windows. “ Tom Horton”, on the other hand, while well-known in Canada is not as recognizable in the United States as “ Dunkin Donuts”, although it does seem to have gained a foot-hold in states along the border, such as Maine, New York , Ohio, etc. , and other select locations in the eastern U. S..

There are constant threats of new competitors in this industry.

In addition to coffee retailers and cafes, such as “ Starbucks“, “ Seattle’s Best” and other distributors, competition from other bakery retailers, such as “ Winchell’s Donut House” and “ LaMar’s Donuts” appear to be the chief new threats. However, current expansion plans for those firms appear to have fallen short of projections, perhaps due to over-saturation of the markets and

the slowing economy. Competitors are always coming up with substitute products to attract customers. Specialty items, such as bagels, muffins, breakfast sandwiches and other items that may not be as sweet as donuts are popular and/or are easier to eat on the go.

Specialty drinks, both hot and cold, particularly high-end coffees are always popular with customers and a threat to Krispy Kreme's coffee, which has received mixed reviews from patrons. Outside suppliers have relatively little impact on the firm's business as Krispy Kreme manufactures the mixes for the donuts, and the donut-making equipment, and is the coffee supplier for use in the company-owned and franchised stores. However, the "KK Manufacturing and Distribution" segment of the company, as it's known, generates a substantial portion of the company's earnings. 3

The Organization

Krispy Kreme's vision statement, as shown on their website, is "To be the global leader in doughnuts and complementary products, while creating magic moments worldwide." Krispy Kreme's business strategy is focused on revenue from their company-owned stores, royalties and franchises fees, and sales of the mixes, specialty coffees and donut making equipment.

Their organizational structure was simple. They felt strongly that the franchising was the best way to go, as it involved little risk for them, provided income, and at the same time, put more of the responsibility on the franchise holders.

In 2001, cash flow return on equity investment for franchises was at 91%, so attracting franchises was not a problem. In 2003, the company's business

strategy was to add enough new stores and increase sales enough to achieve 20% annual revenue growth and 25% annual growth in earnings per share. However, they failed to invest in product development beyond the “let’s try that” stage. By all appearances, strategies do not appear to be capable of maintaining a competitive advantage for very long, as their products were easy to replicate sufficiently for most customers.

As a matter of fact, many of their competitors considered it an advantage when Krispy Kreme came to town, as it brought attention to donuts, which resulted in increasing their own sales! In July of 2004, the company announced that the SEC was “launching an inquiry into the company’s accounting practices. Later that year, in December of 2004, they announced still more “accounting errors” that could reduce the net income for FY 2004 anywhere from 2.7% to 8.6%. By then, their stock had fallen from \$40 a share in March of 2004 down to \$10-13 in December. 4 The Marketing Strategy

It is difficult to determine where the marketing department resides within the organization, as very little evidence of market research exists.

Krispy Kreme’s marketing plan seems simple on the surface; they don’t appear to have put much effort into marketing their product. The company spent very little on advertising, depending largely on word of mouth, and local publicity. Store openings were popular events in the communities, so often newspapers and other media provided free publicity for the events. This strategy seems to still work well for new store openings, but would not be sufficient to generate continuing business.

This is evidenced by the fact that even while new stores are opening, older stores within the same market are having to close.

In short, the company's marketing strategy appeared to consist merely of allowing its product to sell itself. The product's superior reputation, the firm's operational techniques, i. e. , their training, facilities management and franchise management, appears to be appear to be the Krispy Kreme's major strengths. When adding the coffee product to the organization, they also included it within the " vertical integration supply chain to control costs.

They felt that this would ensure quality and consistency in the product.

When Krispy Kreme purchased the Montana Mills Bread Company, there seemed to be a sense that this was just a logical next step. In fact, the CEO considered this acquisition as the " natural outgrowth" in the continuing process of vertically integrating an entire range of products and services for " flour-based", short-shelf life products. Again, failure to do appropriate and effective market research, Krispy Kreme missed the identifying the new trends toward reduced carbohydrate consumption patterns in the general public.

As a result, Krispy Kreme acquired a company in 2003 that by the end of fiscal year 2004, had lost \$2 million dollars. Problems Found in Situational Analysis 1 Statement of primary problem. The primary, and most critical, problem area is the lack of a cohesive marketing structure within or a strategic marketing plan for the organization.

Flawed or absent marketing research has resulted in store closings and or expansions that were not backed up by market data or evidence that this

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investment would be feasible. The “Montana Mills” acquisition was based on the CEO’s “feeling” that the services for “flour-based”, short-shelf life products investment was a logical fit with their current process of vertically integrating services for “flour-based”, short-shelf life products. Market research would have identified the new trends toward reduced carbohydrate consumption patterns in the general public. The company spent very little on advertising, depending largely on word of mouth, and local publicity. Store openings were popular events in the communities, so often newspapers and other media provided free publicity for the events.

This strategy seems to still work well for new store openings, but would not be sufficient to generate continuing business. As a result, Krispy Kreme acquired a company in 2003 that by the end of fiscal year 2004, had lost \$2 million dollars. While Krispy Kreme later divested itself of the Montana Mills operation, this entailed a write-off of \$34 million initially; with further write-offs of \$2-\$4 million in subsequent quarters. This bad investment, in addition to slumping sales resulting from the trend toward low carbohydrate diets resulted in the company’s reporting a \$24. million loss for the quarter of fiscal year 2005. This is evidenced by the fact that even while new stores are opening, older stores within the same market have to close.

In short, the company’s marketing strategy appeared to consist merely of allowing its product to sell itself. 2 Statement of secondary problem The secondary problem is their insistence on using a vertically integrated supply chain whereby it manufactured the mixes and the proprietary doughnut-making equipment, as well supplying the coffee for use in their stores.

While this KK Manufacturing and Distribution division of Krispy Kreme generally provided substantial revenues and earnings to the business, this too, began to slip along with other revenues, and also contributed to Krispy Kreme's lack of current market data. Analysis of revenues for fiscal year ending February 1, 2004, showed KK Manufacturing and Distribution revenues at \$193, 129, 000. Revenues by October 31, 2004 had dropped to \$142, 288, 000. Another, perhaps incidental side-effect of this dependence on internal supply chain could be that the "isolation" from outside suppliers prevented an additional source of market information.

While not mentioned in the textbook case analysis information, one could surmise that regular communication, provided by contact with the "outside business world" via sales representatives, would have provided Krispy Kreme with a decent source of "incidental", secondary market research on their competitors. Sales representatives must, by necessity, know what is going on in the marketplace, so they can make decisions on how best to supply their customers' needs. Krispy Kreme had cut itself off from a good source of valuable, but free, market information. 3 Statement of tertiary problem.

Krispy Kremes's financial accounting systems appear to be inadequate for accurately reporting the financial information that is necessary to make management decisions. This also serves to erode public confidence and trust; making them reluctant to invest in the company.

In July of 2004, the U. S Securities and Exchange Commission launched an inquiry into the company's accounting practices regarding certain franchise buybacks. In December 2004, the company announced that it had identified

accounting errors related to two franchise buybacks that could reduce net income for FY2004 by 2.7 percent to 8.6 percent.

The company's outside auditor refused to complete reviews of the company's financial performance until a special committee of the company's board of directors had completed its review of the bookkeeping problems. By late December 2004, Krispy Kreme's stock had fallen from \$40 per share in March 2004, down to @\$10-\$13 per share. Formulate, evaluate, and record alternative course(s) of action 1 Strategic Alternative 1 Strategic Alternative 1 would be to conduct a corporate-wide financial and operational audit of random stores, both company-owned and franchised to determine causes of negative ratio of revenues to expenses. Benefits The Quarterly Operating Performance (Peter and Donnelly, 2009) tables demonstrated that from Fiscal Year 2004 to Fiscal Year 2005, performance declined in both venues. However, this information does not detail either the reason for the decline, or why the report indicated that the company-owned stores' performance declined at a faster rate than did the other franchisee operations.

(Page 711). The benefit(s) of conducting this audit would be that it would assist management in identifying causes of increased operating expenses in corporate stores vs. the franchise operations.

Another benefit would be in discovering the accounting errors in existing systems that resulted in reduction of net income by from 2.7% – 8.6%.

Management needs clear and accurate information in order to make appropriate operating decisions for the company. By itself, the fact that this reduction had to be stated by a percentage range, rather than a specific

percentage, would indicate that accounting methods are not accurate enough to provide this critical information. Finally, this independent audit may serve to revitalize investor confidence in the company.

Regardless of the struggles, if the information put forth in the market is believed to be accurate, investors may be more willing to take a chance in the company.

2 Costs The cost(s) of the audit would be the financial investment of hiring, accountants to audit the books, as well as operational efficiency experts to audit the systems for operational issues. In the case of the operational efficiency experts, there may be an additional cost (temporary) associated with down time of equipment for examination, as well as the lost production time of personnel involved in the process.

There also is the potential cost of additional loss of investor confidence as (if) results from these internal audits are made public. However, it is expected that this last “ cost” would be temporary and impact could be minimized by appropriate management response regarding next steps.

2 Strategic Alternative 2 Strategic Alternative 2 would be the development or enhancement of the marketing department

1 Benefits As discovered during the situational analysis, probably the primary, and most critical, problem in the operational area is in the lack of a cohesive marketing structure within or a strategic marketing plan for the organization.

Flawed or absent marketing research has resulted in store closings and or expansions that were not backed up by market data or evidence that this investment would be feasible. This is needs to be counteracted quickly by the development or enhancement of the marketing department. This should be done by recruitment of competent in-house marketing specialists to

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develop a marketing plan and carry it out either through in-house efforts, or (preferably), through the use of an external marketing firm.

This marketing plan must contain elements addressing appropriate marketing research of industry environment and a marketing strategy addressing current and possible future competition. Secondary Sources for marketing research are often a good place to obtain base-level data at minimum financial outlay. This kind of data for the restaurant and food service industry can be obtained through online sources such as “ Market Research. com”. For example, the “ 2009 Restaurant, Food & Beverage Market Research Handbook”, by Richard K.

Miller & Associates, can be downloaded for a nominal cost of \$285. The benefit of this item is that it could be used as a tool to assist senior management in understanding what the marketing research plan will attempt to address and accomplish. It also would provide a broad look at the industry environment and issues currently faced. Other secondary sources, such as the “ Restaurant Marketing Group™ (RMG)” should also be investigated. This firm has various methods that it uses for conducting consumer research, one of which, the “ Food Actually” study is described as “.

.. a measure of a consumer’s perception of the ingredients a brand uses. ”

Research for the study was conducted as an online survey focused on each brand’s Food Actually® rating, the factors contributing to the Food Actually® rating, and how significant Food Actually® is in relation to other brand considerations. A Food Actually® rating is given to each of the 128 brands included in the study using a ten point scale to determine the consumer’s perception of, and confidence in, a brand’s food.

This report costs a mere \$99, but could provide valuable insight into consumer's decision-making process.

However, in the case of Krispy Kreme™, secondary sources of data are not sufficient for developing a cohesive marketing strategy. Primary data must be obtained about the current industry, customers and competition, both current and potential. While collection of primary data, could theoretically be done by in-house marketing personnel, hiring an experienced marketing firm that focuses on the restaurant and food service industry would be more effective and efficient in the long run.

The firm mentioned above also provides a service called “ Rapid Ad Feedback” which delivers a quantitative-qualitative feedback on upcoming campaigns before they go “ live” to ensure the message is effective. This can tell the marketing department if potential consumers understood the main message of the ad and if not, what was confusing.

It can also provide information on what respondents perceived about the brand (based on what they saw in the ad and what might motivate them based on the ad).

A competent market firm should be able to provide all both quantitative and qualitative data such as market research, customer profiling ; loyalty, focus group moderating, and local store marketing. This last item assists the operation audit mentioned above by providing valuable primary data on an ongoing basis. Of course, the firm mentioned above is just an example of the type and services one would for in a marketing firm. 2 Costs Since cost is a consideration in Krispy Kreme's current financial situation, a competitive bid

process for selection of the marketing firm might be a recommendation. 3

Strategic Alternative 3

Strategic Alternative 3 would be to conduct a cost-effectiveness analysis of the supply chain.

1 Benefits Since Krispy Kreme has a long history of using this method, there would be more than ample data to be able to set the pre-determined standard of service necessary for the benefits side of the equation (which is held constant), and then compare various options for providing that standard of service, with the least-cost method identified as the preferred option. It most likely will not be cost-beneficial (or even necessary) to attempt to outsource the manufacturing of the donut-making equipment, although this could be studied later.

Although KK Manufacturing and Distribution division of Krispy Kreme generally provides a substantial portion of the revenues and earnings to the business, it may not be the most efficient method over time. Krispy Kreme should investigate other supply chain methods for coffee and flour products. Simply based on the amount of flour that Krispy Kreme would be purchasing, many suppliers would provide volume discounts, which could benefit the company by lowering operating costs.

A side benefit, which was mentioned in the earlier situational analysis, would be the access to market data from outside sales personnel, bringing the market “gossip” with them.

This will provide Krispy Kreme with some “incidental”, secondary market research on their competitors. Krispy Kreme is known for donuts, not for

coffee, and historically has suffered from mixed reviews. It might be beneficial for Krispy Kreme to investigate linking up with a well-known coffee vendor, such as Starbucks, Caribou or some other supplier. This “partnership” could prove beneficial to both companies.

For example, Krispy Kreme could take advantage of the reputation for superior coffee by advertising, “ Now serving Starbucks™ coffee! ” And Starbucks could advertise, “ Starbucks™ coffee now available at Krispy Kreme stores everywhere! ”

2 Costs The cost of this study would most likely be minimal as it could (and should) be done simultaneously with the independent financial and operational audit. The benefits of this could be tremendous cost-savings over time.

Selection of Strategic Alternative and Implementation 1 Statement of Selected Strategy

Having examined and evaluated the possible alternative courses of action aimed at righting the future course of the Krispy Kreme Doughnuts, Inc. , we believe that the most immediate need is (Alternative A), to conduct a corporate-wide financial and operational audit, including but not limited to, company-owned and franchised stores to determine causes of the negative ratio of revenues to expenses. It is this analyst’s opinion that ample data exists to, simultaneously and as part of this audit, conduct a cost-effectiveness analysis of the company’s supply chain, i. e. their use of a vertically integrated supply chain, to determine if this method is, and will continue to be, the most efficient method over time (Alternative C). While enhancements to the marketing department and subsequent development of

a marketing plan (Alternative B), are indeed critical elements in the company's recovery and future development, without a clear picture of the company's financial status and an analysis of operating processes and capabilities, any marketing strategies would for all practical purposes, amount to a "shot in the dark", and would not result in the best use of company assets.

Justification of Selected Strategy It is believed that the results of this audit would provide senior management with the clear and accurate information required to make appropriate financial and operating decisions for the company. Additionally, operations information would provide critical data to all levels of management, from the most senior levels to line supervisors at corporate headquarters, as well as providing useful information to franchisees to guide them in their financial and operational decisions.

This in turn could result in higher revenues and lower expenses at all levels which would benefit both the franchisees and the Krispy Kreme Doughnuts, Inc. According to The Center for Audit Quality (CAQ), "Auditors conduct a systematic examination to consider whether the financial statements are fairly presented and free from material misstatements." (2009, page 3). Therefore, it is also believed that, regardless of the outcome from the audit reports, potential investors' confidence will be enhanced if information is believed to be accurate as released.

3 Description of the implementation of strategy.

The company's current outside auditing firm, Pricewaterhouse-Coopers, LLP, has refused to complete reviews until the bookkeeping problems were

reviewed. Therefore, the first step would be to select an outside accounting firm to work with the firm's board of directors, selected managers and the accounting department to conduct a review of the company's general accounting processes and controls. Method of selection shall be by competitive contract, with predetermined evaluation factors. Accounting controls expertise and certifications shall be scored as paramount for selection.

Consideration will also be given based on the firm's previous experience with companies of similar industries, size, breadth and corporate issues. Consideration of the fairness and reasonableness of costs proposed shall be a consideration, but as a deciding factor only in case of a tied bid evaluation score. Once the auditing team has been selected, the next step is to begin the preparation for the audit. This preparation begins with a meeting of the corporate members of the audit committee to begin creation of an audit framework.

This framework will document all the steps in process, as well as the expectations of outside accounting (contracted) firm.

Next, a meeting with the outside accounting firm will be held to outline the audit procedures, timelines, fees and all other expectations, such as access to information and information security. Simultaneously, meeting(s) will be held with committee members responsible for conducting operation inspections and interviews at company-owned facilities. Pre-planning will be for contact with franchises to request interviews and access to their facilities for analysis of operations pertaining to that aspect of the 'audit'.

Collection of internal cost data for supply chain analysis will also begin at this stage. The audit process begins by examining corporate level general controls.

The board of directors and their direct reports shall be responsible for reviewing areas regarding the company's control environment, e. g. , effectiveness of the company's formal ethics and audit committee, its ongoing activities, such as training and communication. Business and marketing plans shall be reviewed by department heads for current status, i. e.

, whether it is being reviewed regularly, signed off on, updated, etc.

Management planning reports are reviewed by department heads of appropriate divisions for current status. Methods for use of information contained in operations reports, and for updating as necessary, are reviewed and documented. Financial Management Office divisions and staff shall review systems to ensure their capability to maintain and store all transactional and accounting data required to produce financial statements for each division. External accounting firm associates will begin audits of financial data for all company-owned and the randomly-selected franchise stores.

Since the marketing department has expertise at developing surveys, they will contribute to the effort by development of formative research tools to collect primary data from franchisees and from outside suppliers.

This data can be used by auditors to assist in the cost-effectiveness analysis. Marketing department personnel will also collect information based on

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available secondary data sources to obtain base-level data at minimum financial outlay. The next step will be to complete the final review of the books as of the pre-selected “close-out” date, review the results, and prepare the audited financial reports.

Based on information already at hand through previous internal “probes” as well as the inquiries by U. S.

Securities and Exchange Commission, it is expected that these financial reports will differ substantially from previously released reports. However, due to the scrutiny and meticulousness of the audit, these reports will prove their value by enabling management at all levels to use the information contained therein to make critical business decisions. Final written reports from operations analysis will identify key areas of success and key challenges to future growth of the company.

Formative research data will also serve to strengthen this analysis by upholding the findings and recommendations from this report. This data may also play a key role the development of a marketing plan for future growth. The success (or failure) of this alternative will be measured by the preciseness of the data collected, by the applicability of the information collected and by the report’s ability to pinpoint areas of concern.

This audit must serve three purposes: 1 to identify the problem areas; 2 to examine the cause(s) of the problems, and 3 to suggest possible solutions to prevent recurrences. Summary

Based on the information provided as well as data obtained through additional research, it is evident that the past five years, specifically late
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2004 – 2009, have been extremely problematic for Krispy Kreme Doughnuts, Inc.. Issues with their financial management systems which have resulted in unclear and unauditable financial reports, have dealt a major blow to investor confidence, which only compounds the financial problems with which the company is dealing. Lack of investment in and innovative approaches to their marketing strategies have left the company without good, solid marketing plans for their recovery and future development.

Assumptions have continued to be made about customer desires, without appropriate data to back up those assumptions. Assumptions also continue to be made about supply chain and other company operating methods. It is apparent based on the analysis of available information for this case that while there are many potential issues that can forestall the above-mentioned recovery and future development. However, it is believed by this reviewer that by taking the appropriate steps correct the identified problems and begin to implement the proposed solutions, the Krispy Kreme Doughnuts, Inc. can once again thrive in today's restaurant industry markets. Appendices 1 Financial Analysis and Selected Tables According to a financial statement filed by Krispy Kreme Doughnuts, Inc.

filed 10/31/06 for the Period Ending 01/29/06, lower average weekly sales had a disproportionately adverse impact on company store profitability due to the significant fixed or semi-fixed, as a result, the Company closed 14 stores in fiscal 2005 and 47 stores in fiscal 2006. The lower sales in the franchise stores had a direct impact on the revenues of the Krispy Kreme Manufacturing ; Distribution (KKM; D), as well as revenues from royalties.

According to this financial statement, Krispy Kreme Doughnuts, Inc. is "...
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vertically integrated to help maintain the consistency and quality of products throughout the Krispy Kreme system. " A loss incurred in fiscal 2005 reflects impairment charges of approximately \$159. 0 million related to goodwill, other intangible assets and property and equipment associated with the Company Stores business segment, and approximately \$35. 1 million related to the Company's discontinued Montana Mills segment.

According to the report, " The Company incurred a loss from continuing operations of \$157. 1 million in fiscal 2005 compared to income from continuing operations of \$49.

8 million in fiscal 2004. Table 1 below, " Selected Financial Data" is taken from the above referenced financial statement filed by Krispy Kreme Doughnuts, Inc. filed 10/31/06 for the Period Ending 01/29/06. " Table 1: SELECTED FINANCIAL DATA. [pic] Table 2 below summarizes the Company's cash flows from operating, investing and financing activities for fiscal years 2004, 2005, and 2006: Table 2 Liquidity and Capital Resources | Jan.

	2006	2005	2004
Net cash provided by operating activities	\$1, 865	\$84, 921	\$82, 665
Net cash (used for) investing activities	(\$11, 688)	(\$47, 607)	(\$169, 949)
Net cash provided by (used for) financing activities	\$138	(\$34, 214)	\$76, 110
Effect of exchange rate changes on cash	(\$10)	\$340	—
Cash balances of subsidiaries at date of consolidation	—	\$3, 217	—
Cash balances of subsidiaries at date of deconsolidation	(\$1, 011)	—	—
Net increase (decrease) in cash and cash equivalents	\$ 6, 657	\$ (11, 174)	(\$10, 706)

Reference List Retrieved November 1, 2010, New York: McGraw-

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