

# Macro and micro environment analysis of dominos



**ASSIGN  
BUSTER**

Domino's pizza is considered to be world's most renowned company around the globe. Domino's offer both, delivery from door to door as well as take away from store. Currently Domino's pizza chain is expanded over 8000 store around the world, whereas foremost cities of U. S have a domino's pizza. Domino's fulfils customer's yearning for Italian American food through its treasure of fresh ingredients and by offering wide variety of options in the menu.

### **Macro and micro environment Analysis:**

Downturn in national or world economies and rising of inflation which is being experienced current period, are the most common factors that can affect businesses. Conversely, what cause an adverse effect for many companies, has had a constructive effect for Domino's Pizza UK, Ireland, the most leading delievery franchise. Keeping in view the current economic situation Domino's Pizza sales had increased up to 11% in the first six week of 2008 than that of same period of last year, due to, mostly people preferred for delivery at home, instead of going for eat outs, Like-for-like sales rose 14. 7% last year, despite a price rise across Domino's menu last autumn. (The Times, 20th February 2008)

According to Cheif Executive, The Chris Moore, ' The results are proof that our price point is resilient in these economic times and that we are benefiting from the downturn in the restaurant sector. Instead of eating out three or four times a week, we are seeing real signs that [people] have cut that to once or twice. They are filling up that gap with pizza instead.' (The Times, 20 February 2008)

His comments came soon after the company announced plans to move up to the main market in order to obtain funds it has been unable to attract in the nine years it has spent on the Alternative Investment Market (AIM). Domino's shares have climbed 14-fold since the company floated in November 1999 and the group now has 501 sites across the UK and Ireland, with plans to open 50 more this year. Its aim is to have 1, 000 by 2017. (The Times, 20th February 2008).

Domino's said, sales had been enhanced, due to these new pizzas, like wise, Meateor and the rugby-themed Scrummy, and by offering new ways of ordering, like wise e-commerce sales-orders taken electronically either online or through text messages, due to which sales have been intensified to 60. 5%. According to Domino's prediction, the drift for ordering-in food would continue this year. At present the external environment shifting rapidly. The external environment consists of everything outside the business.

Even in the present critical economical situation, domino's continues to succeed which is due to domino's remorseless emphasis on the quality of domino's pizzas, penetrating commitment to service and by publicizing to domino's customers to whenever and wherever they are willing to order. It is their frequency that has brought profit growth of 27. 8% to £29. 9m (2008: £23. 4m) and that will persists to get-up-and-go domino's business in years to come.

## **PEST ( Political, Economic, Social and Technological)**

### i. POLITICAL ISSUES:

Political issues include regulatory frame work operating in judicial system which may distress the business in diverse ways. In UK, there isn't as such factors that might embrace domino's business. While factors like, laws on business employment, pollution and taxation apply on the organization which it should follow according to rules.

#### ii. ECONOMIC FACTORS:

If the county's economy is better so the GDP of the country will be good, it is the initiative for business as the per capita income increases people will spend more money. According to domino's survey, it came to know that mostly people spend more and visit more often, during or start in on of months. Moreover, rise in inflation rate, leads to increment of cost of raw material which also leads towards higher prices for goods and vice versa

#### iii. SOCIAL FACTORS:

Domino's is a multinational and it is basically inaugurated from America, therefore, the organization is snowed under by domino's western culture. There are different social forms of society which consists of, upper class, middle class, middle upper class, and lower class. Moreover, every single nation, state has their own cultural norms, beliefs, religion, values which might affect the organization world wide.

#### iv. TECHNOLOGICAL FACTORS:

At the present time, technology is improving, so as baking and heating ovens will be of new and efficient technology and will provide efficient service. Due to these innovative technology there are many latest ways of publicizing like <https://assignbuster.com/macro-and-micro-environment-analysis-of-dominos/>

wise, through internet; telemarketing through which organization can advertise their products in much more rapidly than ever before. Computer based customer data that is MIS (managing information system) helps in collecting customer data, daily transactions, future forecasting and decision making. New vehicles will make their service more efficient.

### **Briefly discuss the industry of sector**

The food industry is a complex, global collective of diverse businesses that together supply much of the food energy consumed by the world population. Only subsistence farmers, those who survive on what they grow, can be considered outside of the scope of the modern food industry.

The food industry includes:

Regulation: local, regional, national and international rules and regulations for food production and sale, including food quality and food safety, and industry lobbying activities

Education: academic, vocational, consultancy

Research and development: food technology

Financial services insurance, credit

Manufacturing: agrichemicals, seed, farm machinery and supplies, agricultural construction, etc.

Agriculture: raising of crops and livestock, seafood

Food processing: preparation of fresh products for market, manufacture of prepared food products

Marketing: promotion of generic products (e. g. milk board), new products, public opinion, through advertising, packaging, public relations, etc.

Wholesale and distribution: warehousing, transportation, logistics

These subtle technologies ascertain prevailing food production. Which encompasses numerous areas, including, Agricultural machinery, originally led by the tractor, has practically eliminated human labor in many areas of production. Biotechnology is driving much change, in areas as diverse as agrochemicals, plant breeding and food processing. Many other areas of technology are also involved, to the point where it is hard to find an area that does not have a direct impact on the food industry. Computer technology is also a central force, with computer networks and specialized software providing the support infrastructure to allow global movement of the myriad components involved.

### **Key success factors**

The critical success factors are related to domino's broad areas, customer's preference for pizza

as a food item.

Its ability to prepare a pizza within a short time, to deliver it within 30 minutes of recording the order, and the store location.

Since Domino's business model is based on home delivery, the speed of preparing the pizza and delivering it are the critical success factors.

## **International strategies (Competitive analysis)**

### **SWOT Analysis:**

Every organization has its own strengths and weaknesses as well as threats and opportunities, As far as domino's swot is concerned its swot analysis is as under.

#### **Strengths:**

Currently Domino's is the market leader in providing wide range of pizzas, in a manner that there are no competitor in this sector. Their admirable image has made the organization more worthwhile. Moreover, Domino's is renowned for its pleasing taste, quality products with qualified staff, splendid ambience and hygienic surroundings. They are specialized in pizzas. Moreover, the motivation level of staff is very high which makes the organization more prosperous. They are ISO (International Standard Organization) certified. They are equipped with plenty of resources for operating different activities of the organization. They are providing free home delivery service. They have created a monopoly in this sector. Another big strength and even a competitive advantage is the fact that they have a full service restaurant as well as delivery services. Most of Domino's competitors do not have restaurants. Because of the restaurant, Domino's can market to many different segments that other pizza chains cannot. For example, Domino's can market to families much easier than Domino's or Little Caesar's.

**Domino's weaknesses:**

As far as domino's weaknesses is concerned, domino's holding a restaurant to run is also the major weakness that it has, because of it has higher overhead cost than that of competitors as competitors don't have a restaurant to deal with therefore their overhead cost is quite lower than that of Domino's. As a result of higher overhead cost domino's charge higher prices. Obviously, Domino's is not the low cost producer. As they charge higher prices so that's why they are accountable for quality pizza and good service. They are providing less range of products comparatively with high prices. They are more focused on western taste instead of Eastern.

Very few outlets have dine-in facilities

The menu is limited and pricey, and there are very few budget items on the menu.

**Opportunities:**

Domino's has a high potential therefore it has numerous opportunities like wise, if it come across new markets then new opportunities will be born.

Considering eastern test of the people like Mc donalds, Domino's can come up with new products. Market share can be increased by bringing variety of new products. Prices can be reduced because of more domino's.

**Threats:**

Currently major threat that Domino's can face are from competitors, as their immediate competitor which is pizza hut, is working over to open their branch hastily. But competitive advantage that domino's have over pizza hut is their lower price.



## **Evaluate domino's company strategies with other different companies:**

Though Domino's has flourished in expanding over continent and had observed a remarkable achievements, but in attaining to develop globally, it has been unable to manage the domestic market with full proficiency and as a consequence , is losing grounds in the domestic market. Moreover , Domino's has mobilized the standard of pizza industry to a great extend, keeping current economic situation in mind, where rising of commodity prices and decrease in people's purchasing power, Domino's is struggling to keep a tie between profitability as well as maintaining standards. Moreover, the increasing competition in the fast food industry adds to these cluster of challenges.

The main reason for Pizza Hut's has been their menu that has been constantly reformed and expanded in order to foster with the changing need and preferences of customer in different part of the world. In having understood the pulse of the customers, Pizza Hut has clearly established itself as a brand with a Britain heart and Domino's need to learn that.

## **Benchmarking:**

For many years as a private company, Domino's really benchmarked against itself, without looking at the outside world. We were proud of the fact that for many years we had positive same-store sales, which is a big financial indicator of growth and success in the retail world. Well, that was the good news.

The bad news was that during those years our competitors were growing at a very faster pace. Domino's were actually giving up market share. At the same time, domino's were hosting internal celebrations of the fact that against our own internal matrix domino's were doing well. Domino's not only had to look at what had been our past results and reconcile how domino's were performing against that benchmark, but also domino's needed to look at the world around us, look at our competitors, and in many instances, I really wanted us to look at the very best in class. Who is out there doing the best possible job in this particular area of business? Domino's need to find out what their results are and start to hold ourselves accountable for that particular level of performance.

Domino's accept mediocrity because domino's can choose a lot of people around us who are just as mediocre as domino's are. I want to find the very, very best, and I want to benchmark against them, and I want to get as good or better. I think if I lead that expectation and I get my team and my organization to embrace it, that's how domino's' were going to become world-class performers.

## **Takeaways**

When organization become successful, people tend to believe that thing now don't need to improve but the fact is, things does not remain the same-it can be worst even or it can be better.

At the instant companies become confident and detached at the very instant companies begin to decline. In order to have a high-performance organization you need to cultivate a culure of continuous improvement.

Don't go for ordinariness, instead, analyse your competitors, set benchmark against them and attain the top-notch performance.

### **Organisation strategy:**

A business's strategy is basically arrangement of decision that a company make in order to attain its goals. A business has cluster of goals and objectives. And in order to attain those objectives businesses need to organize their business activities. For running a business, planning is essential for both current and as well future activities. Therefore, in order to attain their business objectives , organization need to comply with different strategies. In accordance with, Domino's has also adopted many strategies which help in attaining the target which are set by the main office to the local store opened at Peshawer. Changes in the external as well as internal environment has made Domino's to re consider their past strategies and has hence designed new strategies after considering the changes in the environment. Through SWOT and PEST analysis, environmental changes are scrutinized. After acknowledging all the factors Domino's has decided upon the strategies and their current strategies are categorized into five main categories and further have sub parts. These strategies are: -Functional Strategies: -

These strategies are outlined to improve proficiency of business operations. They often focus on an area, such as marketing, human resources etc. All business organizations adopt strategies at functional level as once the functional objectives are achieved, corporate objectives become easy. In order to make the functional strategy efficient, Domino's has made all the functional departments co-operate with each other.

## **Porter's Five Forces analysis of market structure**

The competitive structure of an industry can be analysed using Porter's five forces.

This model attempts to analyse the attractiveness of an industry by considering five forces within a market.

According to Porter (1980) the likelihood of firms making profits in a given industry depends on five factors:

1. The likelihood of new entry i. e. the extent to which barriers to entry exist. The more difficult it is for other firms to enter a market the more likely it is that existing firms can make relatively high profits.

The likelihood of entering a market would be difficult if:

the entry costs are high e. g. if heavy investment is required in marketing or equipment

there are major advantages to firms that have been operating in the industry already in terms of their experience and understanding of how the market works (this is known as the "learning effect")

Government policy prevents entry or makes it more difficult; for example, protectionist measures may mean a tax is placed on foreign products or there is a limit to the number of overseas goods that can be sold. This would make it difficult for a foreign firm to enter a market

the existing brands have a high level of loyalty

the existing firms may react aggressively to any new entrant e. g. with a price war

The existing firms have control of the supplies . e. g. entering the diamond industry might be difficult because the majority of known sdomino'sces of diamonds are controlled by companies such as De Beers.

## 2. The power of buyers.

The stronger the power of buyers in an industry the more likely it is that they will be able to force down prices and reduce the profits of firms that provide the product.

Buyer power will be higher if:

there are a few, big buyers so each one is very important to the firm

the buyers can easily switch to other providers so the provider needs to provide a high quality service at a good price

The buyers are in position to take over the firm. If they have the resdomino'sces to buy the provider this threat can lead to a better service because they have real negotiating power

## 3. The power of suppliers.

The stronger the power of suppliers in an industry the more difficult it is for firms within that sector to make a profit because suppliers can determine the terms and conditions on which business is conducted.

Suppliers will be more powerful if:

<https://assignbuster.com/macro-and-micro-environment-analysis-of-dominos/>

there are relatively few of them (so the buyer has few alternatives)

switching to another supplier is difficult and/or expensive

the supplier can threaten to buy the existing firms so is in a strong negotiating position

#### 4. The degree of rivalry

This measures the degree of competition between existing firms. The higher the degree of rivalry the more difficult it is for existing firms to generate high profits.

Rivalry will be higher if:

there are a large number of similar sized firms (rather than a few dominant firms) all competing with each other for customers

The costs of leaving the industry are high e. g. because of high levels of investment. This means that existing firms will fight hard to survive because they cannot easily transfer their resources elsewhere

The level of capacity utilisation. If there are high levels of capacity being underutilised the existing firms will be very competitive to try and win sales to boost their own demand

the market is shrinking so firms are fighting for their share of falling sales

there is little brand loyalty so customer are likely to switch easily

betdomino'sen products

## 5. The substitute threat.

This measures the ease with which buyers can switch to another product that does the same thing e. g. aluminium cans rather than glass or plastic bottles. The ease of switching depends on what costs would be involved (e. g. transferring all ydomino's data to a new database system and retraining staff could be expensive) and how similar customers perceive the alternatives to be.

Using Porter's analysis firms are likely to generate higher returns if the industry:

Is difficult to enter

There is limited rivalry

Buyers are relatively small

Suppliers are relatively small

There are few substitutes.

On the other hands returns are likely to be low if:

The industry is easy to enter

There is a high degree of rivalry between firms within the industry

Buyers are strong

Suppliers are strong

It is easy to switch to alternatives

The implication of Porter's analysis for managers is that they should examine these five factors before choosing an industry to move into. They should also consider ways of changing the five factors to make them more favourable.

For example:

If firms merge together this can reduce the degree of rivalry. This has happened a great deal in industries such as automobiles, pharmaceuticals and banking where firms have joined together to remove competitors

if firms buy up distributors (this is called forward vertical integration) they can gain more control over buyers

if firms differentiate their product perhaps by trying to generate some form of Unique Selling Proposition (USP) that makes it stand out from the competition. This lies at the heart of many marketing and brand building activities. Coca Cola, for example, has fought hard to promote itself as "the real thing"; everything else is just imitation!

if they react aggressively to a firm that enters its market this may deter potential entrants in the future

The five forces will change over time as market conditions alter. For example, more information is available nowadays to enable customers to compare offerings and prices; this gives buyers more power. The opening up of world markets (for example through the efforts of the World Trade Organisation to reduce protectionist measures that limit trade and the



expansion of the European Union enabling free trade between more countries) has led to much more rivalry in markets in recent years. In North America, for example, the sales of Japanese firms such as Toyota have gradually been reducing the market share of American producers such as General Motors as consumers have more choice. Meanwhile, the success of the internet has made it easier for producers to enter many markets such as finance, book retailing and clothes retailing; the ability to start selling online has reduced a major barrier to entry which was the investment required to set up a network of shops. As ever the business world is not static and the conditions in any industry will always be changing. As this happens the various elements of the five forces are always shifting requiring established firms and potential entrants to review their strategies.

### **Effectiveness of international strategy:**

It reaches geographically dispersed buyers. Domino's vision is focused on "Exceptional people on a mission to be the best pizza delivery company in the world!". Domino's is committed to bringing fun and excitement to the lives of domino's customers by delivering delicious pizzas to their doorstep in 30 minutes or less and all its strategies are aimed at fulfilling this commitment towards its large and ever-growing customer base. It's all advertisement are image of core competencies.

They also should have a variety of combinations of menu items which a customer can choose so that both the customer and the company can have a win-win situation. The company can have the maximum of the consumer surplus at the same time the consumer might feel that this was the best offer. From the menu card one can see the family size variants and the

<https://assignbuster.com/macro-and-micro-environment-analysis-of-dominos/>

different pizza combinations in the same one pizza are all the different ways of pricing. The company attains the maximum profit in the meat items, so they give the selection of pizzas slices of different varieties and they are clubbed together to form a single pizza.

Once the customer dines / orders @ home, normally discount coupons are given to the customer so that there is an incentive for the customer to order from Domino's . Thus customers are forced to maintain loyalty towards Domino's .

## **Sustaining, building relationships and Exploiting Changing Conditions**

Over the years domino's has also developed and successfully introduced a range of products especially suited. What has also given domino's a competitive edge is that in addition to an extensive range of internationally renowned pizzas like The Italian, the proprietary Pan Pizza and Stuffed Crust, in the menu offers the option of a complete meal. It includes appetizers, a Salad Bar - where the customers can make their own fresh salads, a range of soups, pastas and desserts etc.

Domino's should also a community called as ' VIP- Members' joining this club should be at no extra cost one can avail greater offers. Meanwhile Dominos are not behind Pizza Hut in introducing local tradition. Domino's believes strongly in the strategy of ' Think global and act local'. Thus, time and again Domino's Pizza has been innovating with delicious new products such as crusts, toppings suitable to the taste buds of Consumers

**Firm market entry strategy:**

Dominos Pizza was able to gain ground by positioning Pizza as a snack and supporting it with its efficient home delivery system.

For Domino's direct selling and interactive selling is not needed though they are involved in internet and cable TV promotions. Domino's always search for ways to gain efficiency by replacing one communication with others. The sustainability among communication tools explains why marketing function need to be coordinated.

**Growth strategies:**

Pizza hut targeted market defines them as a family product. This is because they don't really directly market their customers. They are target everyone whereas their competitors target a certain gender or age. But pizza hut targets a wide range of customers. This is because they want to make the most money and who blames them.

They have many competitors and they are bound to try everything to cope up tops. Their competitors are everywhere. There are just a few that are main competitors and pizza hut will always try to be the best and get the most money by making their products better quality but also cheaper.

They try to offer something different with their product. They offer a range of stuffed crusts to try and attract customers. They also do vegetarian options with meet free pizzas and a salad and pasta bar. Not a lot of restaurants offer a salad and a pasta bar. This is another competitive idea to attract or customers.

**Potential development over 10 to 20 years:**

senior executives at Dominos are missing a key thought process about change, growth and innovation though. They didn't understand that every product, team, organization and individual goes through a process of birth, growth and decline that is similar to the shape of an elongated S. You can't avoid this process.

At the beginning of every growth curve, you make investments with little or no reward. It's only through squeezing out operational inefficiencies, gaining and or growing market share that companies recover their initial investments and grow the bottom line and pay dividends to their stakeholders.

Dominos rested on the part of the S-Curve where the maximum profit are being realized without understanding that decline, death, and decreased profit aren't just probable, but are inevitable. Dominos is trying to jump the curve and are at the beginning of a new S-Curve - time will tell as to whether they embrace team development and leadership development, which will ultimately determine whether they grow or die.

**Appropriate justified recommendation for improvement, development and international :**

- Increase varieties in Pizza's.
- Focus on location of the outlets.
- Increase the quality of Pizza's.
- Make good ambiance in outlets.

-Should focus more on marketing itself confidently.

### **Conclusion:**

Domino's Pizza constantly strives to develop products that suit the tastes of its consumers and hence delighting them. Domino's believes strongly in the strategy of 'Think global and act local'. Thus, time and again Domino's Pizza has been innovating with delicious new products such as crusts, toppings and flavours suitable to the taste buds of Consumers. Further, providing value for money at affordable products to the consumers has been Dominos motto. Initiatives such as Fun Meal and Pizza Mania have been extremely popular with consumers.