

Comparison of marketing strategies of dominos pizza assignment

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Summary 2 Background 2 Analysis 4 Industry Profile 4 Domino's Persona and Strategy 6 Competitive Landscape 7 2010 Quarterly Earnings 9 Consumer Reaction 9 Future outlook: 2010 SOOT Analysis Chart 11 Conclusion 11 To: English 20TH, section 37 From: Matthew Baxter 2010 Summary Somewhere in Domino's Pizza's history the emphasis changed from taste to availability. For a time this was exactly what the company needed to achieve the number one spot in domestic pizza chain deliveries but by the early-2000s the company had outgrown its longtime commitment to deliver pizza in 30 minutes.

For the next 15 years Domino's performed marginally until the company decided it needed a makeover. Through use of honesty and consumer opinion Domino's proved it is possible for a company to reinvent itself and restore consumer confidence. Background Sitting at number 2 in gross pizza sales around the world, Domino's Pizza serves an average of 9000 deliveries to customers every day in 60 countries. While the company does privately own and operate 450 restaurants in the United States, it generates the majority of its revenue through franchises to firms like Pain Capital who control a 30% equity stake.

With the elimination of the eat-in format in the majority of its locations, Domino's has the ability to keep both maintenance and startup costs relatively low and focus on their biggest marketing ploys: low price and home delivery accessibility. With the onset of a recession taking hold of the stock market in late 2008, the decision was made to overhaul their current pizza recipe in the hopes that it would attract more buyers and relieve them of their second-rate pizza status.

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Their hopes were simply to reinvent a higher quality pizza while continuing to sell it to the consumer at the same low price. Headed by soon-to-be- CEO J. Patrick Doyle, Domino's new effort to focus on quality began with an advertisement detailing a case study about several unhappy Domino's customers. Not only did Domino's describe how they were going to remake their pizza, but genuinely admitted the company was wrong in making an inferior product. Just as I founders had set to do; Domino's sought to claim its image as a competitor to any pizzeria delivering a product focused on taste and quality.

The original restaurant, under the original name of Doom-Nicks, was started in Ann Arbor Michigan in 1960 under by Thomas Monogram and his brother. After several years of experience in the pizza industry, Monogram had fostered a new strategy to only select locations of business in areas with a younger population, like colleges and military bases, where he would sell only pizzas. The original business grew steadily throughout the sass and began franchising in the sass. Source: Yahoo Finance Source: Yahoo Finance
Figure 1: Domino's Pizza Inc.

Lifetime Stock Performance Domino's achieved national prominence when, in 1973, they began the guarantee if customer's pizza wasn't delivered in 30 minutes it would be free. This ad campaign sates for close to 20 years until the 1992 and 1993 lawsuits that resulted from car accidents related to Domino's pizza delivery. The sass was a tremendous period of growth for the company. By 1985 they had opened over 1000 stores and entered the Canadian market as well. This was all made possible largely in part too new

later a puppet known as Andy who made appearances in the late sass respectively.

In 1998 Thomas Monogram retired from the company and the focus shifted to international expansion from 2000 to 2003. Then, in 2004, Domino's went public and reduced its \$908 million debt through capital acquired through its PIP. Between 2007 and 2009 Domino's sustained periods of significant negative growth as visible in Figure 1. November of 2008 brought Domino's stock price to a record low of \$3.03 a share. This occurred about the same time Domino's began its new advertising strategy and saw marked improvement in the coming months.

Analysis After the decision was made to recreate its foremost product, Domino's implemented its three advertising segments, Pizza Turnaround, Pizza Holdouts, and Show Us Your Pizza. These three unique sub-campaigns all worked together to draw consumer attention and highlight their product in the ever evolving fast food market. With the mission to redirect their focus to that of taste and quality, they generated a mass curiosity in their product that had never before existed. Domino's experienced a consistent increase in sales and stock price throughout the latter half of 2009.

By 2010 it was clear this marketing strategy was the catalyst Domino's needed to regain their market share they had lost during the recession. With a fast food industry trend focusing on the importance of nutrition in addition to low prices, the change from an emphasis on convenience to quality is what Domino's needed to remain at the forefront of the global pizza market.

Industry Profile The restaurant industry, like many other service industries, is directly correlated with the overall performance of the economy.

During the latest recession the increase in unemployment lead to a severe decline in consumption levels. Simultaneously, the demurrer 2: Fast Food Industry Statistics Figure 2: Fast Food Industry Statistics and for lower priced products is predicted to be De-emphasized as there will be a general increase in per capita disposable income over the next year as visible in Figure 2. The increase in consumer spending is expected to dwindle after 2012 likely as a result of the decrease in predicted disposable income. After industry revenue had fallen 3.3% to 178. Billion in 2009, 2010 showed signs of recovery as revenues increased 3% to \$184 billion. Restaurant sales are expected to continue to improve but will remain slow. Taking into account the stock market and home prices, Standard & Poor's predicts 2011 consumer spending as well as GAP growth and Job creation to be modest. To outperform their competitors, many restaurants have put in place initiatives to meet consumer demands for a stricter diet with the knowledge that costumers who continue to frequent fast food restaurants during economic hardships opt for the cheapest prices.

The so-called healthy alternatives, as well as products with reduced fat and calories, are the driving factor for competition. Instead of trying to obtain a larger share in the fast food market, chains have resorted to limiting expansion and forcing them to compete for each other's market share.

Domino's Persona and Strategy As a staple in the pizza delivery industry Domino's did have a steady increase in its stock before the recession, clearly

visible in years 2004 through 2006 in Figure 1, but by late 2008 it was clearly visible the company was in trouble if it wanted to remain one of the largest national brands.

Once the decision was made to give their pizza a convincing the American people and those abroad that their new product and their new image was the right decision. Beginning with the Pizza Turnaround campaign Domino's created an initial television advertisement that discussed how poorly consumers viewed their product and alluded to its longer online documentary. Through the use of the communication technique pathos, viewers witnessed employees give seemingly heartfelt commitments to improve their product. These testimonials were contrasted by everyday customers to undoubtedly show that their old product was mediocre.

Unlike commercials of the past, Domino's refrained from showing groups of attractive young adults enjoying a steaming hot pizza. Their aim was to entice even the most impartial of viewers try their new pizza and to further this process they began the Pizza Holdouts campaign to be shown concurrently with the original. The advertisements depicted Domino's employees invading several uninterested customers' towns and delivering to them a new pizza. The customers' genuine positive reactions remain the most striking aspect and reinforce their message of change.

Domino's had essentially eliminated the need for the use of deception to advertise a product. Adding another aspect to their marketing plan, Domino's decided to no longer depict any pizzas in their advertisements if they were professionally photographed and instead use a whole population

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of amateur photographers to send in their own pizzas. Though they were not the first company to employ this advertising strategy, the Show Us Your Pizza advertisements were a suitable conclusion to the original three part campaign.

This level of certainty in their product, now overly apparent, made themselves appear to be on a higher laying field than their main competitors Papa John's and Pizza Hut. This is where their advertising campaign succeeded; fixing the problem before they set to influence their audience.

Figure 3: PIZZA vs.. YUM vs.. DIP Figure 3: PIZZA vs.. YUM vs.. DIP

Competitive Landscape Source: Google Finance Over the past year Domino's has, in percent gains outperformed that of both Papa John's and Pizza Hut. Since 1978 Pizza Hut has traded under its parent company YUM Brands Inc. Which also controls Taco Bell, KFC, Wintergreen, and Long John Silver's and A; W Restaurants. Pizza Hut is the world largest pizza chain with the biggest raked share in the industry at 14% and the most stores globally: 7, 566 in the US and 5, 715 abroad. Hum's Beta, or measure if stock volatility in relation to the market, is close to 1 at 1. 03. This means the company closely follows market fluctuations and currency exchange rates largely in part of its size on a global level. With and S&P ranking of A, they have performed moderately over the past year.

Their growth strategy revolves heavily around growing markets especially their current venture into China in addition to areas with low per capita income. Yam's end of year revenue in 2009 was \$10. 68 billion, down from 1 1. 286 billion in 2009 , but up from their steadily increasing revenue of 10.

416 billion in 2008. In sharp contrast, Papa John's is not a Fortune 500 company and consists of only 3,583 restaurants additional breadfruits and cheese sticks. It is expected to take a bearish trend over the course of 2011. From 2007 to 2009 Papa John's has generated 1.063, 1.132, and 1.06 billion in year-end revenues respectively. Its yearly revenues, like YUM Brands decrease in 2008 with the onset of the recession. It has serious plans for expansion in the next three years with 270 restaurants set open in that time. With a Beta of 0.62, its stock fluctuates close to half as little as the market does, meaning it is not very perceptive to market trends. Domino's received the S&P rating of a strong buy in December of 2010 with a bright outlook for 2011. Like YUM Brands, it is pursuing international expansion but also experienced a notable sales increase over the entirety of 2010.

Standard & Poor's believes this a direct result from their new, inspired pizza. In addition, Domino's is on a path to sustain permanent market gains in the United States. Domino's has consistently been eliminating its liabilities wrought repurchasing its debt on the open market also increasing its perceived value. It, like YUM Brands, also has a Beta relatively close to 1 at 1.17, meaning, like YUM Brands, Domino's also similarly follows market trends. Domino's pizza is the leader in the United States market with a 18.4% market stake and an aggressive plan to pursue international expansion to compete with Pizza Hut.

With industry sales of \$33.5 billion from November of 2009 to November of 2010, Domino's, Papa John's, and Pizza Hut occupy a 45% of United States pizza delivery sales. 2010 Quarterly Earnings 010 is the first full year of pizza

production and throughout the course of the year, Domino's has continued to see improved financial gains. When Domino's released its first quarter earnings in May, it observed a 14.3% in domestic sales increase during the year as a result of an increased customer base. Internationally sales increased 4.2%. The most startling figure was that Domino's 2010 adjusted diluted earnings per share (PEPS).

It's PEPS is calculated by dividing profit by the number of outstanding shares and as it is diluted in this case, it also assumes all convertible securities, like stock options and warrants, have been exercised. Domino's first quarter adjusted diluted PEPS was \$0.35 per share, 75% increase from the previous year. A similar trend of growth followed for Domino's second and third quarter earnings. Domino's second quarter brought an addition 8.8% increase in sales domestically and 6.2% quarterly increase internationally from the previous year. Domino's repurchased a debt of \$20 Million and its adjusted PEPS was up 57% from the previous year. The fourth quarter saw an additional purchase of \$20 million of its debt in an addition to a 14.7% sales increase in the United States and 7% abroad from the previous year. The continued momentum is also the result of the improving economy from the previous years as Domino's attempts to continue on the path to opening its 10, 10th store worldwide. Consumer Reaction When Doyle was asked by Nation's Restaurant News how much of the sales increase was a direct result of the marketing campaign he responded " All of it. Figure 4: Figure 4: It is quite clear that the leading driver to Domino's sales increases is their new marketing campaign which is still continually evolving into new forms of advertisements to continue to stimulate consumer interest in their new

pizza. Even though Domino's has achieved a negative five year growth rate, as seen in the increases and continues to do so for the remainder of 2010. With an EPS of 1.39 their profit margins are improving to rates comparable to before the recession.

It will take years to see the full effect of their pizza overhaul but with Domino's celebrating its 50th birthday, cutting the ribbon on its 90th store, and receiving the Chain of the Year award from Pizza Today 2010 has been a prosperous year

Figure 5: Strengths, Weaknesses, Opportunities, & Threats Chart

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Source: Denominated Source: Denominated Future outlook: 2010 S&P Analysts Chart

Conclusion After initial TV spots began to run in 2009 a press release was issued from CEO Doyle stating, " We listened to our consumers.

They told us to change... So we did. Now, they've told us we're better than we used to be - and better than our competition. " It could be argued that Domino's was simply using propaganda all along to trick consumers into purchasing a very similar product to what they were producing two years ago but in early 2010 1,800 people participated in a blind taste test and Domino finally received some validation. Not only did it outscore Pizza Hut and Papa John's in the test but did so by a large margin. One could argue they had a secret but in reality it all came down to one word; transparency.

Opening to the public everything but the recipe itself, Domino's wanted to regain the consumer confidence that it had lost over the years through its inferior product. By discovering what consumers really want suppliers can create a product to supply that need, with little room for failure but by

creating a product and trying to convince the public that they need it does not prove as effective. By assuring an American public, who is prepared for dissatisfaction, that Domino's Pizza's promise it is legitimate, it can drastically change the dynamic in which producers and consumers interact.

Domino's has positioned itself to overtake Pizza Hut as the number one national chain but Pizza Hut has the necessary capital through YUM Brands to remain as the top competitor in the market. If Domino's continues this positive growth into the future Pizza Hut should be nervous about its 18% share in the industry. The familiar phrase of "Let's order a pizza" has become a mantra of sorts in American culture and is set to main so for many years to come. The pizza business will not be erased due to any sort of economic downturn anywhere in the world.

It is a relatively elastic industry that has spread all over the globe. Domino's long term goals should be to increase their international market. Though they occupy the largest market share of US delivery pizza, their percentage increases in sales abroad are not as receptive to their advertisements.

Domino needs to again think outside the box and begin planning its next advertising strategy. Once their pizza's newness wears off they will need a new course of action. As a member of the fast food market, their next ploy should be to focus heavily on nutrition in addition to low price and quality.