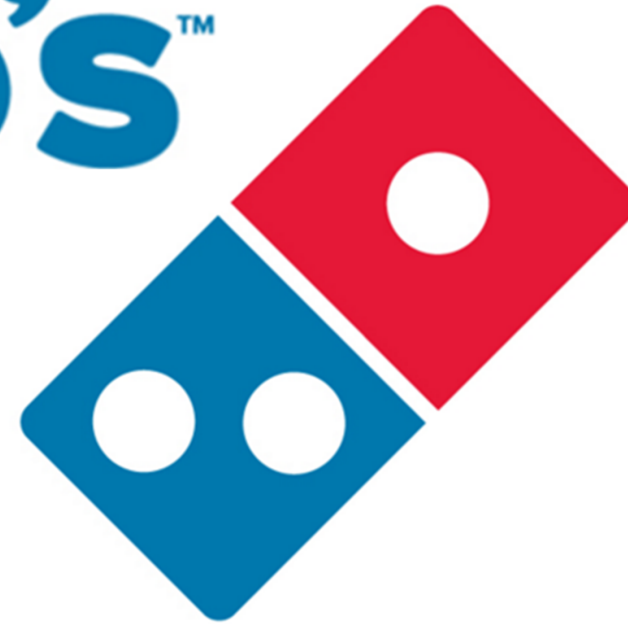


Domino's™



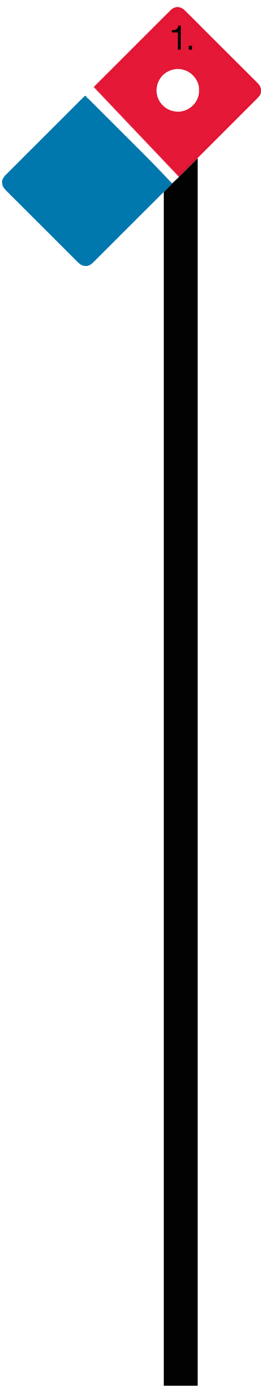
Domino's Pizza, Inc.
Situation Analysis

Janetta Boone

MMC 6213: Strategic Communications & Ethics Concepts

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Industry

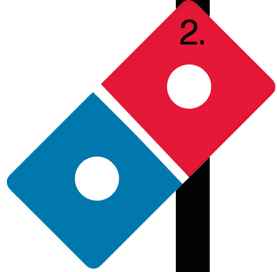
History of the industry

Multiple sources agree that pizza came to North America in two waves – the introduction of pizza with the arrival of Italian immigrants in the late 19th century, and the second wave (which made pizza popular) in the mid-20th century when WWII soldiers returned from Italy with a craving for pizza. This created a demand for pizza that coincided with the time period “car culture”, and delivery pizza was born. Tom Monaghan, founder of Domino’s Pizza, is often credited with establishing pizza delivery as a successful business model. Pizza is an industry which can conveniently offer delivery due to the ease of cardboard box packaging. Domino’s has been offering delivery since its founding in 1960. It soon became apparent that Domino’s initial slogan “Fresh, hot pizza delivered in 30 minutes or less, guaranteed” would become such a hit, that all other pizza restaurants would need to follow suit and offer delivery, or be left behind. Today, nearly 80% of all pizzerias in the United States offer delivery.

Companies in the industry

The 3 main companies in the pizza delivery industry are (in order):

1. Pizza Hut: 2016 gross sales \$13,700,000,000, with 16.1K stores worldwide.
2. Domino’s: 2016 gross sales \$9,600,000,000, with 13K stores worldwide.
3. Little Caesar’s: 2016 gross sales \$3,500,000,000, with 4.1K stores worldwide



Industry

Characteristics of the Industry

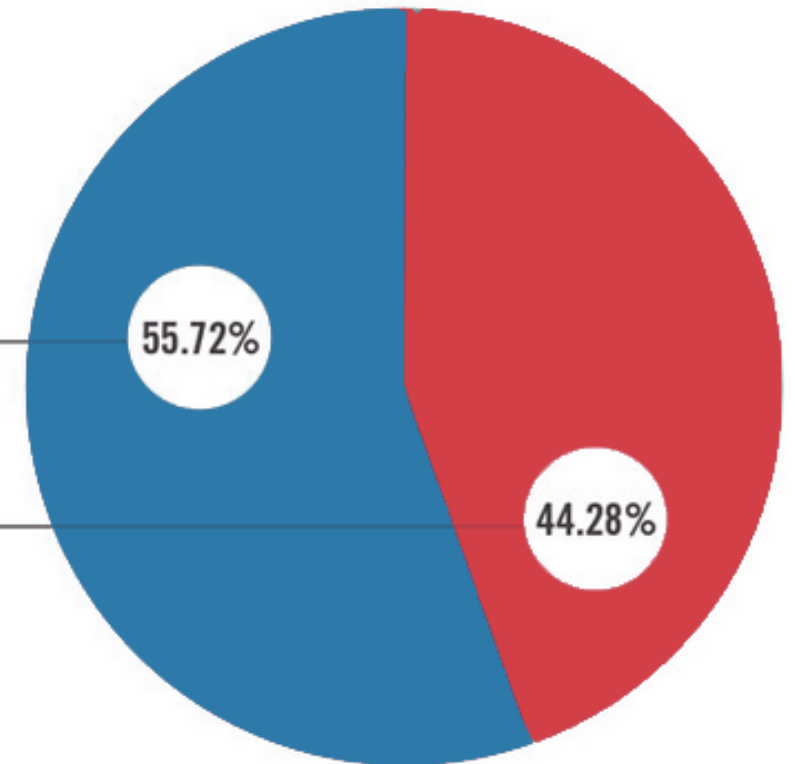
- The trend has always been pizza as the focus menu item, but Domino's and industry competitors have branched out to offer other enticing menu items in an attempt to maintain a loyal customer base by keeping demand for product high.
- 41% of consumers report eating pizza once a week, which is a big jump from 26% two years ago.
- Pizza sales in the U.S. are up across the boards, reflected both in big and small chains.
- Each man, woman, and child in America eats an average of 46 slices (23 pounds) of pizza annually.

U.S. PIZZA SALES \$44.43 BILLION

(YEAR ENDING SEPTEMBER 2015)

TOP 50 CHAINS: 24.75 BILLION

**INDEPENDENTS &
SMALL CHAINS: 19.75 BILLION**



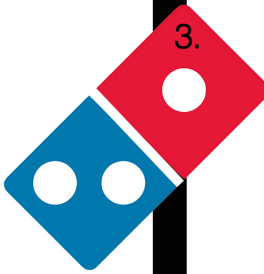
Company

The company Story

Domino's was originally founded in 1960 by brothers James and Tom Monaghan as "DomiNicks". The brothers purchased the Ypsilanti, Michigan pizza restaurant for \$500. Five years later in 1965, Tom renamed their restaurant Domino's Pizza. 55 years later, there are currently 13,811 Domino's locations and 260,000 employees worldwide.

The company owns and operates 392 locations in the US, while the remaining 4,979 state-side locations are franchised. Franchising started with one in 1967 and another in 1968. 200 more locations were opened from 1969-1979. Most Domino's stores are primarily delivery locations and do not offer dine-in options. This allows for a smaller square-footage with just a make-line and ovens. In the early 2000's, Domino's was notorious for producing pizzas which individuals in consumer tests reported liking less if they knew it was from Domino's than just an unbranded pizza.

In March of 2010, J. Patrick Doyle became CEO of Domino's and took over the major shift that had started late in 2009 to completely revamp the brand. Domino's recorded and subsequently aired customer complaints during taste tests. The transparent commercials also featured Doyle promising to work tirelessly to improve the product. The process of brand revamping not only reinvigorated Domino's pizza product, but also set Domino's apart as an industry innovator and leader in delivery transportation, creation of new menu items, and technological advances.



Products and Prices

Product Story

As a pizzeria, Domino's Pizza specializes in multiple different styles of pizza and toppings on its menu, and it also serves popular pasta, chicken, breads, desserts, and sandwiches. The level of menu creation and innovative products increases the demand for Domino's products. It also increases the individual ticket sale as customers include additional items with their pizza purchases.

In addition to Domino's complete overhaul of its pizza ingredients and recipes in 2010 under the leadership of Doyle, the innovative inclusion of multiple new menu items is worth highlighting by year, as it led to the successful current placement of Domino's as second pizza chain in the world.

2008: Domino's launched a new line of Oven Baked Sandwiches for delivery. This line projected Domino's as the world's largest sandwich delivery restaurant seemingly "overnight".

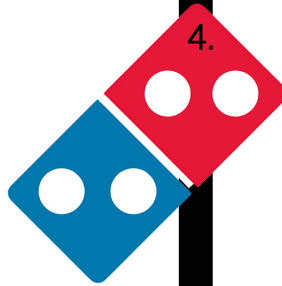
2009: Penne pasta and Chocolate Lava Crunch Cake were added to the menu.

2010: New sauce, crust, and cheese and the new pizza recipe were unveiled.

2011: The introduction of a new wings and boneless chicken recipe, as well as Stuffed Cheesy Bread and Parmesan Bread Bites as sides.

2015: Marbled Cookie Brownie was added to the menu.

A family of 4 can eat at Domino's for an average ticket price of \$25.19. This is a sustainable weekly expenditure in comparison to the average ticket price of \$49.94 for a family of 4 at casual dining restaurant.








Products and Prices

Product Sales Features

In addition to menu products, technology products are also a major factor in Domino's success. By providing multiple innovative tech apps, Domino's has broadened its customer base and increased demand for its products. For example, weight-conscious individuals are invited to use the Cal-o-meter tool, and Millennials interested in trends such as quality sourcing and allergies can use the Ingredients and Gluten Free tools.

Highlight of Domino's home page tech products:

- Pizza Profile allows customers to create an account and save pizza preferences online for ease of reordering.
- Tracker mimics the need to know attitude of customers awaiting items from shipping companies with its real-time location tracking feature.

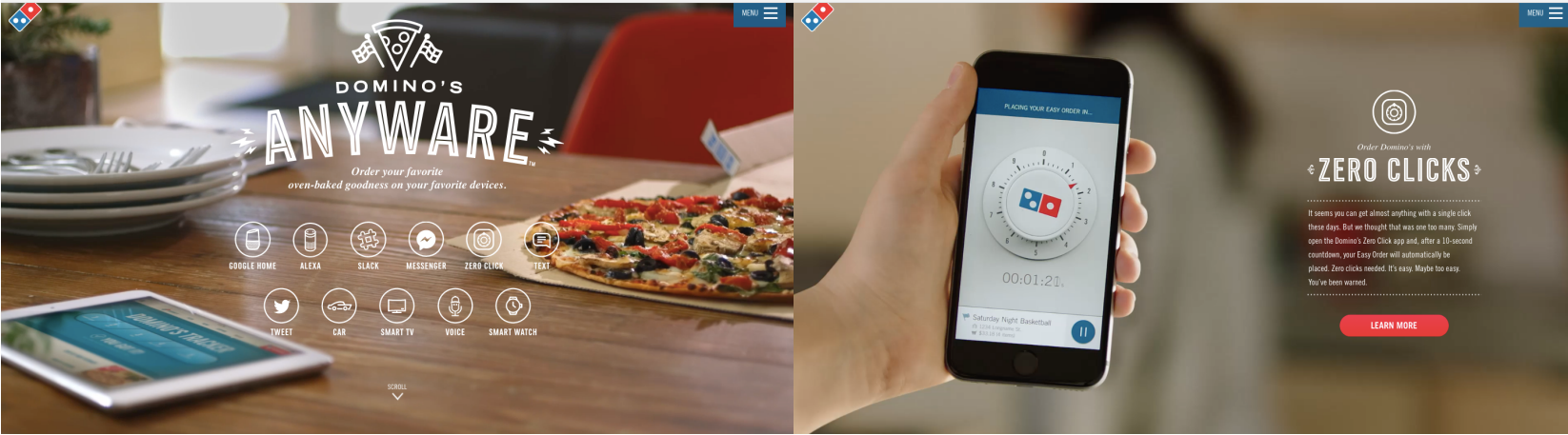
<p>Cal-o-meter</p>  <p>Combating your waistline? Count calories with this handy little tool.</p> <p>CALCULATE CALORIES</p>	<p>Lighter Options</p>  <p>Need a little inspiration? We've created meals for the calorie conscious.</p> <p>SEE LIGHTER OPTIONS</p>	<p>Gluten Free Crust</p>  <p>Finally a Gluten Free Crust that doesn't taste like the box it came in!</p> <p>LEARN MORE</p>
<p>Ingredients</p>  <p>Real mozzarella cheese and quality toppings are tasty, and better for you.</p> <p>LEARN MORE</p>	<p>Allergen Info</p>  <p>If food allergies are a concern, click below for ingredients and any associated allergens.</p> <p>LEARN MORE</p>	<p>FAQs</p>  <p>Domino's Pizza cares about its customers and the quality of its products and service.</p> <p>SEE FAQs</p>

Products and Prices

Product Sales Features (continued)

Domino's exclusive tech products:

- Domino's Anyware is a collection of 11 stress-free ways to order across social media platforms and devices.
- Zero Clicks allows a customer with the app to open the app and immediately a 10 second count-down begins, at the end of which, your pizza on file is automatically ordered.
- Wedding Registry may seem out of place on a pizza site, but has generated gift card revenue for Domino's by adopting the one-stop-shop business model of big box stores. A customer ordering dinner for her own family can now simultaneously purchase a gift card for the happy couple.



The top section features two promotional images. The left image shows a Domino's pizza on a table with a tablet displaying the Domino's Anyware interface, which lists 11 ordering methods: Google Home, Alexa, Slack, Messenger, Zero Click, Text, Tweet, Car, Smart TV, Voice, and Smart Watch. The right image shows a hand holding a smartphone displaying the Domino's Zero Clicks app, which features a 10-second countdown timer and a 'PLACING YOUR EASY ORDER IN...' status.

DOMINO'S ANYWARE
Order your favorite oven-baked goodness on your favorite devices.

GOOGLE HOME ALEXA SLACK MESSENGER ZERO CLICK TEXT
TWEET CAR SMART TV VOICE SMART WATCH

**Order Domino's with
€ ZERO CLICKS**


It seems you can get almost anything with a single click these days. But we thought that was one too many. Simply open the Domino's Zero Click app and, after a 10-second countdown, your Easy Order will automatically be placed. Zero clicks needed. It's easy. Maybe too easy. You've been warned.

LEARN MORE

LOG IN

FEATURED GIFT ITEMS


Each gift is an eGift card to spend on anything at Dominos.com.



The Wedding Night **\$25**

Just in case they don't eat any of the delicious wedding food. Or even if they do and just get hungry later.


GIVE THIS GIFT >



Thank You Card-a-thon **\$30**

Hand cramping. Need. More. Pizza.

GIVE THIS GIFT >










Low-key Date Night **\$30**

Cheesy pizza to pair with their cheesy movies.

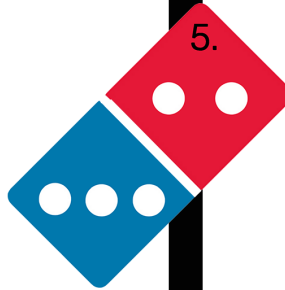
GIVE THIS GIFT >

Sales History and Market Share

The demand for Domino's Pizza at the lowered, ongoing promotional price of \$5.99 for a medium pizza has allowed skeptics to try or re-try the brand at an inviting low expense threshold. Domino's Pizza has seen a 50% increase in recent sales, while prices have only decreased by 28%. This allows for a margin of income while simultaneously increasing a customer base.

Fiscal year is January-December. All values USD millions.						
	2012	2013	2014	2015	2016	5-year trend
+ Sales/Revenue	1.68B	1.8B	1.99B	2.22B	2.47B	
+ Cost of Goods Sold (COGS) incl. D&A	1.18B	1.25B	1.4B	1.53B	1.7B	
COGS excluding D&A	1.15B	1.23B	1.36B	1.5B	1.67B	
Depreciation & Amortization Expense	23.17M	25.78M	35.79M	32.43M	38.14M	
Depreciation	21.5M	20.5M	28.4M	24.1M	27.34M	
Amortization of Intangibles	1.67M	5.28M	7.39M	8.33M	10.8M	
+ Gross Income	501.34M	548.97M	594.77M	683.13M	767.69M	

In 2016, Domino's had 13.6 percent of the United States market share, up from only 11 percent back in 1995. For comparison, Domino's main competitor, Pizza Hut, had 14.3 percent in 2016, down from 25 percent of the market in 1995. The first quarter this year marked a 10.2 percent rise in sales. Domino's U.S. sales have now been in a growth pattern for five years in a row.



Market

Where is the domestic market?

After the brand revamping of early 2010, Domino's U.S. stock has dramatically increased from approaching \$14 per share, to about \$197 per share.

Research analysts predict that Domino's Pizza Inc. will replace Pizza Hut as the number 1 chain in the U.S. market share (NYSE: DPZ) this calendar year.

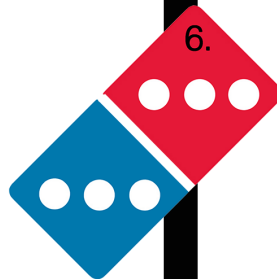
Domestic same-store sales are predicted to increase 1-3%. Loyalty programs and fixed promotional pricing are both important factors in keeping U.S. customers. It is predicted that a moderate, organic, and sustainable growth domestically can result from repeat customers.

Domestic market potential

A strong appeal to Millennial customers is key to increased domestic earnings.

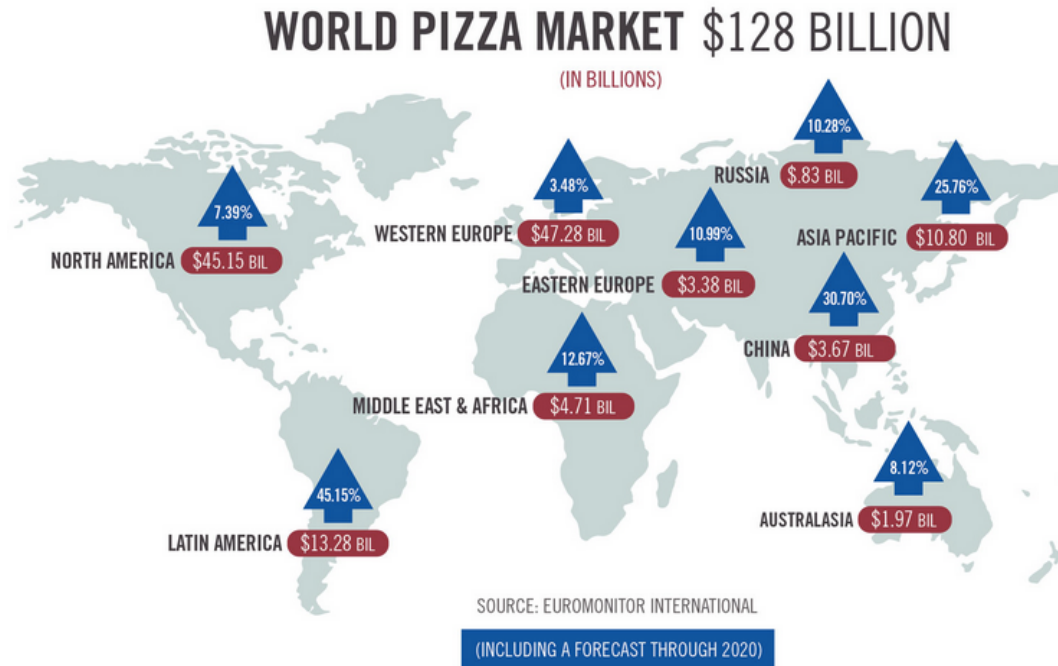
Millennials:

- Look for “clean” ingredients (ie. locally grown, natural, responsibly-raised).
- Purchase on-the-go with smart devices, social media, and Venmo (pizza being the number 1 Venmo purchase by 19-34 year olds).
- Enjoy “fast-casual” (a hybrid phenomenon of fast food and casual dining). The Fast casual segment rose 11.4 percent in 2015.



Market

Where is the international market?



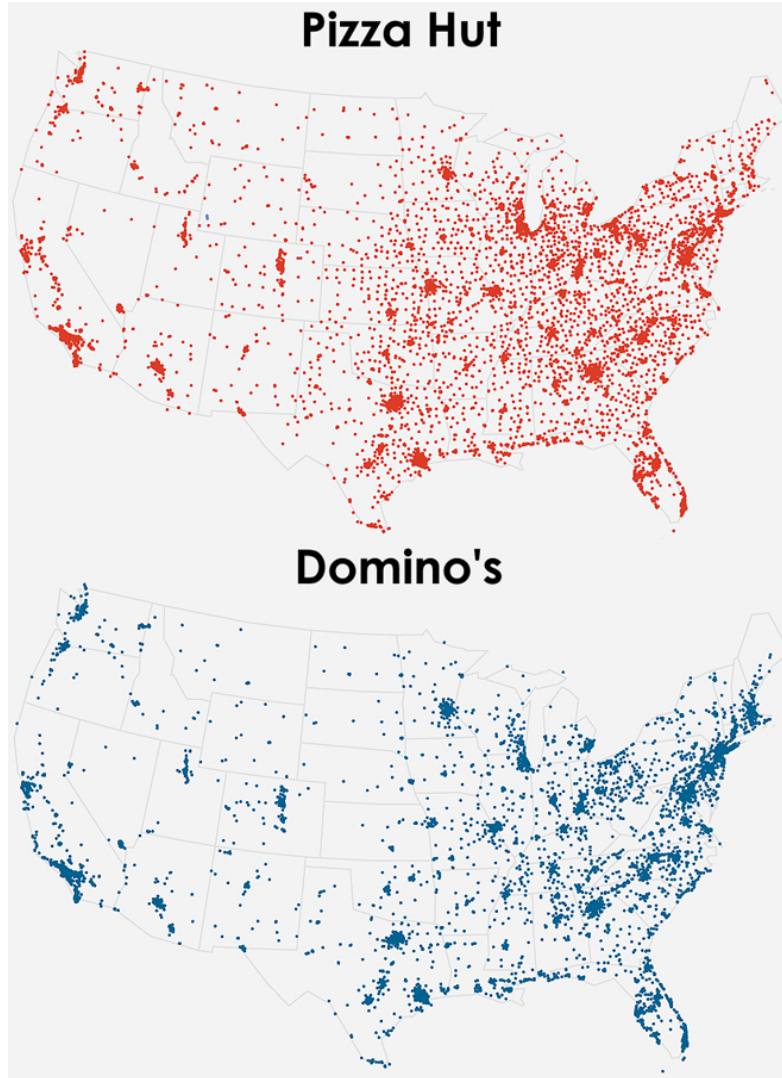
International market potential

- A franchise-only (no company-owned locations) business model means that International franchisee companies pay a share of total sales to Domino's Pizza Inc.
- Adopting local ingredients is key as an introductory customer experience with Domino's menu. For example, locations in Australia offer a Vegemite crust, whereas some Asian locations offer cheeseburger sliders in the crust to make it more "American".

- Domino's Pizza Inc. has expanded to 60 international markets, which has increased franchise royalties.
- International profits are reported as 93% of 2008 International operating income.
- International same-store sales are predicted to increase 3-5%.
- The franchisee of Domino's known as DP Eurasia joined the London Stock Exchange in July of this year. DP Eurasia brand runs in Turkey, Russia, Azerbaijan, and Georgia with a total of 571 stores.

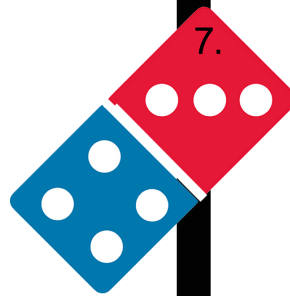
Competition

Strengths and competition



Domino's is arguably leading the way in both delivery and technology; two aspects of the pizza delivery business which will make or break a company today. Domino's CEO Doyle stated, "We are as much a tech company as we are a pizza company". He also reported that "fully 400" of the 800 employees at headquarters work in software and analytics. This constant striving of Domino's to imagine and implement the next wave of technology is a major strength over competitors.

Pizza Hut is the strongest competitor with Domino's, although Pizza Hut's delivery times are longer than both Domino's and Papa John's, and it has lagged behind on other important industry aspects as well, such as ordering technologies and food quality. Pizza Hut has 19 percent more locations than Domino's, which could be seen at least two important ways. 1) more costly for upkeep, or alternatively 2) a stronger foundation on which to build loyal customers and do some similar technology revamping of its own.



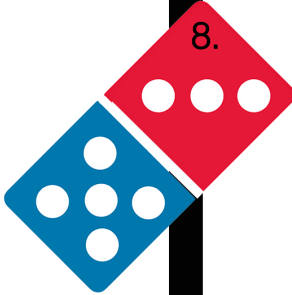
Promotion

Failures:

1. Domino's at one point (starting in 1973) guaranteed a 30-minute delivery time or the pizza was free. However, after both a death and a second car accident (both resulting in costly lawsuits brought against Domino's), as well as public opinion of unsafe driving by delivery employees, Domino's dropped the guarantee. A new tagline appeared in 2007, "You Got 30 Minutes," which didn't uphold the previous guarantee, but did draw attention back to Domino's fast delivery times.
2. Domino's 30 minute guaranteed delivery business model also failed in China due to extreme traffic conditions.

Successes:

1. In 1990, 2003, and 2007, Domino's sponsored very visible racing campaigns. Their 1990 car was driven by Arie Luyendyk, and won the Indianapolis 500. Their 2003 success was signing with NASCAR as the "Official Pizza of NASCAR", a multi-year deal. And in 2007, driver David Reutimann drove a Domino's vehicle during the NASCAR Sprint Cup Series.
2. Domino's delivery innovations are successfully leading the way. The DXP is a fully-customized delivery vehicle built on a Chevy Spark platform. It has better gas mileage than an average car with just one seat for the driver and a built-in warming oven of 140 degrees which can accommodate 80 pizzas. Random testing is currently underway for customers residing in the Domino's headquarters city of Ann Arbor, Michigan for automated delivery in a specially-equipped Ford Fusion. And as of March 2017, drone delivery using starship technologies has already been successful in pilot programs in both Dutch and German cities using delivery robots within a 1-mile radius of a Domino's store.



Promotion

IMC

Domino's first logo had three dots to represent the number of original stores in the chain. In 2012, Domino's Pizza changed their name to Domino's to allow a larger brand encompassing non-pizza items on their expanding menu. The simplified domino is a recognizable icon in any language as Domino's continues to expand internationally.

Because visual IMC appeals have stayed true to the general theme and color and the brand is familiar across store signage, Internet ads, car decals, etc. It may not be happenstance that the logo carries a patriotic color scheme. Domino's "American Legends" pizza campaign focuses on the country's 55 years with the pizza giant. This type of look-back advertising is very on-trend, currently also being employed by Chevy, Coca-Cola, and Microsoft. There is the implication of customer satisfaction and even safety with Domino's as they leverage positive nostalgic feelings and make it work for their brand. As in, *'we took care of your needs then, and we'll take care of you now. Sure, we missed the mark between 2008-2010, but we listened to our customers and offered transparency while we connected with you to bring an all-new pizza, complete with radical delivery options and ground-breaking technology. Then and now, we're your pizza place'.*

1960-1987



1987-1996



1996- 2012



2012 - PRESENT



Sources

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