Domino’s Pizza
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Executive Summary

History
Starting in 1960, Domino’s Pizza, Inc. (Domino’s) was formed by two brothers from Michigan. The two started the business after purchasing a store named DomiNick’s. They converted the name to Domino’s five years later. In 1983, Domino’s went international. Today, Domino’s employs about 10,500 people between their 8,700 stores worldwide. The company has been traded on the NYSE as DPZ since 2004.

Industry
The pizza industry is a highly competitive and mature market. There are many pizza makers ranging from local pizzerias to international franchises such as Domino’s and Pizza Hut. With the current health kick in today’s society as well as economic downturn, many companies are being forced to make healthier, cheaper products. Many other companies are introducing salads into their menu. The popularity of the Internet as well as mobile commerce is transforming the original ways of ordering a pizza.

SWOT Analysis
Within the Domino’s company, there are many characteristics that make it stand out from other companies. Domino’s carries an extremely strong brand image. They are able to retain customers because of their image. However, the decline in the economy has forced many customers to hold back in their spending, resulting in lower revenues. Nevertheless, Domino’s could use the expanding growth in the fast food industry in China and India to their advantage. But with new markets comes new competition, which is a threat to Domino’s.

Competition
Dominos competes with both fast food companies such as McDonald’s, as well as other pizza makers like Pizza Hut or Papa John’s. McDonald’s brand image is very strong throughout all
parts of the world. Papa John’s compete directly with one another. Recently, Papa John’s is increasing competition to Domino’s because of their rising popularity. Pizza Hut the largest competitor for Domino’s. Like Domino’s, Pizza Hut also maintains a very good brand image.

**Recommendations**

Within the short term, Domino’s should focus on making more coupons available to their customers. They could also offer specials for certain times or reasons. This would help combat their tough competition as well as their declining sales. The company can also focus on improving their online ordering procedures. In addition, Domino’s could also improve their strategies of pizza delivery. In the long run, Domino’s should focus on improving their customer base, which would increase their market share. They could also look into making new products specific to the location of the store as well as adding more variety to their menus with the changes in tastes and preferences of their customers.

**History**

Domino’s Pizza, Inc. (Domino’s) delivers pizzas globally. They are traded on the NYSE as DPZ. Domino’s began in 1960 in Michigan. Tom and James Monaghan acquired the Michigan store DomiNick’s and then renamed the store Domino’s in 1965. The company opened its first franchise store in 1967 and went international sixteen years later in 1983. Domino’s became a publicly traded company in 2004. Today, Domino’s has about 8,700 franchise stores and employs approximately 10,500 people. As shown in Figure A, Domino’s retains 19 percent of the pizza delivery market share. Following close behind is Pizza Hut with 17 percent. In 2008, Domino’s received “the World’s Fastest Pizza Maker” award.¹

¹ web.ebscohost.com
Current and Future Profile

Domino’s not only relies on call-ins and walk-ins, but also utilizes the Internet to help their sales. Customers can place an order for their favorite pizzas online and have it delivered. Domino’s website even offers coupons or special deals on specific menu items that continually attract more customers. Domino’s offers various types of pizzas, along with many styles of crusts. Dominos has tried to increase their products by offering better ingredients that make up their pizzas as well as introduced new menu items such as Oven Baked Sandwiches and Bread Bowl Pastas. As seen in Figure B, Domino’s international sales have been increasing as the domestic sales have been decreasing as a percent of global sales which indicates Domino’s is not dependent on the US for their sales. In the 2008 fiscal year Domino’s reported $1,425 million in revenue, and netted $54 million.²

Domino’s hopes to continue to expand their product line and continue to increase customer satisfaction in their future. Domino’s Pizza CEO Don Meij states, “On the technology front, we are planning significant developments in online ordering to increase sales and ticket averages.”³

SWOT Analysis

Domino’s is a very recognizable brand name throughout the world and is the leader in the pizza delivery and takeout business. Domino’s continues to operate throughout the United States as well as in over 55 other countries.

Strengths

Since Domino’s is so widely known, it has a worldwide presence. Domino’s has stores Mexico, South Korea, Canada, Japan, France, Taiwan, and many other countries. They are a figurehead in the pizza delivery industry. In addition with its worldwide presence, Domino’s has an

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² web.ebscohost.com
³ dominos.com
extremely strong brand image. This results in very loyal customers and helps the company when they introduce new products. Domino’s also has a very strong network with its franchisees. They are all extremely diversified and with their strong network, they are able to increase their market share and encourage sales.

Weaknesses
A major weakness for Domino’s is that they have experienced a decline in their store sales. Over the past two years the revenues have declined and this can affect their brand image and their profits. Part of these losses was due to the decline in the number of domestic franchises that were open in 2008. Domino’s hopes to turn these numbers back around in the next couple years.

Opportunities
Domino’s has multiple opportunities. One significant advantage Domino’s has over its competitors is their focus to delivery pizza the most efficiently. This helps improve their operating effectiveness with minimized spending. There is a large growth in China and India’s population and Domino’s could take advantage of this growth to help increase their market presence and increase their revenues. Domino’s has also begun to offer their services on mobile devices and now many sales come from their iPhone application. They constantly are working to find new improvements to maintain their growth and continue to gain and lead in competitive advantages.

Threats
The competition of the pizza delivery industry is definitely a threat for Domino’s. There are constantly new businesses being formed in the pizza and fast food industries. Some of their emerging competitors are Pizza Hut, Papa John’s, and McDonalds. Another threat is how people are becoming much more aware of their health. With this increase in health awareness, it could affect the profits of Domino’s. A final threat is the increase of labor and food prices. Minimum
wage has a major impact on their business. All of Domino’s supplies have also increased in price and this has hurt their profits by increasing their operating costs.

**Global Market Expansion**

Domino’s went international in 1983 with its first international store opening in Canada. It did not go overseas until 1994 when Domino’s first opened in Warsaw, Poland. Currently, Domino’s operates in more than 60 countries, some of them including Greece, Morocco, Scotland, Puerto Rico, and Malaysia.\(^4\)

Three years ago in 2007, their international sales accounted for just a mere nine percent of Domino’s revenues. Since then they have further expanded internationally. Just in Mexico, there are over 550 stores. They have over 450 stores in the UK, 400 in Australia, almost 300 in South Korea, 250 in Canada, and close to 500 more stores throughout the world.\(^5\) Since 2003, Domino’s international growth can be seen in Figure C, where Domino’s operated 2,523 stores internationally in 2003 and grew every year and was operating out of more than 3,400 stores just four years later. Currently, Domino’s has grown to over 8,600 stores both domestically and internationally. Even with all these international stores, Domino’s plans to enter into more agreements with franchisees in order to continue expanding their international business. The Domino’s franchises are created mainly for carry-out and delivery, so it does not require as much capital as dine-in restaurants do. The owners of the stores are encouraged to use a standard operating model which helps please specific eating preferences and habits of the international locations. Domino’s feels that their strong brand recognition is extremely helpful in attracting possible franchisees, along with the minimal costs that are needed to open and operate stores.

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\(^4\) info.dominos.com

\(^5\) media.corporate-ir.net
Domino’s wants to continue expanding and growing because of the additional amounts of sales that the international companies add to their domestic sales as seen in Figure D. Domino’s is looking closer into expanding more in India because Domino’s quick service restaurant chain is growing extremely fast in India. Domino’s is currently the company with the most influence for pizza delivery in India. Domino’s alone obtains 60 percent of the market share and has 176 stores throughout 33 towns in India. India’s economy is continually increasing as a result of urbanization and the rise in disposable income. The ease of delivery is the aspect that many Indians love. This growth in India began in 2007 and Domino’s hopes to continue expansion in future years as well. Experienced and focused management teams are researching product innovations, pricing structure, and advertising and marketing techniques to accompany this rapid growth in India.

Not only is online ordering popular in the United States, but it is also gaining popularity in many other countries. In 2008 Domino’s online ordering became increasingly significant in the Netherlands and Australia. 12 percent of Australia’s sales came from online ordering, while 19 percent were online orders in the Netherlands. In 2008, Belgium and France also launched their online ordering systems. This method of ordering has proven to be an enormous success for Domino’s throughout the world.

**Challenges**

It has not always been easy on Domino’s road to success. When considering going international, it is important to consider the different taste preferences and ingredients used in making various pizzas because not all countries have the same preferences. It is much easier when a franchise is

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6 media.corporate-ir.net  
7 dominos.com
started by someone within that country to help instruct what ingredients are preferred and popular in that area. This has been and will continue to be a challenge for Domino’s.

Domino’s encountered a challenge when they tried to expand their operations into Italy. Not only did they have to take into consideration food preferences but also their culture. Italy did not view pizza as an entrée, but they viewed it as an appetizer. Italians did not purchase enough pizza for Domino’s to be successful and for this reason, Domino’s did not succeed here and were forced to close their doors.

Domino’s has also faced challenges such as currency differences, higher competition in other countries, higher labor or business costs, and pricing when they internationalize. It is important that the currency can be exchanged and returned to the franchisor in the correct form. Before internationalizing, the company should look at the competition in that area. Sometimes the competition can be too great and make it too hard to enter that market. The cost of goods, labor, and business can be influentially different, either higher or lower. If they are higher, this poses a problem and they need to make sure the profit will cover those costs. To compensate for these differences, the prices may need to be adjusted. Prices vary greatly from country to country. The price of their products will need to be adjusted to suit the economic situation of the country. All these challenges are associated with global expansion and Domino’s has done an excellent job of internationalizing and dealing with the challenges.

**Competitors**

Domino’s has many competitors both domestically and internationally. Hoover’s states that Domino’s is the “world's #2 pizza chain (behind YUM! Brands' Pizza Hut division.)”\(^8\) Their

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\(^8\) hoovers.com
competitors include fast food companies such as McDonald’s, as well as other pizza take-out services like Papa John’s, and worldwide pizza delivery company giant Pizza Hut.

**McDonald’s Corporation Inc.**
A massive worldwide franchise that specializes in the fast food industry is McDonald’s. In 2008, McDonald’s revenues exceeded $23 million. McDonald’s brand image is a major strength for them as people of all ages across the globe recognize the golden arches logo. With their well recognized logo, McDonald’s has been involved in many legal issues such as being accused for false advertising and violation of fraud acts.

**Papa John’s International, Incorporated**
Domino’s competes with Papa John’s on the same level of pizza delivery and pizza takeout. Chicken wings and chicken strips are also a specialty (along with pizzas) for Papa John’s. They recorded a $36.8 million net profit in 2008. This was a twelve percent increase from the previous year. They remain a large competitor of Domino’s with their increasing popularity.

**Pizza Hut**
Pizza Hut operates as a subsidiary to the food giant Yum! Brands. They specialize in pizza making. Pizza Hut is even more focused on health conscious people by incorporating a salad bar into their sit down restaurant section and by serving nutritional pasta bowls. They also have an extremely strong brand image and compete with Domino’s for brand recognition.

**Industry Analysis**
The pizza industry is a highly competitive and mature market. There are over 150 well known pizza franchises, which account for about 60% of the market. The top ten pizza franchises are shown in Figure E. Along with the well known franchises there are an unknown number of local

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9 web.ebscohost.com
10 web.ebscohost.com
11 franchisedirect.com
pizzerias throughout the world. New franchisees and smaller pizzerias are continually opening, which create more competition throughout the industry.

The industry has faced some hardships with the trends of society and declining economy. Consumers now are requesting healthier choices for themselves and their families. Many people are also more interested in where the products are produced and what ingredients go into making their food. To combat this health awareness among consumers, pizza restaurants are trying to change their dough by having healthier fats, which is done by incorporating more whole wheat into their crusts. The pizza toppings are also becoming healthier, and some pizzerias are introducing salads into their menus.

The rise in minimum wage has also posed obstacles for the industry, requiring more of their operating income to be dedicated to labor costs. The increase in the price of inputs has also changed their profitability. The cost of wheat has tripled, cutting the amount of profit per pizza. Another impact of the pizza industry is the use of mobile technology. The popularity of the Internet and the ability to order a pizza on the computer or on a mobile device has changed the industry significantly. Many companies offer online orders and some are offering orders through text messages. In 2007, the Associated Press stated that, “U.S. online sales have been growing at an average clip of more than 50 percent per year. In 2001, the chain's online sales totaled $20.4 million. Last year, its online sales approached $400 million.”12 Over the past few years, there have been many significant changes throughout the pizza making and delivering industry.

Prices vary greatly from country to country.

12 allbusiness.com
Short Term Recommendations

With the decline in the economy, Domino’s experienced negative sales in 2007 due to the decreasing demand of their customers. This directly correlates with their customers’ spending habits. Because of the harsh conditions of the economy, many people are not able to spend as freely as they used to in years past. Domino’s advertising campaigns has had little to no appeal to their consumers during these hardships. To combat the hard economic times, Domino’s should invest in marketing procedures like offering more coupons or special offers for certain reasons or times. This not only would help combat competitors, it would also help increase their revenues during these hard economic times.

Along with coupons and special offers, Domino’s can also enhance their customer base by improving their online ordering procedures. For example, Domino’s could implement a strategy that would be helpful for customers who are looking towards Domino’s for parties or special events. They could allow the user to create an order and specify the date in which the pizzas would be needed. The user would also need to enter certain criteria, such as the number of people attending, what type of pizza(s) they wanted, and a contact number so Domino’s could confirm the order before the pizzas are made. Domino’s could work to implement their online ordering strategy to all of their international and domestic stores. This would allow for Domino’s to be more competitive in the market as well as be more flexible with their customers’ needs.

In association to their better online strategy, Domino’s could also continue to improve their delivery strategy. Although their delivery time has been reduced, there are always situations where customers believe their pizza could have been delivered faster. If Domino’s can
implement a better way of taking and delivering a pizza at a faster pace, they can improve their customers' visions of the company, which would increase their market share as well as profits.

**Long Term Recommendations**

Domino’s has continued to produce fantastic revenues over the past few years. However, Domino’s can use various strategies in order to increase their customer base as well as international expansion in the long run. For example, they could offer new menu items specific to the store location, open more stores around the world, and develop new products. All of the strategies would continue to better their brand recognition across the world.

By offering new menu items that are specific to the locations that their stores are located, customers can experience domino’s superior products as well as maintain their countries' local customs and culture. For example, Domino’s can expand further into India and offer better products that do not contain beef. They can create products that include more poultry items such as chicken, duck, and other items. Also, Domino’s could also offer more white sauce products on their menu rather than the traditional red sauce that the majority of their products contain. By offering more products, it would allow for Domino’s to open more stores in different areas of the world.

Domino’s could expand their stores into new parts of the world. By doing so, this would create numerous jobs for the local public. If Domino’s was able to create stores in third-world countries, it could have the possibilities to boost the countries' revenues, as well as stimulate the local economy. By doing so, it would better help customers live their lives because they could afford a cheaper food as well as work for Domino’s and create money for their family. If Domino’s could expand into different areas around the globe, they could increase their already
strong financials as well as create a stronger customer base. By having a wider range of customers, Domino’s can create more products that would better suit their customer’s wants.

New products in any business can turn into a competitive advantage for any business. For example, they could compete with Pizza Hut by creating a “Pizzone” or they could compete with Little Caesars by creating a quick and easy pizza that would be ready to eat in less than ten minutes. In addition, Domino’s could offer soups, salads and other such items that could complement their main course meals. They could pull everything together and market certain items for certain parts of the world, whether new or old, and increase their brand name across the globe. But with all the challenges that are facing Domino’s, they have experienced many situations that have made them become a better company, which will help them in the long run become an even greater one.

**Conclusion**

Since Domino’s conception in 1960, they have proved to be a successful company. The decline in the economy posed a threat for them along with people becoming more health conscious, forcing Domino’s to lean towards healthier options. But Domino’s has shown they are remaining competitive by expanding internationally. Their international sales have been a large asset to their profitability. Like any business, they have challenges of becoming internationalized in ways such as different preferences and menu items. With Domino’s working hard to expand more into India and other countries, it is becoming much harder for other companies to follow in their footsteps. Domino’s is trying to stay in front of their competitors, Pizza Hut, McDonalds & Papa John’s. Domino’s continues to look promising in the future with the pizza industry becoming more popular. And with the strong brand image that Domino’s has built over the years, the company is pushing to remain strong in the pizza industry.