Dominos Case Study Analysis

Dominos strikes as a pizza company that is primarily focused on technology innovation, marketing, delivery service, and supply chain. At the beginning of 2008, consumer consumption of pizza went down and other fast-food services such as burgers were taking over. The overall pizza delivery sales decreased by 2.2% in the US. Dominos had to decrease the prices to cope up with the struggling industry. They also received a lot of criticism about the taste of their pizza. Although Dominos was known for low prices, they were doing badly in retaining their customers. The company's share price fell drastically. Dominos major revenue generator 'supply chain' was not in force at the beginning of 2008. To overcome this situation, Dominos started focusing on technology innovations. Currently, Dominos has surpassed the market shares of major companies such as Apple and Amazon.

QSRs key dynamics are quick delivery, affordable services, minimal on-premises service, and segmentation. QSR was segmented based on the category of food being serviced. i.e., burger, chicken, pizza, snack. This kind of segmentation helped the QSR industry in broadening their consumer base as consumers now had a choice to choose from each segment. In the pizza category, Dominos was leading with the maximum system sales. The pizza segment was further segmented into delivery, takeout, and dine-in with the delivery segment leading. There was tight competition in the pizza delivery industry. Although Pizza Hut was leading in terms of the number of locations, their revenues did not cross Domino's. The reason is that the consumers were more of delivery and take-out driven compared to dine-in. The fortressing technique used by Pizza Hut did not consider the sales growth and hence failed. The revenue was segmented based on the US stores, franchised stores, and supply chain. The revenue generated through company-owned stores is more than that of franchised stores (99%). So, Pizza Hut had a competitive disadvantage here. Another key factor in the QSR industry is third-party delivery services which posed a challenge. Some of the third-party services had regional strengths and all were traffic drivers. Hence, Pizza Hut, Papa John's, and Little Caesar opted for these along with their own delivery service. Dominos opted out of these services to avoid losing their potential customers data to the third-party services, franchisees loss and the uncertainty of third-party services business model.

Dominos took several decisions to turn the tables around the 2008 situation:

- They forecasted the economic downturn and cut down their costs well before and watched over their costs closely. This was a major plus that kept the company going during the recession and helped them in investing in their technology, marketing, and franchisees. Data-driven decisions proved to be successful.
- They focused on reworking their pizza recipe after the negative feedback regarding the taste. Consumers started loving the fresh taste. They also got in combo offers at affordable prices. Their unique way of marketing this new recipe where they showed how bad their pizza was to how good their pizza is now. This truthfulness and transparency resonated well with the consumers. Also, introducing pan pizzas was an additional revenue generator as it comprised 20% of the pizza market.
- Technology innovation majorly contributed to Domino's success story as Dominos saw the future of digital sales and invested heavily in it. Through Pizza Tracker and Pizza Builder consumers now had complete transparency of their food and could customize it. Introduction of DOM took care of customer convenience. The introduction of PULSE gave Dominos complete control of their franchisees operating ways as well as turned to be a revenue generator from international franchisees. The only downside is that franchisees now felt the pressure to stick to the rules made by Dominos and lost the independence of making their own decisions. This would have led to trust issues between Dominos and Franchisees.
- Dominos also trained its employees in pizza preparation and kept the timing to 12-15 minutes which brought uniformity to all its stores and reduced the overall delivery time. Also, they started having their own tech professionals instead of outsourcing them for their key technologies. They also started providing higher-end pizza with expensive ingredients for the health-conscious segment of the consumers. Dominos focused on international stores which surpassed the US stores.
- The decision to opt for driverless delivery solved the existing problem of labor shortage which cut down their costs as well. Dominos watched the sales growth and implemented a fortressing strategy wisely unlike its competitors. The rewards program was a great way to expand the customer base and increase repeat orders.

Dominos has a huge stockholders' deficit (Exhibit 7a) which is resulting in enormous interests and margin cuts. Dominos should increase its revenue with better margins and invest the cash to earn better interests. Also, increasing the number of stores requires skilled labor which Dominos is lacking, and low valued service would affect its brand image. Instead, I would suggest Dominos to go slow on the expansion and watch over their sales growth and invest more in technology to overcome the lack of labor problem. Also, the health-conscious consumers would cut down on pizza consumption in the long run. Hence, Dominos should come up with healthier recipes to target these consumers.