

Krispy Kreme Strategic Alternatives Analysis

Strategic Alternatives Matrix

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External Factors	Internal Factors	Strengths	Weaknesses
		<div>1. Strong Brand Recognition</div> <div>2. Innovation of flavors</div>	<div>1. No “health-conscious” menu.</div> <div>2. Lack of advertising</div>
Opportunities <div>1. Sustainability Initiatives</div> <div>2. Cross-brand collaborations</div>		<div>1. Provide NIL deals (S1, W2, O2)</div> <div>2. Launch healthier doughnut (W1, T1,)</div> <div>3. Differentiation through unique experiences (S1, S2, T2)</div>	
Threats <div>1. Changing health & dietary trends</div> <div>2. Similar items offered from competitors</div>			

Comparison of Strategic Alternatives.

Provide NIL deals.

Krispy Kreme has the potential to expand into new markets, increase brand growth and engagement, and attract new customers by providing NIL deals to student athletes in college. NIL deals (name, image, and likeness) allow student athletes to have endorsement with different brands, make personal appearances, sign autographs, and promote the overall brand that the student athlete has partnered with. Krispy Kreme could first partner with student athletes at the colleges/universities in Winston-Salen, NC, the very place the company was founded. This would be a great way for the company to connect with the community and use the athlete’s NIL rights in the most effective way. The company can identify and partner with key athletes from colleges/universities in Winston-Salen who have a significant following and positive image. Krispy Kreme can offer “seasonal campaigns” based on which sports are

currently being played. During the football season, the company can partner with popular and football players to create limited edition doughnut flavors or merchandise inspired by the player or team. The same can be done during basketball, baseball, and the soccer seasons.

The student athlete could use their social media platform to promote Krispy Kreme's products, special discounts, or even local events the company is involved in. The student athletes could make personal appearances at these company sponsored events where they could sign autographs and take pictures with fans. This in turn can drive traffic to local stores and reach a broader audience. College athletes have a huge following from fans that love the college/university that the athlete plays for, which in turn, makes the athlete an "influencer" especially on social media. College athletes have on average a 10-15% engagement rate, with some achieving up to 30% or more engagement. (*Dreamfield Sports*). Student athletes also represent a younger demographic which engages heavily in social media. 50% of Millennials trust product recommendations from influencers, and 33% of Gen Z's have bought a product based on an influencer's recommendation (*Rodrigue, E. 2023, April 13*).

Krispy Kreme can then expand and provide NIL deals to student athletes in colleges/universities across the United States and use this as an opportunity to expand to locations in states that currently do not have a Krispy Kreme store at all. For example, there are no Krispy Kreme locations in the entire state of Minnesota. Minnesota has a major D1 university – The University of Minnesota, which is in the "Twin Cities" of Minneapolis–Saint Paul with a population of 3.7 million. Krispy Kreme could expand to Minnesota, identify athletes from the University of Minnesota to partner with, and reach a new consumer in an entirely new market.

Supporting local student athletes can enhance the company's involvement in the community and profitability by strengthening the connection between the fanbase, which will lead to increased sales and positive brand image.

NIL deals have the potential to bring a great ROI, but there are some risks associated with them. NIL deals rely heavily on the image of the athlete. If the athlete becomes involved in controversial or negative activities on or off the field, this could impact the brand image and reputation simply because of association. The athlete's behavior is the most important aspect in a NIL deal and must be a top priority when selecting potential athletes to bring a deal to. There is also the risk of financial commitment. Athletes who are very popular and who may be considered "superstars," may demand higher compensation to partner with Krispy Kreme. Regulatory compliance is also a risk when providing NIL deals. NIL regulations vary by state and sports organization, which can be complex. Krispy Kreme would need to oversee these regulations carefully to avoid NCAA violations and legal issues. To reduce these risks, Krispy Kreme must do its due diligence when picking an athlete to partner with and keep an eye on the athlete's conduct and behavior. The company must also stay informed about the regulatory environment that surrounds NIL deals because it is constantly changing.

Launch healthier doughnut.

A strategic alternative Krispy Kreme could pursue is offering a healthier doughnut option. With the changing dietary trends that are pointing towards consumers wanting healthier options, this would be a great time for Krispy Kreme to target a new audience, adapt to the changing dietary needs of customers, and enhance its brand image.

The company can introduce an “alternative” doughnut option that consumers could choose from. Krispy Kreme could offer doughnuts that are baked instead of fried, made with reduced sugar contents, have a lower calorie count, and are either gluten-free or vegan based. Plant-based and vegan options are expected to grow from about \$12 billion in 2019 to over \$30 billion by 2026 (*Howarth, J. 2023, April 19*). A healthier doughnut option will attract the more “health-conscious” consumer who may have avoided Krispy Kreme because of their concerns about the contents of the regular doughnut offerings. This will drive sales because “healthier” consumers will not be afraid to stop into a Krispy Kreme location and enjoy a tasty doughnut. Introducing healthier options also aids in Krispy Kreme being able to have a diverse product line which helps them gain a competitive advantage, and positive consumer perception. The outcome of Krispy Kreme diversifying their offerings to include healthier options can help boost perception of the company as being a versatile and progressive brand that wants to appeal to a wider audience, while also retaining its loyal customer base. A strategic move such as this will not only address the changing dietary needs of consumers but will also contribute to the company’s long-term sustainability and success in the food and beverage industry.

Krispy Kreme must weigh the risks associated with offering a healthier doughnut option. Making doughnuts with alternative ingredients can impact the taste and quality of the doughnut. Creating a healthier doughnut that will maintain the same taste and quality will be challenging because the healthier doughnut would obviously not be created with the regular sugar and other normal ingredients. If the healthier doughnut is not tasty, does not have the same quality, and is all around not received well by consumers, this will have a negative impact on the Krispy Kreme brand. Touching on the fact that a healthier doughnut will not be created with the same ingredients as a normal doughnut, creating the healthier option will also require changes in preparation methods, increased cost in obtaining alternative ingredients, and training staff on how to create the healthier doughnut. Increased ingredient cost and operational complexity may make it difficult for Krispy Kreme to keep the healthier doughnut option as having a consistent taste 100% of the time. Investing money into a healthier doughnut option is costly, and if the healthier is not perceived well with consumers, the ROI will not be favorable, and will negatively impact the company’s success. To reduce this risk that would be associated with introducing a healthier doughnut option, Krispy Kreme must do a thorough job of conducting market research and carefully plan its market strategy. The company must invest in quality control to ensure that the healthier option will have the same consistency and taste 100% of the time.

Differentiation through unique experiences

Krispy Kreme could set themselves apart from the competition, reinforce their strong brand image and continue their innovation of flavors by the differentiation of products through unique customer experiences.

Krispy Kreme could offer unique experiences in a number of ways. One example is having doughnut decorating workshops. Krispy Kreme locations could host workshops on a weekly, monthly, or special occasion basis. The company could allow customers to decorate their own doughnuts, even mix ingredients together to create a unique flavor. Another option would be to design stores that have an interactive setup and design. This could mean that locations could implement an interactive customization menu, where customers could customize the toppings, ingredients, and even if they would like their doughnut baked for a longer or shorter duration of time. Krispy Kreme could also configure their store setup in a way that would allow the customer to be able to see the doughnut making process in its entirety, in the same way customers can go inside of a Domino's pizza and see how the food is prepared in real time. Another unique customer experience Krispy Kreme could provide is having doughnut related challenges, which would be advertised on social media and could lead to increased customer engagement. The company could have an event where customers are given the opportunity to create their own doughnut, from what ingredients are needed to even the shape of the doughnut. The winning customer could then get a unique experience by being invited to a private company party, and having their doughnut featured on the menu for a limited time.

Offering unique customer experiences such as these can create a strong connection with customers and differentiate Krispy Kreme from the competition. This will also more importantly boost the strong brand image the company already has.

The risk associated with having unique customer experience would relate to consistency, increased cost, logistical challenges, and security concerns. If Krispy Kreme decided to implement these unique customer experiences across all locations, it would be difficult to ensure that each location maintains a high-quality experience. This would be difficult if each location offered its own unique experiences based on geographic location, and not a uniform plan that is created by the corporate office. This will lead to experiences not being implemented evenly and could also impact on high employee turnover. Offering unique experience will also raise the operating cost of the company. Implementing new technology or redesigning the layout of the stores will be very costly and not worth it if the ROI that the unique experiences offer is not high enough. Logistical challenges and security concerns are also a risk when offered unique experiences. Hosting unique events such as doughnut making competitions would make it difficult to ensure product availability, staffing schedules, and can encourage large crowds to gather which would be difficult to manage.

Krispy Kreme should mitigate these risks by allocating resources carefully while evaluating how these experiences will impact their overall financial performance. The company will also need

to conduct thorough market research to decide whether offering unique experiences is something worth investing in in the first place.

Recommendation

Based on the three strategic alternatives, I would select launching a healthier doughnut option as the option to prioritize and develop a strategy around. Providing NIL deals to student athletes and differentiation of products through unique experiences may have their advantages, it would be best to develop a strategic strategy that will be able to sustain long-term growth in a competitive industry.

Based on a survey conducted by McKinsey & Company, 50% of consumers across all age groups prioritize healthy eating (*Grimmelt, A., Moulton, J., Pandya, C., & Snezhkova, N. 2022, October 5*). This is a trend that has been on the rise and will continue to rise as time goes on. It would be a great opportunity for Krispy Kreme to capitalize on this trend and expand their consumer audience by offering healthier doughnut options. There is a high market demand for healthier food options in the food and beverage industry due to the increased awareness of healthier dietary habits. Having a healthier doughnut option would also give Krispy Kreme a competitive advantage over its competition, align the company with a trend that is likely to continue, and help them stand out by offering a type of doughnut that other competitors do not have available. This strategic alternative would also give Krispy Kreme an increased amount of positive perception from health-conscious consumers and give value to the fact the company is addressing health concerns associated with their traditional doughnuts.

Prioritizing a healthier doughnut option will align Krispy Kreme with a broader audience, as well as the changing dietary trends of consumers. It will also lead to sustained growth and profits as well as a positive brand image for the company.

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Recommendation

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