

Krispy Kreme Doughnuts Inc

Company Overview

Krispy Kreme is an American founded, internationally recognized doughnut chain mostly known for its iconic “Hot Now” sign, and even more distinguishable Original Glazed doughnuts. Being one of the food and beverage industry’s more popular doughnut chains, Krispy Kreme offers a variety of flavored doughnuts including Glazed, Chocolate, and “limited time” flavors depending on the season and/or Holiday. Examples include the “Pumpkin Spice Cheesecake Swirl Doughnut” that is offered in the Fall, and a “Santa Belly Donut” which is offered during the Christmas holidays. Krispy Kreme also offers various flavors of shakes and coffee.

Founded in 1937 in Winston-Salem, North Carolina, their mission statement is a simple one, “To make the most awesome doughnuts on the planet every single day”. With that statement in mind, Krispy Kreme has been able to go from a small locally owned bakery and transform into a global brand with a strong presence in the United States, and international markets. Krispy Kreme’s multiple target markets has aided the company in evolving into an international brand. Some examples of Krispy Kreme’s target markets include the Breakfast Market, Special occasions and celebrations Market, the General consumer market, and the International Markets. The company has been able to expand nationally and internationally due to the famous flavors of their doughnuts and coffees. Krispy Kreme typically manufactures its doughnuts in-house with their proprietary recipes and doughnut making machines. Company-owned stores have on-site production facilities where they make doughnuts fresh daily. In the franchise-owned locations, the doughnuts are made following Krispy Kreme's guidelines and ingredients, but the specific manufacturing setup will depend on the individual franchise store. This also applies to the advertising aspect of the company. Krispy Kreme engages in advertising activities such as radio and television commercials, social media campaigns, brand collaborations, and in-store promotions. Franchised-owned locations benefit from the corporate advertising initiatives the company undertakes, but the franchisees also contribute to local advertising as well.

Krispy Kreme operates both company-owned and franchise locations. Company-owned stores are managed and operated by the Krispy Kreme corporation, while franchise locations are independently owned by franchisees who have a franchise agreement with Krispy Kreme. The retailing experience of the thousands of different Krispy Kreme locations, whether company-owned or franchised, is standardized across all locations. The store design, open kitchen concept, freshness of products, and even the “Hot Now” sign will be the same in any Krispy

Kreme location you visit. The company is an industry leader but also faces steep competition from big competitors such as Dunkin Donuts and Starbucks.

SWOT Matrix

Krispy Kreme SWOT Matrix	
Strengths	Weaknesses
<ol style="list-style-type: none">1. Strong Brand Recognition2. Innovation of flavors	<ol style="list-style-type: none">1. No “health-conscious” menu.2. Lack of advertising
Opportunities	Threats
<ol style="list-style-type: none">1. Sustainability Initiatives2. Cross-brand collaborations	<ol style="list-style-type: none">1. Changing health & dietary trends2. Similar items offered from competitors

Strengths

Strong Brand Recognition

Krispy Kreme’s strong brand reputation has grown and stood strong over the last 8 decades, thanks in part to their loyal customer base, international focus and their famous glazed doughnut.

Krispy Kreme has over 1500 locations which can be found operating in over 30 countries across the globe. Just last year in 2022, Krispy Kreme sold 1.63 billion doughnuts globally, which grew the company’s revenue by 9% (Lee, D. 2023, February 17). It’s fair to say that the world loves Krispy Kreme doughnuts, and the company knows it. According to Michael J. Tatterfield, who is the president and CEO of Krispy Kreme, he stated in an earnings call in February of 2023, “We expect to open five to seven new countries in 2023, including in France, bringing our total to more than 35 countries by the end of this year.” International expansion, in addition to positive revenue growth, reinforces the fact that Krispy Kreme remains a pivotal force in the food and beverage industry.

The famous “original glazed” doughnut and the neon “HOT NOW” sign is the foundation of why loyal Krispy Kreme customers keep coming back. The Original glazed doughnut (as well as their other flavor doughnuts) that Krispy Kreme has perfected over the years, is always hot and fresh thanks to proprietary machines that were developed in the 30’s and tweaked to become more autonomous when the 21st century came about. Each Company-owned store has this

machinery and can produce up to 1,000 dozen doughnuts per hour. These machines allow the doughnuts to always be made from scratch and fried in-house, aka “fresh”, as opposed to competitors who bake their pre-made doughnuts in an oven. Franchise-owned stores may have a similar set up, but still follow the company’s recipe guidelines.

Innovation of Flavors

Krispy Kreme has multiple flavored doughnuts, coffee, and shakes. These flavors include glazed, iced, chocolate, and filled doughnuts. As well as multiple flavors of frozen lattes, coffee, and shakes. Multiple times each year, Krispy Kreme introduces a “limited time” offering of new and innovative flavors depending on the season and/or holiday. Offering new and fun flavors keeps the company’s product offering diverse, as well as driving profits up with the limited time offerings that loyal customers will be sure to buy. Krispy Kreme reported very promising financial results for the 1st quarter of their fiscal year ending on April 2, 2023. According to the company “Net revenue grew 12.5% year-over-year to \$419.0 million and organic revenue grew 14.4% led by robust performances in the U.S. and Market Development segments” (Krispy Kreme, Inc. 2023, May 11). Company CEO Mike Taffersfiled also commented on how the limited time offerings boosted 1st quarter profits. In a press release (Krispy Kreme, Inc. 2023, May 11) Mike stated “I’m proud of our performance in the first quarter that continued to demonstrate the strength of our omni-channel model, which allows us to meet consumer demand with premium, fresh doughnuts in a capital efficient manner. Our global Valentine’s Day and St. Patrick’s Day campaigns and specialty offerings such as Biscoff® Doughnuts resonated with consumers, showcasing the opportunities for premiumization as well as the gifting and sharing power of our brand” (Krispy Kreme, Inc. 2023, May 11). With profits rising each time a “limited time” item is offered, is it safe to assume that Krispy Kreme will continuously look for ways to innovate their flavors and products.

Weaknesses

No “health – conscious” menu

The company does not have an ‘alternative’ menu for customers who may be looking for a healthier treat to buy. This means that the company could be ignoring an entire market of customers and missing out on opportunities to gain more profit. Not having an alternative menu also leads to the company gaining a reputation for being unhealthy and promoting unhealthy eating options. This can cause harm to the brand image and profitability of Krispy Kreme, forcing existing and potential customers to go to a competitor who may offer healthier options. 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). More and more customers are becoming aware of their health, leading to a shift in healthier food preferences. Krispy Kreme’s long-term performance and financial growth could be impacted by the shift towards healthier dietary

options if the company doesn't act fast. Krispy Kreme should look for ways to expand its menu and introduce plant-based and healthier alternatives that are more in line with changing consumer tastes. By doing this, Krispy Kreme can take advantage of entering a new market for healthier food options. This also strengthens its reputation as a brand that cares about the wide range of dietary needs that their customers may have.

Lack of Advertising

Krispy Kreme has been highly profitable for a long time; however, it may be losing out on a generation of new customers due to its lack of advertising. Krispy Kreme seems to rely on word of mouth as its main advertising focus. In an article written by Avi Dan for Forbes in 2010, then Chief Marketing Officer of Krispy Kreme, Dwayne Chambers, stated he believed that the best marketing tools for Krispy Kreme was not investing in TV commercials, but the friendly employees at every Krispy Kreme location. He also stated that "everybody at the stores is a marketer", where employees would go to "Krispy Kreme University" to learn about marketing and customer service. The company's lax approach to advertising seems to hold true more than a decade later. In a study published by the Statista Research Department, in just the month of September in 2021, Krispy Kreme only spent \$2.06 million in advertising, compared to competitors like Dunkin Donuts and Starbucks, who spent \$8.11 million and \$4.52 million respectively (Statista Research Department, 2021). Looking at the entire 2021 fiscal year for Krispy Kreme, the company spent an estimated \$22.4 million on advertising (Ratna, A. R. 2023, July 22). In comparison, Starbucks spent a total of \$416.7 million in advertising for their 2021-2022 fiscal year (Faria, J. 2023, January 6), along with Dunkin Donuts spending \$162 million on advertising for their 2021-2022 fiscal year (Fleming, J., & O'Brien, K. 2023, January 6). Krispy Kreme's competitors are clearly outperforming the company regarding the attention and resources that are put into marketing and advertising.

Opportunities

Sustainability Initiatives

Krispy Kreme stands to benefit from their sustainability initiatives, which leads to an increased positive brand image, customer loyalty, as well as cost savings benefits. Krispy Kreme employees take part in recycling programs and continue to assess new opportunities in order to increase recycling rates. The company is also taking steps to remove plastic bags and cups from their locations entirely. According to Krispy Kreme's website, the company is making steady progress towards their goal of using 100% cage free eggs by 2025 (*Krispy Kreme*). Additionally, in 2022 the company sent 3600 tons of food waste from their U.S. locations to pig farms to be used as animal feed (*Krispy Kreme*). The company also sent 100% of their U.K. food waste to farms to also be used as animal feed (*Krispy Kreme*). Krispy Kreme shops use palm oil that supports sustainable production through a deforestation-free supply chain. The company has a goal to achieve 100% deforestation-free palm oil use by 2026. Krispy Kreme continues to be

transparent about its efforts and achievements by having their actions and goals listed right on the company's website for anyone to see, and regularly communicates progress to stakeholders. This type of transparency can lead to the company setting an example for competitors while also standing a step above the competition.

Cross-brand collaborations

Krispy Kreme has collaborated with numerous brands to offer a variety of fun flavor-filled doughnuts which boosted sales throughout the years. The brands include Mondelez International (makers of Oreo and Chips Ahoy), Hershey Co, Biscoff, and Mars Inc (makers of Twix). There are opportunities for Krispy Kreme to collaborate with brands outside of the food and beverage industry, and step into untapped potential in new markets. In May of 2016, Krispy Kreme teamed up with Nike to introduce the Ky-rispy Kreme Kyrie 2, which was a shoe inspired and brought together by NBA basketball player Kyrie Irving. The Ky-rispy Kreme's featured red, white, and green colorways, matching the signature colorway of Krispy Kreme. These sneakers were sold in limited quantities out of a 'Ky-rispy Kreme' truck, that stopped in Cleveland, Baltimore, Harlem, and Brooklyn (Kim, J. 2016, May 5). Collaborations with brands from different industries such as Nike, can gain and attract potential new customers to the company. Krispy Kreme continues to offer specialty doughnuts on their own as well. In September of 2020, the company had a "Sports Spirit Day" on the 25th, as well as a week-long sport celebration that ran from the 21st – 27th. On Sports Spirit Day, customers were offered \$5 for 12 dozen original glazed doughnuts if they stopped by in their favorite sports team's gear. In addition, for the entire week, customers were also offered sports themed doughnuts in the form of footballs, basketball, soccer balls, and baseballs. Chief Marketing Officer Dave Skena recognized the importance of engaging customers with specialty items that spark their interest. Dave stated in a Krispy Kreme press release, "No matter what the playing field looks like this fall, we want to show our appreciation for coaches, athletes and fans at every level for their ongoing commitment and passion." (Krispy Kreme, Inc. 2020, September 21).

Threats

Changing health and dietary trends

Dietary trends toward a healthier lifestyle have been on the rise for years. Zero sugar, zero calories, low carb, and no carb food items are becoming more popular in the 21st century. According to Charles Banks, co-founder of The Food People, "People will be seeking foods to protect their health and the planet, as well as embracing simpler, more humble choices to help save money and time" (Helm, J. 2022, December 13). One Original Glazed doughnut is 190 calories, along with having 21 grams of carbs. Coupled with the fact the average American eats around 63 donuts every year (Shipleys Donuts. 2023, August 3), this equals out to almost 5 ½

donuts per month, 998 calories, and around 110 carbs per month. The company should look for ways to offer different types of doughnuts that may be created from a “healthier” recipe and focus on trying to attract new customers that may be “health-conscious”. This could include creating and promoting doughnut options that have reduced carbohydrate levels, lower calorie counts, or even creating doughnuts with more natural and nutritional ingredients. By expanding the menu to engage health-conscious customers while maintaining the famous quality and taste that Krispy Kreme is known for, the company can accommodate to the ever-evolving dietary trends and potentially break into new customer segments, ensuring its continued relevance and success in the food and beverage industry.

Similar items offered by competitors

Krispy Kreme has always enjoyed a strong brand image, customer loyalty, and innovative flavors. However, comparable items offered from competitors in the market can impact on the company’s ability to keep prices low, decrease its market share, and challenge its position in the industry as a leader. Increased competition can lead to price wars potentially reducing profit growth, and forcing customers to drift towards alternatives that offer a similar taste or quality at a lower price. A small Pumpkin Spice Latte is \$6.88 from Starbucks and \$4.39 from Krispy Kreme. Comparing the limited time offering of the Pumpkin Spice Latte drink from Krispy Kreme and its competitor while keeping the same kinds of additional flavors and toppings, we can see the clear price difference. Looking at another competitor which is Dunkin Donuts, As of September 2023 a dozen glazed from Dunkin is offered at around \$16, while a dozen glazed from Krispy Kreme is offered at \$15.99. From 2019-2023, Krispy Kreme has increased prices 40%-70% depending on which item is ordered (Limdico, P. 2023, August 16). The company saw a 66.67% price increase in their dozen glazed doughnuts with prices going from \$7.99 to \$15.99 (Limdico, P. 2023, August 16). Krispy Kreme must keep taking initiatives to keep prices lower than the competition, especially with the rise of inflation from the pandemic in recent years, in order to remain competitive and not lose any share of their market or customers.

References

Strength – Strong Brand Recognition

Lee, D. (2023, February 17). How Krispy Kreme Sold 1.63 Billion Doughnuts in 2022. *The Takeout*. September 7, 2023, <https://thetakeout.com/krispy-kreme-sold-1-63-billion-doughnuts-in-2022-sales-1850123533>

Strength – Innovation of Flavors

Krispy Kreme, Inc. (2023, May 11). *Krispy Kreme reports strong first quarter 2023 and reiterates full year guidance*. Krispy Kreme Reports Strong First Quarter 2023 and Reiterates Full

Year Guidance | Krispy Kreme, Inc. <https://investors.krispykreme.com/news/news-releases/news-details/2023/Krispy-Kreme-Reports-Strong-First-Quarter-2023-and-Reiterates-Full-Year-Guidance/default.aspx>

Weakness – No “Health – Conscious” Menu

Howarth, J. (2023, April 19). *9 Key Food and beverage industry trends (2023-2026)*. 9 Key Food and Beverage Industry Trends (2023-2026). <https://explodingtopics.com/blog/food-trends>

Weakness – Lack of Advertising

Published by Statista Research Department, (2021, October). *Top U.S. coffee shops by digital ad spend 2021*. Statista.com. <https://www.statista.com/statistics/1275937/top-coffee-shop-companies-digital-ad-spend-usa/>

Starbucks spending on advertising (Weakness – Lack of Advertising)

Faria, J. (2023, January 6). *Starbucks: advertising spending worldwide 2011-2022*. Statista. <https://www.statista.com/statistics/289363/starbucks-advertising-spending-worldwide/#statisticContainer>

Dunkin spending on advertising (Weakness – Lack of Advertising)

Fleming, J., & O'Brien, K. (2023, January 6). *Dunkin' names Leo Burnett its lead creative agency*. Adweek. <https://www.adweek.com/agencies/dunkin-names-leo-burnett-its-lead-creative-agency/>

Krispy Kreme spending on advertising (Weakness – Lack of Advertising)

Ratna, A. R. (2023, July 22). *5 successful brands that spend the least on advertising*. India Retailing. <https://www.indiaretailing.com/2023/07/25/5-successful-brands-that-spend-the-least-on-advertising/>

Opportunity – Sustainability Initiatives

(*Krispy Kreme*). Krispy Kreme - Doughnuts, Coffee & Drinks. (n.d.).
<https://www.krispykreme.com/sustainability>

Opportunity – Cross Brand Collaborations

Kim, J. (2016, May 5). *Here's full release info for the Nike Kyrie 2 "KY-rispy kreme."* Sneaker News. <https://sneakernews.com/2016/05/05/nike-kyrie-2-krispy-kreme-release-info/>

Krispy Kreme, Inc. (2020, September 21). *Krispy Kreme® celebrates sports with "sports spirit day" and limited edition sports dozen available Sept. 21-27.* KRISPY KREME® Celebrates Sports with "Sports Spirit Day" and Limited Edition Sports Dozen Available Sept. 21-27 | Krispy Kreme, Inc. <https://investors.krispykreme.com/news/news-releases/news-details/2020/KRISPY-KREME-Celebrates-Sports-with-Sports-Spirit-Day-and-Limited-Edition-Sports-Dozen-Available-Sept.-21-27-09-21-2020/default.aspx>

Threat – Changing health and dietary trends

Helm, J. (2022, December 13). *New Food Trends for 2023 | U.S. News - US News Health.* New Food Trends for 2023. <https://health.usnews.com/health-news/blogs/eat-run/articles/new-food-trends-for-2023>

Shipleys Donuts . (2023, August 3). *7 things you probably didn't know about donuts: Myshipleydonuts facts.* 7 THINGS YOU PROBABLY DIDN'T KNOW ABOUT DONUTS. <https://myshipleydonuts.com/7-things-you-probably-didnt-know-about-donuts#:~:text=Americans%20consume%20over%2010%20billion,least%2063%20donuts%20every%20year>

Threat – Similar items offered by competitors.

Limdico, P. (2023, August 16). *Updated krispy kreme menu & price hikes (2023).* Food Truck Empire. <https://foodtruckempire.com/menu-prices/krispy-kreme-menu/>