In this case study, a business called “Domino's Pizza Japan Inc.” (DPJ) is faced with a pivotal decision regarding what strategic approaches are the best option for a successful and substantial expansion in the Japanese market. This strategic expansion of DPJ (a subsidiary of the global pizza delivery giant) is “feasible, and necessary for the company’s continued growth” explained Josh Kilimnik (president and CEO of DPJ) in the study [1]. This case explores the multidimensional factors that DPJ must consider before arriving at a final decision about their market expansion strategy.

By the end of 2018, DPJ had witnessed a spectacular growth trajectory, expanding its store count to nearly 550 across Japan – more than double the amount five years previously. Domino's Pizza Japan (DPJ) is at a strategic juncture, contemplating expansion into untapped markets while also considering deepening its penetration in established urban areas. A key area of interest is Hokkaido, Japan's largest prefecture by area, which surprisingly lacks any Domino's stores despite having a significant population of 5.4 million [1]. This gap presents a prime opportunity for DPJ to introduce its brand and offerings to a new customer base, potentially capitalizing on the region's unmet demand for international fast-food options. Conversely, in densely populated and highly competitive markets such as Nagoya, with a population of 2.3 million [1], DPJ could focus its expansion and further enhance its market share. Here, the strategy shifts towards increasing customer engagement and loyalty through targeted marketing, digital innovations, and localized product offerings that cater to the specific tastes and preferences of the Nagoya populace. DPJ must navigate these opportunities with a nuanced approach that takes into consideration multidimensional and multiyear factors which will affect whether the company’s market expansion is a successful venture or not. Another key fact about the business is that DPJ focuses on a "barbell strategy," which means they primarily target high and low-end market segments, while remaining less concerned with the (middle) mid-range products and market segments. Another important element of DPJ is their emphasis on implementation of digital technology – as these efforts resulted in a mobile app being downloaded 900,000 times, along with the launch of the ambitious Project 3TEN (for rapid delivery).

Key challenges to discuss during considerations and meetings about which strategic direction is optimal for market expansion are details about how DPJ will differentiate itself from their primary competitors (Pizza Hut and Pizza-La). Additionally, DPJ is aiming to reach 1,000 stores by 2028, which implies that the expansion must also take into account the long-term planning factors of that goal. Because to achieve 1,000 stores, then DPJ will need to open at a minimum 450 more locations, which means they will need to find the space and the land for these locations. Other primary challenges will include delivery and marketing costs, as reaching distant areas will incur higher costs of delivery and higher marketing costs, which will have a downstream impact on store profitability and operational efficiency. The last key issues facing DPJ that I identified were strong competition, market share risk, and cannibalization risks. Because navigating a competitive landscape with other big players like Pizza Hut and Pizza-La will be a challenge all by itself. But then there are the additional challenges of competing in a market where pizza delivery constitutes a very small portion of the overall fast-food delivery market share. Tangentially related to these issues is the risk of cannibalization, as the fortressing strategy poses many risks. Some of which could have unintended consequences, including the cannibalization of sales from existing DPJ stores.

In this section, I have developed and outlined alternative courses of action that could be taken, along with explanations to outline the logic and reasoning processes underlying each recommended alternative. The first course of action to be considered is the expansion into new markets (e.g., Hokkaido). This action is supported from a marketing perspective by its untapped market potential, competitive advantage, and opportunity to facilitate brand diversification. Entering new markets like Hokkaido would provide the company with the chance to tap into a fresh customer base that has had limited exposure to DPJ's offerings, potentially increasing brand awareness and market share. Additionally, since the region isn't near large cities, it's not as difficult to find vacant buildings, and would likely provide DPJ with the necessary land and space requirements that will be needed for the company's expansion to 1,00 stores – providing further evidence in support of expansion focused on Hokkaido. Also, it would provide an opportunity to customize marketing strategies and product offerings along regional preferences, further diversifying the brand's appeal. Lastly, being first to market, aka the first major pizza delivery service in Hokkaido would also cement DPJ as the market leader (before competitors eventually follow suit). This action is also supported by financial considerations the company must consider. First, revenue growth potential for the Hokkaido market expansion presents a rare opportunity as new markets present a great opportunity for revenue growth that is external to the saturated markets already operating. Secondly, this strategic direction would present an opportunity for the company to diversify its revenue streams, and thus decrease risk exposure to concentrated market volatility. Because by expanding into new areas and markets, DPJ can reduce reliance on existing markets while also creating additional revenue streams. The second course of action to be considered is the strategy which aims to deepen DPJ penetration of current markets (e.g., Nagoya) in the "fortressing" strategy. This action is supported from a marketing point of view in that this strategy provides a way to leverage existing brand recognition, as DPJ can utilize its existing brand recognition and consumer loyalty to potentially drive sales growth.

Another point of evidence which supports the merits of this argument is that because DPJ already has a deeper understanding of consumer behaviors and preferences in these markets – they can use these to inform more effective marketing and product strategies. Another positive marketing aspect of this strategy is the enhanced customer experience and satisfaction it could produce. As, this course of action would result in increasing store density, which would assist in the reduction of delivery times and enhance customer satisfaction, and their lifetime value. The financial arguments supporting this course of action would be its lower expansion cost, and the quicker return on investment capital. As increasing store density in existing markets requires lower capital investment compared to entering new markets, the infrastructure and supply chains are already in place. Moreover, since DPJ is already familiar with the market dynamics and existing customer base – this could positively affect sales and help lead to quicker returns on invested capital.

Evaluating between new market expansion and deeper penetration requires many factors to be considered and I think it's imperative to prioritize a careful assessment of the alternative courses of actions and the potential returns versus the potential risks of each course. Addressing the fortressing strategy, I think that it primarily promotes an emphasis on marketing efficiency, reducing delivery times, and enhancing existing customer satisfaction; but this comes at the risk of cannibalizing the sales of other stores. The question at this point is really about the balance between market saturation and operational efficiency. And the other course of action was primarily promoting the priority of being first to market and acquiring new customer base, and since these provide the company with diversified revenue streams as well as the opportunity to secure market leadership, by being the first to market in Hokkaido.

This leads to my proposed course of action. DPJ should prioritize strategic market expansion in untapped prefectures, perhaps starting with a pilot project in Hokkaido to assess the market response. This approach leverages DPJ's goal of expanding its footprint while also catering to specific regional tastes, and providing the company with a "test run" so to speak, before going all in on this new market – as starting the expansion without a pilot project adds extra risk (for example say DPJ constructed 100 locations in Hokkaido without a pilot, and then they all had to close at a financial loss because the market responded so negatively). However, if the pilot is well received by the market, then DPJ can be confident about going forward with the full market expansion. Another part of my proposal is to introduce a hybrid store model in selected locales to test the dine-in market's potential. This balanced approach will allow DPJ to explore new market opportunities while strengthening its core competencies. This approach considers DPJ's current market position, competitive environment, business landscape, and the unique considerations of Japan's markets.

[1] Beamish, P., Southam, C., & Beamish, A. (2021). *Domino's Pizza Japan: Fortressing or Market Expansion?* Ivey Publishing. Case No. 9B21M028.