# Dunkin' Brands Group, Inc., 2015

## www.dunkinbrands.com, DNKN

Headquartered in Canton, Massachusetts, Dunkin' Brands (Dunkin') sells hot and cold coffee and baked goods, as well as hard-serve ice cream, using a near-100 percent franchised business model. With 11,300 Dunkin' Donuts restaurants in 40 states and 32 foreign countries, and 7,500 Baskin-Robbins restaurants in 43 states and 46 foreign countries, Dunkin' is one of the world's largest franchisors of quick-service restaurants (QSR). All but 36 Dunkin' Donuts and Baskin-Robbins are franchisee-owned. In the last few years, more and more customers are coming into Dunkin' restaurants and spending more and more money when they are there. About 70 percent of all Dunkin' stores have a drive thru, which caters to consumers in a hurry. Dunkin' is a speed leader among QSR, even given increased ticket volume and menu complexity.

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Dunkin' recently launched a loyalty and rewards program that enables the company to collect data from customers to determine their habits. For example, if you normally visit Dunkin' Donuts in the morning, the firm may soon send you offers to purchase some donuts in the afternoon or evening. Companies increasingly are using business analytics to make strategic decisions. Major rival firms in the coffee retailing business include Starbucks, Krispy Kreme Doughnuts, and Tim Hortons. Dunkin' especially caters to the on-the-go consumer looking for a quick coffee and breakfast. One potential weakness for Dunkin' is that the firm does not offer many healthy food options for health-conscious customers.

Coffee prices rose 50 percent in 2014 due to drought conditions in South America, especially since Brazil endured its worst drought in decades. The 2014 coffee harvest in Brazil was the lowest in three years. To take up the slack, Colombia, the world's number-two Arabica grower, was increasing production, but Colombia only produces about one quarter as much coffee as Brazil.

Dunkin' Brands is performing quite well. In mid-2015, Dunkin' announced agreements with seven franchise groups to open 51 new restaurants in Virginia and West Virginia over the next several years. Of the seven groups, only one is a new franchisee while the rest are existing franchisees/franchise groups. For Q1 of 2015, the company's revenues increased 8.1 percent year-over-year to $185.9 million, driven partly by revenue from the Dunkin' K-Cup pack licensing agreement with Keurig Green Mountain, Inc.



## History

Independently in the 1940s, Bill Rosenberg founded the first Dunkin' Donut restaurant, and Burt Baskin and Irv Robbins each founded a chain of ice cream shops that eventually combined to form Baskin-Robbins. Baskin-Robbins and Dunkin' Donuts were acquired by Allied Domecq in 1973 and 1989, respectively, and renamed Dunkin' Brands, Inc. in 2004. Allied was acquired in 2005 by Pernod Ricard, who soon sold the firm to Bain Capital Partners, LLC, The Carlyle Group, and Thomas H. Lee Partners, L.P. In 2011, Dunkin' Brands became listed on the NASDAQ Global Select Market under the symbol "DNKN."

### Dunkin' Donuts

Bill Rosenberg opened his first donut restaurant, Kettle Donuts, in 1948, in Quincy, Massachusetts. The name changed to Dunkin' Donuts in 1950. Rosenberg sold franchisees to others as early as 1955. The 100th restaurant opened in 1963, the 1,000th in 1979, and the 3,000th in 1992. In 1996, bagels were introduced to the Dunkin' Donuts menu and breakfast sandwiches the following year.

In 2013, Dunkin' Donuts received the No. 1 ranking for customer loyalty in the coffee category by Brand Keys for eight years running, and was rated by CREST in December 2013 as number-one in iced regular/decaf/flavored coffee, number-one in hot regular/decaf/flavored coffee, number-one in donut category, and number-one in bagel and muffin category.

The following year, Dunkin' Donuts reentered the United Kingdom, 20 years after it exited the country, with its first store opening in Harrow, London. In Canada, Dunkin' Donuts has lost a substantial percent of its market share in recent years, and now has only five restaurants, all in Quebec. Dunkin's Canadian decline is largely due to rival donut firm Tim Hortons.

### Baskin-Robbins

In 1945, brothers-in-law Burt Baskin and Irv Robbins owned different ice cream parlors, Burton's Ice Cream and Snowbird Ice Cream, both in Glendale, California. The separate companies merged in 1953 and the number of ice cream flavors increased to 31. That year, Baskin-Robbins hired Carson-Roberts Advertising who recommended adoption of the number 31 as well as the pink (cherry) and brown (chocolate) polka dots and typeface. In the 1970s, the company went international, opening stores in Japan, Saudi Arabia, Korea, and Australia. Baskin-Robbins was the first company to introduce ice cream cakes to the public, and the first to offer both hand scooped and Soft Serve ice cream. In some places, such as Malaysia, Baskin-Robbins gives 31 percent off their hand-packed ice cream on the 31st of a month.

Today, Baskin-Robbins is the world's largest chain of ice cream specialty shops serving premium ice cream, specialty-frozen desserts, and beverages to more than 300 million customers annually. In 2014, the company was named the top U.S. ice cream and frozen dessert franchise by *Entrepreneur* magazine.

### Vision/Mission

Dunkin's vision statement is given on the corporate website as follows: "Serving Responsibly—To be recognized as a company that responsibly serves our guests, franchisees, employees, communities, business partners, and the interests of our planet."

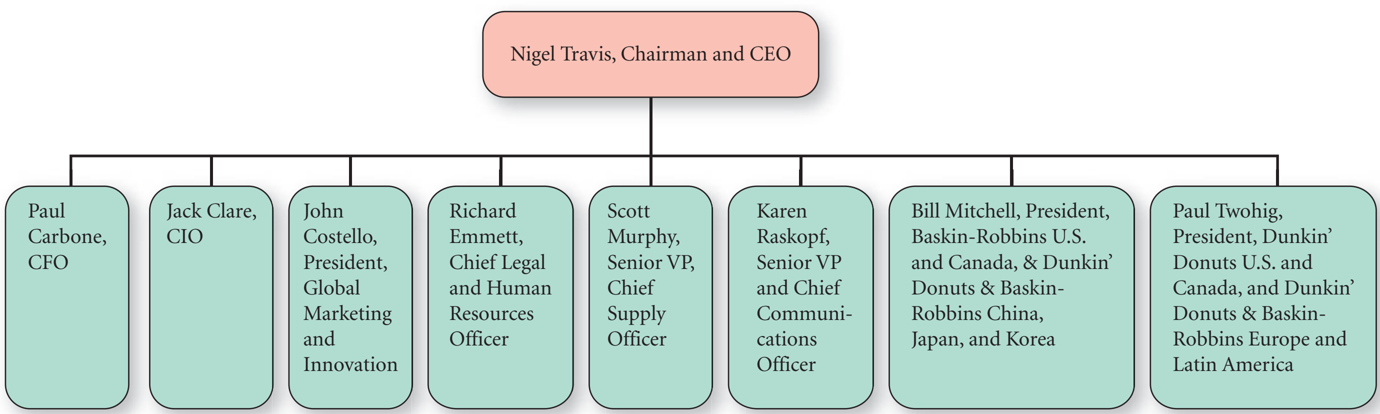
Dunkin's mission statement is also given on the corporate website, but it is titled "Our Priorities." The statement has four parts: Our People, Our Guests, Our Neighborhoods, and Our Planet. For example, regarding Our People, the statement reads: "From our employees and franchisees to the farmers who grow our coffee, we believe in treating everyone with respect and fairness so they are empowered to reach their goals."

## Organizational Structure

In 2014, Dunkin' extended Chairman and CEO Nigel Travis's employment contract through December 2018. Mr. Travis, age 64, joined Dunkin' Brands as CEO in December 2008; his contract was to expire in 2016. Besides Mr. Travis, other top executives at Dunkin' are listed in Exhibit 1. Notice there is no Chief Operating Officer and Mr. Travis is both the Chairman and CEO. Also notice there are no women or minorities among the top nine executives.

Regarding Dunkin's number of employees, since the company is nearly 100 percent franchised, workers are employed and paid by the franchisee, rather than by Dunkin'. Dunkin' has no unionized employees.

**EXHIBIT 1 Dunkin' Brands' Organizational Chart**




*Source:* Based on information at Dunkin' Brands' corporate website.

## Internal Issues

### Strategy

Dunkin' is opening 65 Dunkin' Donuts stores in Brazil's capital of Brasilia and surrounding states by 2016, through a licensing agreement with OLH Group. The new stores will be primarily in the capital city of Brasilia and the state of Goias. Dunkin' also has plans to open an additional 80 stores in Brazil outside of the capital area by 2018. Dunkin's largest South American presence to date is in Colombia with 171 restaurants. In 2014, Dunkin' opened about 700 Dunkin' Donuts and Baskin-Robbins stores worldwide. Store cannibalization is becoming a problem in some areas as the firm increasingly opens new stores in close proximity to existing stores. Dunkin' restaurants are most heavily concentrated in the New England region of the United States. Dunkin' franchisees are currently overhauling restaurant décor into a "sip and sit" atmosphere, with over 100 restaurants now offering soft seating areas, as well as high and low tables and stools. The new décor features earthy colors, contemporary lights, coffee-housed themed artwork, free Wi-Fi, power outlets, flat panel televisions, and digital menus.

To keep revenues flowing around the clock, Dunkin' Donuts (and rival Starbucks) now offer more dinner-friendly foods. "Though breakfast remains our core, today people are seeking all-day dining, and they want to eat what they want, when they want it and where they want it," says John Costello, Dunkin' Donuts president of global marketing and innovation. Thus, Dunkin' Donuts in late 2014 introduced a dinner staple (steak) and made a steak sandwich as well as a wrap with eggs permanent additions to its menu. Only 40 percent of Dunkin' Donuts' sales come after 11 AM, leaving a lot of room for growth in that arena, especially at the more than 2,300 Dunkin' Donuts in the United States that are open 24 hours. Most Dunkin' Donuts, Costello said, are open until 10 PM.

### Sustainability

Dunkin' Brands has a current Corporate Sustainability Report (CSR) posted on their website. The CSR details how Dunkin' is progressing toward improving on its environmental goals and objectives. For example, the Dunkin' Donuts & Baskin-Robbins Community Foundation (DDBRCF) recently partnered with Feeding America to support such initiatives as the BackPack Program to provide hungry children with nutritious and easy-to-prepare food to take home on weekends, and to support the School Pantry Program, which helps alleviate child hunger in America.

### Franchise Fees

In the United States, Dunkin' Donuts franchisees pay a royalty of about 5.4 percent of gross sales to the company, and Baskin-Robbins franchisees pay about 5.0 percent. However, outside the United States, Dunkin' Donut franchisees, on average, pay a royalty rate of only 2.1 percent. For the Baskin-Robbins brand outside the United States, Dunkin' does not generally receive royalty payments from franchisees; instead, it earns revenue from such franchisees by selling ice cream products to them, so the royalty rate in this segment is about 0.7 percent. Dunkin' franchisees in the United States also pay advertising fees of about 5 percent of gross sales.

## Segments

Dunkin' Brands operates in four segments: (1) Dunkin' Donuts U.S., (2) Dunkin' Donuts International, (3) Baskin-Robbins International, and (4) Baskin-Robbins U.S. The two Dunkin' Donuts U.S. and International segments generated 2014 revenues of about $568 million, or about 76 percent of the firm's total segment revenues, of which $549 million was in the U.S. segment and $20 million was in the international segment. As calendar 2015 began, there were 11,275 Dunkin' Donuts stores—8,047 in the United States and 3,228 in 32 countries outside the United States.

The two Baskin-Robbins segments generated 2014 annual revenues of about $122 million in the international segment and about $43 million in the U.S. segment. As calendar 2015 began, there were 7,546 Baskin-Robbins stores—5,068 were international in 46 countries outside the United States, and 2,478 were in the United States.

In Q4 of 2015, Dunkin' Brands' franchisees and licensees opened another 260 restaurants worldwide, including 141 Dunkin' Donuts U.S. locations, 75 Baskin-Robbins International

**EXHIBIT 2 Dunkin' Brands' Number of Restaurants at Year-End**

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| Dunkin' Donuts U.S. | 8,047 | 7,677 | 7,306 |
| Dunkin' Donuts International | 3,228 | 3,181 | 3,043 |
| Baskin-Robbins U.S. | 2,478 | 2,467 | 2,463 |
| Baskin-Robbins International | 5,068 | 4,833 | 4,556 |
| **Total** | **18,821** | **18,158** | **17,368** |

outlets, 46 Dunkin' Donuts International units. Also, two Baskin-Robbins U.S. locations were closed. Additionally, Dunkin' Donuts U.S. franchisees remodeled 172 restaurants during the quarter. Exhibit 2 provides a breakdown of Dunkin' Brands' restaurants.

Since Dunkin' Brands is nearly 100 percent franchised, revenues derived from selling both ice cream and donuts to consumers is reported on the franchisees' financial statements, rather than on Dunkin's financial statements. Thus, the company generates revenue from five primary sources: royalty income and fees, rental income from restaurant properties leased, sales of ice cream products to franchisee, retail store revenue at company-owned stores, and licensing of the Dunkin' Donuts brand for products sold in nonfranchised outlets (such as retail packaged coffee).

Outside the United States, Dunkin' stores are predominantly located in Asia and the Middle East, which accounted for about 70 and 16 percent, respectively, of international franchisee-reported sales in 2014.

### Dunkin' Donuts

The Dunkin' Donuts brand has evolved into a predominantly coffee-based concept, with approximately 57 percent of Dunkin' Donuts' U.S. franchisee-reported sales for fiscal year 2013 generated from coffee and other beverages. Dunkin' Donuts has centralized manufacturing locations (CMLs) that are franchisee-owned and operated for producing donuts and bakery goods. The CMLs deliver freshly baked products to Dunkin' Donuts restaurants on a daily basis with consistent quality. At year-end 2013, there were 114 Dunkin' CMLs of varying size and capacity in the United States. However, some Dunkin' Donuts restaurants produce donuts and bakery goods on-site rather than relying on CMLs. Some of those stand-alone Dunkin' Donuts restaurants supply other local Dunkin' Donuts restaurants that do not have access to CMLs.

Dunkin's coffee supplier, National DCP LLC, hedges coffee prices with farmers, protecting Dunkin' from rapid swings in coffee price. Coffee prices have been rising of late, due to inclement weather, especially a drought in South America. Consequently, the price of Robusta coffee beans is high, whereas Arabica coffee bean prices are lower. Dunkin' is positioned well somewhat because on the Dunkin' website, it says, "We use 100% Arabica coffee beans."

Exhibit 3 provides a breakdown of Dunkin' Donuts' restaurants outside the United States, and income globally.

### Baskin-Robbins

Dunkin' Brands outsources all its manufacturing and distribution of ice cream products for the domestic Baskin-Robbins brand franchisees to Dean Foods. Dunkin's Baskin-Robbins U.S. segment has reported comparable store sales growth in each of the last three fiscal years. The company's "31 flavors" offer consumers a different flavor for each day of the month. Baskin-Robbins USA franchise system has sales of about $520 million, or 5.5 percent of Dunkin's global franchisee-reported sales.

About 65 percent of Baskin-Robbins restaurants are located outside of the United States and operate primarily through joint ventures and country or territorial license arrangements with "master franchisees." The Baskin-Robbins international franchise system, predominantly located across Asia and the Middle East, generated franchisee-reported sales of $2.0 billion in 2013, or 22.1 percent of Dunkin' Brands' global franchisee-reported sales.

The number of Baskin-Robbins outside of the United States are revealed in Exhibit 4, as well as the segment's income globally.

**EXHIBIT 3 The Number of Dunkin' Donuts Outside the United States and Income Globally (in thousands of USD)**

| | 2014 # Stores | 2013 # Stores |
|---|---|---|
| South Korea | 902 | 827 |
| Middle East | 338 | 386 |
| Other | 1,941 | 2,015 |
| **Total** | **3,181** | **3,228** |
| Dunkin' Donuts U.S. | | |
| Income | | |
| Royalty income | $362,342 | $337,170 |
| Franchise fees | 36,192 | 29,445 |
| Rental income | 91,918 | 92,049 |
| Sales at company-owned stores | 24,976 | 22,765 |
| Other revenues | 5,751 | 3,970 |
| **Total revenues** | **521,179** | **485,399** |
| **Segment profit** | **379,751** | **355,274** |
| Dunkin' Donuts International | | |
| Income | | |
| Royalty income | $14,249 | $13,474 |
| Franchise fees | 3,531 | 1,715 |
| Rental income | 133 | 179 |
| Other revenues | 403 | 117 |
| **Total revenues** | **18,316** | **15,485** |
| **Segment profit** | **7,479** | **9,670** |

**EXHIBIT 4 The Number of Baskin-Robbins Outside the United States and Income Globally (in thousands of USD)**

| | 2014 # Stores | 2013 # Stores |
|---|---|---|
| South Korea | 1,065 | 1,106 |
| Japan | 1,157 | 1,170 |
| Middle East | 706 | 754 |
| Other | 1,805 | 2,030 |
| **Total** | **4,833** | **5,068** |
| Baskin-Robbins U.S. | | |
| Income | | |
| Royalty income | $25,728 | $25,768 |
| Franchise fees | 1,160 | 775 |
| Rental income | 3,420 | 3,949 |
| Sales of ice cream products | 3,808 | 3,942 |
| Sales at company-owned stores | — | 157 |
| Other revenues | 8,036 | 7,483 |
| **Total revenues** | **42,152** | **42,074** |
| **Segment profit** | **27,081** | **26,274** |
| Baskin-Robbins International | | |
| Income | | |
| Royalty income | $9,109 | $9,301 |
| Franchise fees | 1,665 | 1,292 |
| Rental income | 535 | 561 |
| Sales of ice cream products | 108,435 | 90,717 |
| Other revenues | 589 | 104 |
| **Total revenues** | **120,333** | **101,975** |
| **Segment profit** | **54,321** | **42,004** |

## Finance

Dunkin' Brands' revenues in 2014 were $748.7 million, up 4.9 percent year over year. Adjusted earnings per share were $1.74, up 13.7 percent over the prior year. For that quarter, Dunkin' Brands declared a quarterly dividend of 26.5 cents per share of common stock, an increase of 15 percent from the prior quarter. The increased dividend was paid on March 18, 2015 of record as of March 9.

Dunkin' Brands' income statement and balance sheet are provided in Exhibits 5 and 6, respectively.

**EXHIBIT 5 Dunkin' Brands' Income Statement (in thousands of USD)**

| Report Date | December 27, 2014 | December 28, 2013 |
|---|---|---|
| Revenues | $748,709 | $713,840 |
| Operating expenses | 432,535 | 436,631 |
| Operating income | 22,684 | 27,527 |
| EBIT | 338,858 | 304,736 |
| Interest | 83,125 | 86,648 |
| EBT | 255,733 | 218,088 |
| Tax | 80,170 | 71,784 |
| Other items | 794 | 599 |
| **Net income** | **176,357** | **146,903** |

*Source:* Based on p. 52 in Dunkin's 2014 *Form 10K*.

**EXHIBIT 6 Dunkin' Brands' Balance Sheet (in thousands of USD)**

| Report Date | December 27, 2014 | December 27, 2013 |
|---|---|---|
| Cash | $208,080 | $256,933 |
| Accounts receivable | 105,060 | 79,765 |
| Inventories | — | — |
| Other current assets | 129,478 | 125,062 |
| Total current assets | 442,618 | 461,760 |
| Property, plant & equipment | 182,061 | 182,858 |
| Equity investments | 164,493 | 170,644 |
| Goodwill & intangibles | 2,317,167 | 2,343,803 |
| Other assets | 71,044 | 75,625 |
| **Total assets** | **3,177,383** | **3,234,690** |
| Short-term debt | 3,852 | 5,000 |
| Accounts payable | 13,814 | 12,445 |
| Other current liabilities | 337,853 | 326,853 |
| Total current liabilities | 355,519 | 344,298 |
| Long-term debt | 1,807,081 | 1,818,609 |
| Deferred income taxes | 540,339 | 561,714 |
| Other liabilities | 99,494 | 97,781 |
| **Total liabilities** | **2,802,433** | **2,822,402** |
| Noncontrolling interest | 6,991 | 4,930 |
| Common stock | 104 | 107 |
| Retained earnings | (711,531) | (779,741) |
| Treasury stock | — | (10,773) |
| Paid in capital and other | 1,079,386 | 1,197,765 |
| **Total equity** | **367,959** | **407,358** |
| **Total liabilities, noncontrolling interest, & equity** | **3,177,383** | **3,234,690** |

*Source:* Based on p. 51 in Dunkin's 2014 *Form 10K*.

## Competitors

There are thousands of "mom-and-pop" doughnut shops globally. However, Krispy Kreme Doughnuts (KKD), Starbucks, Dunkin' Brands Group, and Tim Hortons (now owned by Restaurant Brands) are dominant rivals, and have been increasing coffee and doughnuts sales annually. For example, total sales in 2014 for KKD, Starbucks, and Dunkin' Brands Group, increased 6.5, 10.1, and 4.9 percent, respectively. All four companies have aggressive expansion plans. Krispy Kreme Doughnuts is in an aggressive growth mode and plans to expand in a way similar to that of Dunkin' Brands, which plans to double its Dunkin' Donuts store count to around 15,000 in the United States alone. Krispy Kreme plans to increase its 800 stores worldwide to 1,300 by 2017.

Exhibit 7 provides some comparative information about Dunkin' Brands, Krispy Kreme Doughnuts, and Starbucks. Revenue per employee is not really applicable due to franchising, whereas the persons are employees of the franchisee and not Dunkin'.

### Starbucks Corporation (SBUX)

Starbucks is the world's largest specialty coffee retailer with more than 18,000 coffee shops in 60 countries. It offers coffee drinks and pastries, roasted beans, coffee accessories, and teas. The company owns about 9,400 of its own shops (mostly in the United States), while licensees and franchisees operate roughly 8,650 units worldwide (primarily in shopping centers and airports). In 2014, Starbucks began offering beer and wine, as well as fancy snacks, chicken skewers, chocolate fondue, and other items. By year-end 2014, only 40 Starbucks offered these new items. The company also owns the Seattle's Best Coffee and Torrefazione Italia coffee brands. Starbucks markets its coffee through grocery stores and licenses its brand for other food and beverage products. The company is determined to get the afternoon and evening customer, whereas historically it has mainly been a breakfast place. That is why the beer, wine, and more food is being rolled out at more and more Starbucks outlets.

The company sees afternoon and dinner also as a way to differentiate itself from Dunkin' Donuts and Krispy Kreme Doughnuts that historically have been more about quick service than sit down and stay, which is the venue Starbucks plans to enter aggressively globally. Starbucks now offers 10 standard small dinner plates as part of its evening menu, such as truffle macaroni and cheese. There are also five choices of red wine, three white wines, a sparkling rose, and prosecco.

### Krispy Kreme Doughnuts (KKD)

Krispy Kreme Doughnuts is chain of doughnut outlets with about 695 locations throughout the United States and in about 20 other countries. The shops are popular for their glazed doughnuts that are served fresh and hot out of the fryer, as well as cake and filled doughnuts, crullers, and fritters. Hot coffee and other beverages also are sold. KKD outlets are almost all owned and operated by franchisees; the company owns and operates 90 locations. Aside from doughnuts and coffee, no other food items of substance are offered. The company markets its doughnuts through grocery stores and supermarkets.

Green Mountain Coffee Roasters Inc. (GMCR) and KKD have agreed to widen the home-made single-serve coffee options for Keurig users, whereby KKD's upcoming coffees—Smooth and Decaf—will be available in K-Cup packs for Keurig brewers. Krispy Kreme's K-Cup packs

**EXHIBIT 7 Dunkin' Donuts versus Rival Firms**

| | Dunkin' | Krispy Kreme | Starbucks |
|---|---|---|---|
| # Employees | 1,150 | 2,500 | 191,000 |
| $ Net Income | $176 M | $34 M | $2,068 M |
| $ Revenue | $748 M | $460 M | $16,447 M |
| $ Revenue/Employee | NA | $184,000 | $86,110 |
| $ EPS Ratio | $1.65 | $0.55 | $3.30 |
| Market Cap. | $5.0 B | $1.4 B | $66.7 B |

will be available at the online shopping sites of Keurig and KKD, along with the participating KKD shops, grocery, and many other retail outlets. The convenience of Keurig brewers will enhance the popularity of KKD coffee among Keurig fans.

The fiscal fourth-quarter results for KKD on March 12, 2014, saw revenue rise 3.3 percent to $112.7 million. Company-owned same-store sales rose 1.6 percent, and franchise same-store sales soared 6.7 percent. Adjusted net income grew 37 percent to $8.3 million. It was the fifth full year and 21st quarter in a row of same-store KKD sales gains.

### Tim Hortons, Inc.

Tim Hortons is Canada's leading quick-service restaurant brand, having more than 4,250 coffee and donut shops across the country, and in several U.S. states. Tim Hortons was acquired by Burger King Worldwide in late 2014 in an $11 billion deal, and BKW immediately created Restaurant Brands International (RBI). RBI is now the second largest global quick-service restaurant in the world. Today, BKW is headquartered in Oakville, outside of Toronto, Canada.

The Tim Horton menu features a variety of coffees and cappuccino, along with donuts, Dutchies, bagels, and other baked goods. In addition, Tim Hortons serves a lunch menu of soup, sandwiches, and chili. The chain includes freestanding as well as kiosk and mall-based outlets; all but about 20 of the locations are operated by franchisees. The company owns the Cold Stone Creamery ice cream shop chain. Tim Hortons' revenues in a recent quarter increased 10.7 percent, and adjusted earnings-per-share grew 6 percent.

## External Issues

### Barriers to Entry

Barriers to entry are relatively low for the restaurant industry, but rivalry (competitiveness) among firms is exceptionally high. One large contributing factor for the low barriers to entry is many small entrepreneurs can open mom-and-pop establishments and bypass the franchise fees, royalties, selection process, and so on, of owning a franchised restaurant and lease an existing building at a relatively low price. There are thousands of mom-and-pop donut shops across the United States and likely tens of thousands of small ice cream places. However, even avoiding high fixed costs, variable costs are often high, and small-scale entrepreneurs are not able to compete with larger franchise stores that can better negotiate pricing on food, packaging, and other supplies. In the QSR industry, the bargaining power of consumers is quite powerful, availability of restaurant options in most places is abundant, and consequently there is intense price competitiveness among rival firms. Even if you are sure you want a donut or ice cream, you likely have many options.

## Future

Dunkin' Brands reported slower sales growth slow in Q4 of 2014 as it faced intensifying competition for on-the-go customers in the mornings. Sales for Dunkin' Donuts USA edged up 1.4 percent in the period, down from the growth of 3.5 percent a year ago. Analysts say the slowdown comes as more competitors have pushed into the breakfast category, a relative bright spot in the fast-food industry. For example, Yum Brands' Taco Bell segment recently reported that its quarterly sales rose 7 percent in its U.S. locations, boosted by its national breakfast launch. Dunkin' CEO Nigel Travis says, "If you think about it, everyone's getting into the breakfast space."

Rival Burger King provides breakfast and coffee to millions of customers through thousands of restaurants located near Dunkin' Donuts restaurants. Now, in addition, Burger King owns Tim Hortons, and looks to put those restaurants near Dunkin' Donuts restaurants, especially in the northeastern United States. CEO Nigel Travis at Dunkin' Brands needs a three-year strategic plan. Do you have any suggestions to help Mr. Travis?