



National  
Qualifications  
2024

**X810/77/11**

## **Business Management Case Study**

THURSDAY, 2 MAY

1:00 PM – 3:45 PM

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It is recommended that you spend 15 minutes reading over the information provided in the Case Study before responding to the questions.

The questions can be found in the question paper X810/77/21.



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## **Domino's Pizza Group plc**

Domino's Pizza Group plc is the leading fast food pizza delivery chain in the United Kingdom (UK). It is part of the global Domino's brand, the biggest pizza delivery operator in the world. It holds the exclusive master franchise agreement to own, operate and franchise Domino's stores in the UK and the Republic of Ireland (ROI). The company is listed on the London Stock Exchange and is a constituent of the Financial Times Stock Exchange (FTSE) 250 Index.

With 1,261 stores across the UK and ROI, selling over 114 million freshly handcrafted pizzas per year, and with a reported profit (after taxation) of £81.6 million in 2022, Domino's Pizza Group plc has secured its position as the UK's pizza delivery market leader.

### *Vision for sustainability*

Domino's Pizza Group plc believes in making a positive social impact on its stakeholders, including its customers, employees, franchisees, suppliers, governments, and the communities it serves. This is underpinned by an evolving sustainability strategy which aims to ensure a better future; one where, among other things, its negative environmental impact is minimised.

**(Exhibit 1 gives an extract of Domino's Pizza Group plc's sustainability progress.)**

### *Business model*

Domino's Pizza Group plc is the UK master franchise of Domino's Pizza International Franchising Inc.

Domino's Pizza Group plc chooses its franchisees carefully before they sign a standard franchise agreement. Franchisees are charged a royalty fee on their sales revenue for the right to operate their Domino's outlet. This is invested into central infrastructure, such as Domino's Pizza Group plc's national website.

Once franchisees are established, Domino's Pizza Group plc provides a range of mandatory ongoing services for them, including the production and sale of dough, sourcing and delivery of ingredients, training, and other administrative services.

Selling prices are set by each franchisee and will vary between stores, depending on the area in which the franchise operates. Although franchisees have some control over local marketing, Domino's Pizza Group plc manages a central advertising fund which is used for all national marketing activity, such as the 'Britain's Got Talent' TV sponsorship. Another well-known example of its national marketing is the 'Two for Tuesday' deal, where customers can buy any medium or large Domino's pizza on a Tuesday and get another of the same size for free.

**(Exhibit 2 gives an extract of UK and Scottish governments' influence.)**

## Management policies and practices

### *Management approach*

- Domino's Pizza Group plc believes its franchisees and employees are driven, hardworking and are willing to embrace dynamic change in stores.

### *Employee remuneration and rewards*

- Franchisees pay a competitive salary and carry out annual pay reviews for their employees, as well as offering an employee discount in store. In addition to financial benefits, employees can choose flexible working hours and have the opportunity to be recognised for their achievements through an 'employee of the month award'.
- There are also opportunities for long-term career development, with 99% of store managers having started their Domino's career as a delivery driver or pizza maker.

### *Centralised functions*

- Centralised functions are responsible for providing support to franchisees. These functional areas operate in teams, led by experienced colleagues who oversee organisation-wide decision making. These functions include technology systems, supply chain management, corporate strategy, operations, human resources, communications, legal, property, and marketing.
- There is a clear chain of command from store managers to regional managers to corporate executives.

### *Operations*

- New team members are trained in rigorous food safety procedures to ensure pizzas are manufactured as safely as possible.
- Standard operating procedures are used for pizza preparation, packaging, and delivery across all of its stores. For example, employees who prepare pizzas are responsible for following specific recipes and using standardised ingredients. In addition, uniform is consistent across all stores.
- Clearly defined roles and responsibilities are detailed in job descriptions. For example, pizza makers are responsible for preparing the pizza, while delivery drivers are responsible for delivering it to customers.
- Management regularly monitors metrics, such as delivery times, customer satisfaction ratings, and key performance measures (KPMs). The most recent data shows that the average delivery time from order is 26.3 minutes.

(Exhibit 3 gives an extract of Domino's Pizza Group plc's KPMs.)

[Turn over

## UK fast-food market

### *Market data*

The UK food delivery market has rapidly grown in recent years due to the lockdowns during the global pandemic when household demand for food delivery increased. Just Eat, Uber Eats and Deliveroo are the main third-party food delivery organisations. Amongst others, Pizza Hut and McDonald's offer their products via all three of these platforms.

UK households ordered 12% less takeaway food in 2023 than the year before as consumers reduced their spending with household bills, fuel and energy costs continuing to soar amid the UK's cost-of-living crisis. Despite official figures showing food price inflation at 19% in April 2023, close to its highest rate in nearly 45 years, recent data reveals that the average person in the UK spends more than £600 per year on takeaway food.

In addition, the carbon footprint of households using weekly online food delivery services is up to 450% higher than those that do not purchase food takeaways. Just Eat is responsible for the highest impact as 1.16 kg of carbon dioxide (CO<sub>2</sub>) is produced every time a customer visits its website.

There were 48,209 takeaway and fast-food restaurant businesses in the UK in 2023, an increase of 2.9% from 2022. The heaviest concentrations of fast-food restaurants are found in the poorest and most deprived areas of the UK. On average, deprived areas have five times more fast-food outlets than affluent areas. Experts claim children exposed to fast food outlets on the way home from school are more likely to eat unhealthily.

According to the NHS, over 60% of the UK's population is overweight or obese, a percentage which has been increasing over the past 30 years. With obesity levels continuing to rise across the country, obesity in the UK currently costs the taxpayer more than the police, fire service and judicial system combined.

### *Implemented changes*

Domino's Pizza Group plc recently implemented the following changes:

#### 1. Introduced a delivery charge

Franchisees are now allowed to charge for delivery. The delivery charge ranges between £0.99 and £2.50, and each franchisee decides whether to introduce a delivery charge and which pricing level to use. The delivery charge is subject to the standard royalty fee. Since its implementation, 93% of delivered orders have incurred a delivery charge.

#### 2. Established a strategic partnership with Just Eat

Starting with a trial of Just Eat in 136 stores, Domino's Pizza Group plc then fully rolled out on the Just Eat platform nationally. This allows Just Eat's customers to place their Domino's Pizza order via the Just Eat app and website.

## Drone delivery technology

Drones, sometimes known as unmanned aerial vehicles (UAVs), have become relatively commonplace in UK skies over the last decade. Domino's Pizza Group plc prototyped the 'DomiCopter' in 2013, a concept drone design which was used only as a publicity stunt. Since then, it has monitored the viability of commercial drone delivery in the UK.

### *UK Government's 'Future Flight Programme'*

The UK Government recognises drones' potential and forecasts the drone delivery market to be worth £10 billion to the UK economy by 2030. It estimates that more than 900,000 drones could operate in UK skies. This would lead to carbon emissions being reduced by 2.4 million tons and 650,000 jobs could be associated with an economy that fully adopts drones.

Although delivery drones have the potential to overcome certain external factors, such as traffic, current UK legislation requires operators to maintain a line of sight with their drone at all times whilst it is flying to ensure that it does not collide with anything, especially another aircraft. There is also regulation limiting the distance drones can be in relation to residential areas.

### *Project Skyway*

The UK Government announced it has authorised the world's largest and longest commercial drone 'superhighway' to be built in the UK. The superhighway project will initially run for 165 miles of airspace and is scheduled to be built in the next two years. However, recent research reveals that 39% of the UK population is concerned about the use of drones for deliveries.

### *Global progress*

After making history with the world's first pizza delivery by drone from a New Zealand store in 2016, Domino's Australian-based master franchise successfully ran a six-week commercial trial of 'store-to-door' drone delivery in New Zealand in 2023. It believes drone delivery will be central to the logistics of pizza delivery in the future.

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## Exhibit 1

### Extract of Domino's Pizza Group plc's sustainability progress

#### *Community*

- £6.5 million raised for Teenage Cancer Trust over a 7-year partnership.

#### *Customers*

- Reviewed existing products to reduce fat, salt and calories.

#### *Employees*

- 10% of executive bonuses are linked to the delivery of key sustainability targets.

#### *Environment*

- Developed a company-wide decarbonisation plan to achieve net zero by 2050.
- 100% of food waste either redistributed to food poverty charities or converted into animal feed.
- Achieved zero waste to landfill from support offices and supply chain centres.

#### *Sourcing*

- 100% of food suppliers, including livestock and poultry farmers, audited for ethical and responsible practices.
- Purchasing teams trained to spot signs of modern slavery during supplier audits.

## Exhibit 2

### Extract of UK and Scottish governments' influence

#### Proposed regulation

A ban on TV adverts for foods high in fat, salt and sugar before 9 pm was due to come into force from 2023, as well as a ban on 'buy one get one free' deals on junk food. The implementation of the ban has been delayed until 2025.

A 'junk food' tax is a tax placed on foods which are considered to be unhealthy and contribute towards obesity. To prevent the obesity crisis overwhelming the NHS budget, the introduction of this tax in the UK is becoming more likely. Without a tax, obesity is on course to cost the NHS more than the treatment of all cancers combined by 2035.

#### Additional statistical information

##### *Extract of some income tax rates*

	Tax bands	2023/24	2022/23
Basic rate	£14,733 to £25,688	20%	20%
Higher rate	£43,663 to £150,000	42%	41%
Top rate	over £150,000	47%	46%

##### *Extract of monthly universal credit allowance amounts*

	2023/24	2022/23
Single and under 25	£292.11	£265.31
Single and 25 or over	£368.74	£334.91

##### *Extract of weekly child benefit rates*

	2023/24	2022/23
Eldest or only child	£24.00	£21.80
Other children	£15.90	£14.45

##### *Corporation tax rates*

2023/24	2022/23
25%	19%

The standard value added tax (VAT) rate remains at 20%.

### Exhibit 3

#### Extract of Domino's Pizza Group plc's key performance measures (KPMs)

	2022	2021
Sales revenue (£m)	1,456.4	1,499.1
App orders (as a % of online orders)	52.2	46.2
New store openings	35	31
Delivered on time (%)	74.8	76.5
Net debt (£m)	253.3	199.7
Cash flow (£m)	79.0	104.6
Dividend per share (p)	10.0	9.8
Share buyback <sup>1</sup> (£m)	86	80

[END OF CASE STUDY]

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<sup>1</sup> Share buyback is when an organisation purchases its own shares.

#### Acknowledgement of copyright

Case Study – Information is adapted from Domino's Pizza website.

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