

appear to dominate the list, and try to identify the reasons. Prepare a short report identifying the countries that possess global brands and the potential reasons for success.

2. Part of developing a long-term R&D strategy is to locate facilities in countries that are widely known to be competitive. Your company seeks to develop R&D

facilities in Asia to counter recent competitor responses. A publication that evaluates economies based on their competitiveness is the *Global Competitiveness Report*. Locate this report, and develop a presentation for the top management team that presents the benefits and drawbacks for the top five Asian economies listed.



Domino's Pizza Worldwide

closing case

Domino's made its name by pioneering home delivery service of pizza in the United States. The company was founded in 1960 in Ypsilanti, Michigan, by Tom Monaghan and his brother, Jim. Domino's Pizza was sold to Bain Capital in 1998 and went public in 2004. On May 12, 1983, Domino's opened its first store internationally—in Winnipeg, Canada. And, in 2012, Domino's Pizza removed the word "Pizza" from the logo to emphasize its non-pizza products. Its current menu features a variety of Italian American entrees, side dishes, and desserts.

In recent years, the growth for Domino's has been overseas. With the U.S. fast-food market saturated and consumer demand weak, Domino's has been looking to international markets for growth opportunities. Today, almost all new store openings are outside the United States. As of 2013, Domino's has 10,566 stores with 4,900 in the United States, 750 in the United Kingdom, 650 in India, and the remaining spread out in 70 countries. Its plans call for 4 to 6 percent growth in stores per year for the next few years (some 500 new stores annually, with the majority in foreign markets). Given this expansion and clear international growth strategy, perhaps even more amazing is the 76 straight quarters of same-store sales growth in Domino's international stores.

As Domino's expands its international businesses, there are some things that the company has kept the same as in the United States, and there are some things that are very different. What is the same is the basic business model of home delivery. This sets it apart from many of its rivals, which changed their basic offering when they entered foreign markets. For example, when Yum Brands Inc. introduced Pizza Hut into China, it radically altered the format, establishing Pizza Hut Casual Dining, a chain that offers a vast selection of American fare—including ribs, spaghetti, and steak—in a full-service setting. Pizza Hut adopted this format because table service was what the locals were used to, but Domino's isn't interested. "We go in there with a tried-and-true business model of delivery and carry-out pizza that we deploy around the world," states Richard Allison, Domino's Executive Vice President—International. "In emerging markets, we've got more tables than you would find in the U.S., but we have no plans to lean toward a casual dining model where the server comes out and takes an order."

This general strategy is backed up by the CEO of Domino's, J. Patrick Doyle, who said that, "The joy of pizza is that bread, sauce, and cheese works fundamentally everywhere, except maybe China, where dairy wasn't a big part of their diet until lately." He continued, "It's easy to just change toppings market to market . . . In Asia, it's seafood and fish . . . It's curry in India . . . but half the toppings are standard offerings around the world."

Only eight restaurant chains worldwide have more than 10,000 outlets and Domino's is one of them (Domino's opened its 10,000th store as a franchise-owned outlet in Istanbul, Turkey, in 2012). "Local knowledge and ownership are critical to our success overseas," Doyle said.

Bottom line, Domino's is the overall pizza-sales leader in the global marketplace and has established operations with some 5,700 store units worldwide. At this time, Domino's is also making a run for the top pizza spot in the United States, which now is held by Pizza Hut (with Papa John's at #3). This entrepreneurial leadership is best captured by Ronnie Asmar, director of new store development for STA Management in Southfield, Michigan, which owns 33 Domino's outlets; he says, "We come from an entrepreneurial family in the hospitality industry, and Domino's has been an awesome partner."

And, Domino's appear to lead the market in other ways as well. Domino's appear to have captured, integrated, and found an edge in the social media world we live in now better than its competition. For example, Mitch Spelser, a securities analyst for Buckingham Research, in New York said, "Domino's mobile app for ordering pizza is better than its rivals." Information technology also helps drive sales for Domino's vis-à-vis local pizza entrepreneurs. At this time, about 58 percent of Domino's orders are digital in the United Kingdom and about 40 percent in the United States.

On the other hand, some things vary from country to country. In the United States, pizza is viewed as casual food, frequently mentioned in the same breath as beer and football. In Japan, it's viewed as more upscale fare. This is reflected in the offering. Japanese pizzas come with toppings that the average American couldn't fathom. Domino's has sold a \$50 pizza in Japan featuring foie gras. Other premium toppings include snow crab, Mangalitsa pork with Bordeaux sauce, and beef stew with fresh mozzarella. Japanese consumers value aesthetics and really care about the look of food, so presentation is the key. Patrons expect every slice to have precisely the same amount of toppings, which must be uniformly spaced. Shrimp, for example, are angled with the tails pointing the same way. Domino's developed their business in South Korea in much the same manner as Japan.

Now, even with these unique toppings in Japan, pizza consumption is relatively low in Japan—the average Japanese pizza customer only consumes the product four times a year. To boost this, Domino's has been working to create more occasions to enjoy it. For example, on Valentine's Day, its Japanese stores deliver heart-shaped pizzas in pink boxes. Heart-shaped pizzas also appear on Mother's Day. This culture of superb

pizzas with high-quality toppings was actually an initiative that was initially demanded by their U.S. customer base; over an 18-month period during 2009 to 2011, Domino's remade itself and its pizzas—at the same time, it stayed short of adding more than 10 percent in cost to the pizza ingredients.

But back to Japan! To promote the offering in Japan, rather than spending money on commercials, Domino's tried to create news, like topics that people talk about. If the topic is fun and hot, Domino's believes that people will talk about it, which ultimately translates into better sales. One promotion in particular received heavy coverage. The chain offered 2.5 million yen (about \$31,000) for one hour's work at a Domino's store. In all, about 12,000 people applied for the "job." The lucky winner was a rural housewife who had never eaten pizza. She flew to a small island to deliver pizza to schoolchildren, who were also new to pizza. The event received heavy news coverage—free advertising, in other words! As its international focus is now larger and advertisement funds are being allocated accordingly, Domino's is moving much more toward TV commercials in its promotional efforts to complement other promotional efforts. This includes Japan, India, and a variety of countries.

In India, where Domino's has some 650 stores and has plans for some 1,000 more, 50 percent of the menu is vegetarian in order to match the preferences of the large Hindu population. For delivery, Domino's has a fleet of mopeds, which makes sense in large cities like Mumbai where traffic congestion is awful. Because Indians like things spicy, instead of including Parmesan cheese packets, Domino's includes an "Oregano SpiceMix." In general, the toppings have far more spice than in the United States. Although Indians are used to full service in restaurants, Domino's doesn't use servers or busboys in its stores, even though each store typically has a few tables in for those who want to eat on premises. Instead, it is educating customers to clean up after themselves, with in-store trashcans that say "Use Me" in big bold letters.

Domino's today has focused on branding itself with high-quality ingredients, efficiency but at a speed that fosters quality, and a devotion

to maintaining a cultural fabric that allows for a strong entrepreneurial mindset among employees and franchisees. The company captures the global marketplace effectively, either as a first-mover or as a strong follower. "For Domino's the development and eventual channelization of industries is important strategically," said Michael Lawton, chief financial officer (CFO) of Domino's. He continued: "It led the company to decide in some foreign markets that the best alternative was to let someone else introduce the pizza category with a sit down concept and then Domino's moved in and captured their part of the industry as delivery and carry-out developed." In other cases, Domino's led the market entry into foreign countries. These decision choices make for great global strategy. Domino's has certainly captured the "taste" of the global marketplace!

Sources: A. Gasparro, "Domino's Sticks to Its Ways Abroad," *The Wall Street Journal*, April 17, 2012, p. B10; A. C. Beattie, "In Japan, Pizza Is Recast as a Meal for Special Occasions," *Advertising Age*, April 2, 2012, p. 16; A. Gasparro, "Domino's Sees Bigger Slice Overseas," *The Wall Street Journal*, February 29, 2012, p. B7; R. Shah, "How Domino's Pizza Is Taking a Bite Out of India," *Getting More Awesome*, www.gettingmoreawesome.com/2012/02/08/how-dominos-is-taking-a-bite-out-of-india/; and D. Buss, "Domino's Global Growth Feeds Pizza Chain's Rising Success," *Forbes*, March 9, 2013.

CASE DISCUSSION QUESTIONS

1. Do you think it is wise for Domino's to stick to its traditional "home delivery" business model, even when that is not the norm in a country and when its international rivals have changed their format?
2. What do you think Domino's does from an organizational perspective to make sure that it accommodates local differences in consumer tastes and preferences?
3. How does the marketing mix for Domino's in Japan differ from that in the United States? How does the marketing mix in India differ?
4. What lessons can we draw from the Domino's case study that might be useful for other international businesses selling consumer goods?

Endnotes

1. See R. W. Ruekert and O. C. Walker, "Interactions between Marketing and R&D Departments in Implementing Different Business-Level Strategies," *Strategic Management Journal* 8 (1987), pp. 233–48; and K. B. Clark and S. C. Wheelwright, *Managing New Product and Process Development* (New York: Free Press, 1993).
2. T. Levitt, "The Globalization of Markets," *Harvard Business Review*, May–June 1983, pp. 92–102. Reprinted by permission of *Harvard Business Review*, an excerpt from "The Globalization of Markets," by Theodore Levitt, May–June 1983. Copyright © 1983 by the President and Fellows of Harvard College. All rights reserved.
3. For example, see S. P. Douglas and Y. Wind, "The Myth of Globalization," *Columbia Journal of World Business*, Winter 1987, pp. 19–29; C. A. Bartlett and S. Ghoshal, *Managing across Borders: The Transnational Solution* (Boston: Harvard Business School Press, 1989); V. J. Govindarajan and A. K. Gupta, *The Quest for Global Dominance* (San Francisco: Jossey Bass, 2001); J. Quelch, "The Return of the Global Brand," *Harvard Business Review*, August 2003, pp. 1–3; and P. J. Ghemawat, *Redefining Global Strategy* (Boston: Harvard Business School Press, 2007).
4. J. Tagliabue, "U.S. Brands Are Feeling Global Tension," *The New York Times*, March 15, 2003, p. C3.
5. D. B. Holt, J. A. Quelch, and E. L. Taylor, "How Global Brands Compete," *Harvard Business Review*, September 2004.
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8. This approach was originally developed in K. Lancaster, "A New Approach to Demand Theory," *Journal of Political Economy* 74 (1965), pp. 132–57.