

Krispy Kreme And Dunkin Donuts Case Analysis

Posted on September 20, 2019

Introduction

Krispy Kreme and Dunkin Donuts are two of the most prominent fast food restaurants in the history of North America. The history of the two dates back to the mid-20th century, with the former having been initiated in North Carolina in the year 1937, while the latter is a product of Massachusetts, having been initiated in 1948. This paper shall be looking at the background information on the two companies and the most important market issues. The paper shall also go through a SWOT analysis of the two companies and provide solutions to the challenges being faced by the two while also giving recommendations on the SWOT analysis.

Background Information

The ideas behind the start of the two companies are seen to have been ambitious ones. From the beginning, the owners were looking forward to being in a position where they could provide both quality and nutrition to their customers. Apart from offering what was their idea from the beginning, the two have been able to bring new stuff to their menu offering a variety of snacks and beverages to their customers. Their endeavor to provide quality nutrition to their customers has seen them tremendously grow their chains to somewhat unimaginable scales that the initiators could have dreamt of. Today, both chains are offering their fast food services to millions of people across the globe.

Their business approaches are quite similar, with both companies going for both franchising and leasing. This provides the people who wish to invest with either of the companies a choice to make. Just like many other international companies, leasing and franchising have been the two most used methods for business expansion (Krishna, 2014). This has gone a long way in assisting these companies to grab opportunities in markets that could have seemed not easy to penetrate.

Key Problems And Issues In The Companies

Any business comes with both goodies and challenges. And true to the statement, both companies, in mention, have had their fair share of challenges and issues while trying to meet the needs of their customers. Some of the similar problems and issues that the two have to go through are discussed below;

Management Problems

This is not a challenge only to the two companies in mention but rather to most of the companies that run their business on the international platform. The issue of management is brought about by the difficulties in integrating management approaches from the headquarters all the way to the branches in the global market (Hansen, 2015). The decision to rapidly expand their business units has been seen as the main cause of management problems at the company. Venturing into new markets would mean that the company will find different management approaches in their new-found markets. This may lead to the top management not being able to align their management approach adequately.

Dwindling Market Share

Time and again, the two companies have found themselves in a situation where they are unable to meet their target sales, leading to frustrations in meeting their revenue targets. This leads to financial problems at the organization hence the need to realign their budget allocations. Financial problems are one of the reasons why these companies have not been able to reach their target expansions over the years. The main reason behind their dwindling customer loyalty is the sprouting of new restaurants that pose the challenge of stiff competition by offering the same products but at a lower price.

SWOT Analysis

Any organization cannot understand its value in the marketplace unless it analyzes its SWOT and realizes where they have it right and where it is wrong. Krispy Kreme and Dunkin Donuts analysis is as stated below.

Strengths

The two companies have their strengths, which make them one of the greatest brands in America and across borders. The two companies have been in the market long enough, hence their continued market dominance despite the ever-growing concern over declining sales. Their brands also help them retain their market relevance since most people have grown up knowing the value of having to take their snacks and beverages from their stores. The brand names have been on the market for decades, with generations after generations making them their preferred source of fast food.

Another important strength that is notable is the ability of the companies to expand through franchising and lasing. As such, they have been able to open stores in countries in every continent of the world today. From statistics, Dunkin has been able to open up branches in approximately sixty countries, while Krispy Kreme now operates in more than thirty-six countries. This has further aided the company to increase its revenues, making it easier for them to run the business.

The two companies have also invested a lot in just-in-time delivery, ensuring that their customers get fresh products just when they need them. This has seen the companies win the trust of most of their customers, especially in the North American markets. This has gone a long way in helping them attain customer loyalty a recipe for survival in the business environment.

Weaknesses

Competition in the new territories they venture into has been a great challenge to beat over the years. They, at times, tend to be too late in realizing opportunities in the new markets. Other major companies such as KFC and McDonalds pose a great competition making it hard for them to manipulate the market share adequately.

On the other hand, the issue of lack of uniqueness is another great weakness in the companies. Whatever they are offering finds its way into the market since other entrepreneurs have found a way of producing the same quality of products as theirs. This leads to customers having a variety to choose from since they can dash into the most strategically positioned stores for the same quality of snacks and beverages.

Opportunities

The companies have the opportunity to expand their operations, especially with the growing number of people joining the middle-class economy. The developing world is having a greater portion of their population joining the middle class hence the need to provide them with fancy branded products that meet their needs. These companies, therefore, could manipulate the rapidly growing economies in Asia and sub-Saharan Africa.

Secondly, the companies have the chance to change the ideology that people have regarding their products. A good way of doing this is by expanding their menu options, which currently have been based on notable products. The food industry is one of the fastest growing in the service industry, hence the need to seize the arising opportunities. This is one way of improving their sales and, consequently, the amount of revenue collected annually.

Threats

Just like in any other fresh product company, the major threat to the two companies is competition from the already existing organizations and new entrants into the market. Most of their competitors are offering almost the same menus if not completely a copy-paste. This means that their expansion plans could be under the threat of suppression from the emerging operators.

The shelf life of the products produced by both Dunkin and Krispy is not that long. Most of their products are perishable within the few days of production. As a result, the companies have to

keep worrying about the market trends and the amount of food they are supposed to produce on a daily basis. This leads to an increase in the already high cost of running the business since the companies are forced to continually do market analysis research, which is not cheap at all.

Solutions To The Challenges, Strengths, And Weaknesses

I) Venture Into The Developing World

The developing world has been a haven for most of the international companies which have ceased the opportunity and chosen to invest here (Jain, 2016). Similarly, Dunkin and Krispy companies should cease relying on the already developed market structure of the developed world where companies have already ceased almost all the opportunities, and the rate of competition is seemingly high.

II) Marketing

Marketing is one of the greatest methods by which a company can create a strong brand name. The two companies should, therefore, ensure that they introduce new and vigorous marketing approaches if they are to retain their market positions in the future. Being in existence for over half a century does not guarantee success in the future. The market trends are changing, and the only way to ensure that the same does not affect the operations of the company is by making sure that there is rigorous measure search as strong marketing put in place.

Recommendations

To enable Dunkin and Krispy to implement the solutions to the problems, there are steps that should be taken. The two proposed solutions are market-based; hence, the marketing team should be the people to carry out the whole process.

Franchising

Franchising is one of the most used approaches to business expansion. From the analysis, it is clear that the two companies, Dunkin and Krispy, have a long way to go before they can adequately hit the international market. Franchising involves granting the second party the right to use the company's business model and production processes as if they were their own. In return, the franchiser gets to share the revenues collected by the franchise as a token for their brand name.

The marketing department should, therefore, carry out market research in the countries where the

company is yet to venture into. Once the market seems promising and good for business, they should roll out the franchising program to the said market. This will come as a boost to the company and also for customers who travel worldwide and are loyal to their products. As a result, there shall be increased revenues for the company leading to a closure in the financial gaps being experienced due to a shortage of sales revenues.

Intensive Marketing

Different marketing approaches are nowadays available for companies like Dunkin and Krispy. They should, therefore, ensure that the marketing department takes up the challenge by intensifying their marketing campaigns, especially on digital platforms. The company should also experiment with other marketing approaches, such as collaborations and event sponsorship, where applicable.

Most of the companies who have made this approach have found it not only profitable but also as a way of expanding their businesses. On the other hand, digital marketing makes it possible for the company to reach out to a huge audience within a short period. Today, the world is interconnected via different platforms, all thanks to technology (Shein, 2011). For example, social media platforms like Facebook and Instagram are two of the most used channels of communication today, with billions of subscribers across the world. The companies should, therefore, take full advantage of the situation to intensify their marketing campaigns.

Works Cited

Krishna, Ketana. "Analysing Competition in the Quick Service Restaurant Industry." (2014).

Hansen, Simon, and Cecilie Klokholm. "Dunkin' Donuts." (2015): 168.

Shein, James B. *Reversing the slide: A strategic guide to turnarounds and corporate renewal*. John Wiley & Sons, 2011.

Jain, Vinod K. *Global Strategy: Competing in the Connected Economy*. Routledge, 2016.