

DOMINO'S ATTRACTING SALES ALTHOUGH CONSUMER SPENDING FALTERS



Fast food restaurants have felt positive benefits as consumers fear another recession is in the immediate future. Weak confidence and persistently high unemployment rates are causing consumers to spend at a more discretionary rate. Because of consumers' desire to spend more discretely, the full service restaurant scene has suffered. According to a Bloomberg Full Service Restaurant Index, restaurants like the Cheesecake Factory Inc. have declined in sales over 6% this year. Meanwhile, the United States Quick Service Restaurant Index indicates that restaurants like McDonald's and Pizza Hut have risen approximately 6% this year. Domino's Pizza is among the restaurants that have seen higher sales in America when compared to sit down restaurants. Domino's finds itself among this group partly because it has committed itself to brand accountability and reinvention with a new recipe. In November 2008, sales for Domino's fell and the stock in an all-time low of \$2.83. In an effort to regroup after the low moment, Domino's spent millions of dollars spreading its "brutally honest" advertising campaign. During the campaign, people share their honest thoughts about the pizza, including: its taste, appearance and delivery. Malcolm Knapp, a New York-based restaurant consultant of 41 years, says, "That was a very new proposition, but it worked because it was delivered in a marketplace where trust had evaporated." Domino's continued in its resilient attempt to regain its footing in the market. It then revealed its "huge mea culpa" marketing campaign. At this point, sales were still incredibly flat. The approach was an initial huge risk. However, it stressed the candor and transparency that ultimately rebuilt the trust of many consumers for the company. During the course of that campaign, sales across the United States rose by 14.3% in the first quarter of 2010 alone. This was the largest increase during the company's history. Meanwhile, its competitors like Papa John's and Pizza Hut continued to struggle. Many doubted Domino's increase in sales, saying that it likely would not last given the rough economy throughout the States. To continue with its transparency, Domino's created a new part of its website. It changed the company's conversation with customer's dramatically. It made a website in July 2010. On the page, consumers could upload pictures of the food it received, pledging that the photos had no enhancements or touch-ups. In an unbelievable response, customers posted over 40,000 photos. Some of the photos still appeared subpar, and Domino's included those photos in its next set of commercials. It also established a money-back guarantee on its food. This new two-way dialogue and incentives required franchise owners to address the problems of its product. The company experienced another 11.7% growth during the third quarter of the year. The company is continuing to not shy away from any criticism. Last month, the company began a 125-foot electronic billboard that posted its customer's feedback, the good and the bad. While breaking many of the basic rules of advertising, the company has seen exponential growth that continues to improve its image and credibility among the consumers.