

# Restaurant Research's Benchmark Analysis Report

## Domino's

March 2009

### Executive Summary

Domino's is the second largest pizza chain behind Pizza Hut with a clear distinction of providing fast delivery. The chain is in the process of redefining itself somewhat with a new CMO, relatively new ad agency and some changes to its overall strategy. Most notably, Domino's is now incorporating a tried-and-true industry technique of incorporating a "barbell" product positioning and marketing strategy. Resultantly, the chain has added two new product "platforms" to its menu including a low-priced line of Oven Baked Sandwiches for a competitive \$4.99 price point along with a premium priced American Legends specialty pizza line at a \$12.99 price point for a large pie. While it is still too early to say how well this strategy will work, there are some obvious challenges that Domino's will face competing in the hyper-competitive sub sandwich market against the likes of Subway and Quizno's. To its advantage, we note that these popular sandwiches which taste like folded-over pizzas (baked in pizza ovens) have been so far well received. In any case, Domino's sub strategy is intended to build its lunch daypart while simultaneously driving new trial traffic that will hopefully stick over the long-term. However, the jury is still out whether this product will simply cannibalize higher ticket, higher margin pizza sales. Further, it seems to us that today's economy may be a difficult time to launch a new premium pizza platform. However, we are hearing that this new platform may actually be the product to get new customers into the door as the American Legend line represents a surprisingly upscale product that allows Domino's to reintroduce itself to pizza connoisseurs who long ago left for the independents. No matter what, we applaud the fact that this leading brand is taking some bold steps to overhaul its old business model of delivering plain old pizza – a strategy which seemed to be running out of steam against a backdrop of more health conscious consumers and more compelling QSR value alternatives.

### Table of Contents

	<u>Pages</u>
Strategy	1-2
System statistics	3
Sales performance	4
Operational performance	5
Unit level data	6-9
Remodeling	10
Franchisee overview	11

### RR Clients

Includes major lenders, investors, major US restaurant chains, operators and industry consultants. Please check [www.restaurantresearch.info](http://www.restaurantresearch.info) for a partial client list and customer testimonials.

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Restaurant Research LLC leverages an extensive network of industry players as part of its annual Concept Benchmark Analysis due diligence process for 22 large US restaurant chains. Also, RR tracks store level data for all major chains with system-wide sales in excess of \$1B across all major restaurant segments in order to produce 11 key Industry Data Topic reports. For more information please contact us at [info@restaurantresearch.info](mailto:info@restaurantresearch.info) or 203-405-1901.