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Case Discussion Questions

1. According to Interbrand's analysis, Apple's brand is valued at more than \$180 billion, while Google in second place is valued at \$133 billion and Coca-Cola in third is at \$73 billion (2016). Do you agree that Apple should be so far ahead of its nearest brand competition? What about Samsung (Samsung is valued at \$52 billion)?
2. With the 2011 death of Steve Jobs, Apple's legendary founder and CEO, what can we expect from Apple in the future? Will it be as innovative? Will it maintain brand value leadership? Will it run the top global supply chains in the world?
3. Apple products have usually been priced above their competition and sold for their value, intrigue, and market leadership. Some would say Samsung is catching up on many of these fronts and even, perhaps, passing Apple. Do you think Apple can charge a price premium for its products much longer?
4. Apple's global supply chains make its business thrive. There is secrecy among suppliers, superior quality standards by every party involved in Apple's supply chains, and a total value focus that ultimately makes the customers happy. Is this a sustainable business model for Apple's global supply chains?

Domino's Global Marketing

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. Before that, 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 entrées, side dishes, and desserts.

You can now order Domino's with your Apple iPhone, with Amazon's Echo, and of course, in any way you want online and with a variety of electronic gadgets. "Ordering via Amazon Echo marks Domino's eighth platform in the suite of AnyWare technology," said Dennis Maloney, Domino's vice president and chief digital officer. "We want to continue making ordering pizza as convenient as possible, and this is no exception." Domino's has been constantly adding new ways to order items in recent years, including options to order via tweet, text message, smartphone app, its website, Samsung Smart TV, Amazon Echo, Ford Sync, Apple Watch, Android Wear, Pebble Smartwatch, and voice commands. Emphasis on technology innovation helped Domino's achieve \$5.6 billion in global digital sales last year.

Strategically, beyond digitalization of ordering, 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. Domino's has about 14,000 stores worldwide, with about 5,300 stores in the United States, 950 in the United Kingdom, 1,100 in India, 400 in Canada, and the remaining spread out in 80 other

countries. On October 5, 2015, Domino's even opened its first store in Milan, Italy—the birthplace of pizza. "I am beyond excited to celebrate this huge milestone for Domino's," said Patrick Doyle, Domino's president and CEO. "We've been opening new stores around the world at a steady clip—building beautiful and customer-friendly pizza theaters with our new image."

Domino's plans call for about a 4 to 5 percent growth in stores per year for the next few years (more than 500 new stores annually, with the majority in foreign markets; although in 2016, Domino's opened 1,281 new stores worldwide). Given this expansion and clear international growth strategy, perhaps even more amazing is the 92 straight quarters of same-store sales growth in Domino's international stores. The company reported global retail sales of more than \$10.9 billion in the last year, comprised of more than \$5.3 billion in the United States and more than \$5.5 billion internationally. Perhaps more impressive, Domino's has opened more than 5,000 new stores around the globe since 2010.

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,” stated Richard Allison, Domino’s 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 CEO Doyle, who said, “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. “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 8,000 store units worldwide outside of the United States. 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 number 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 said, “We come from an entrepreneurial family in the hospitality industry, and Domino’s has been an awesome partner.”

Domino’s appears to lead the market in other ways as well. Domino’s has captured, integrated, and found an edge in the social media world we live in now better than its competition. For example, Mitch Speiser, 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 52 percent of Domino’s global orders are digital.

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 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 its business in South Korea in much the same manner as in 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 its U.S. customer base; over an 18-month period during 2009–2011, 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, such as 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—to more than make up for the \$31,000 spent on the promotion. 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 efforts in Japan, India, and a variety of countries.

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, then 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

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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?

Siemens and Global Competitiveness

The German company Siemens is one of the world's great engineering conglomerates, manufacturing everything from hearing aids and medical scanners to giant power generation turbines, wind systems, and locomotives. By the late 2000s, however, Siemens was struggling with sub-par performance relative to its global rivals such as General Electric (GE), Honeywell, and United Technologies. In July 2007, Siemens hired Peter Löscher as CEO, replacing Klaus Kleinfeld, and gave him the task of trying to revitalize the organization. Löscher, an Austrian whose career included major leadership positions at GE and Merck, was the first outsider to run Siemens since the company's establishment in 1847.

In 2007, Löscher inherited a global organization of significant complexity. At the time, Siemens had 475,000 employees and revenues of \$72 billion, operated in a wide range of industries, and had activities in more than 190 countries. As a comparison, by 2014 Siemens employed about 362,000 people, with revenues of about \$79 billion, and covered a similar number of country markets. In 2007 Siemens was organized into 12 operating groups, which were further subdivided into 70 business divisions. Although each division had its own product focus, such as wind power or molecular imaging, Siemens worked hard to deliver integrated solutions to customers. This required many of the 70 business divisions to cooperate with each other on large projects.

Siemens also had a strong tradition of local responsiveness. The countries where the company was the most active had their own executive manager, known as "Mr./Ms. Siemens." This individual acted as the country manager for all of Siemens businesses in a specific geography and was also the CEO of the respective local company. The operating group and business division structure was often replicated within the local company. This resulted in a matrix organization, with the head of the power generation business in, for example, Argen-

tina, reporting to the local country CEO and to the global head of the business division.

It was the responsibility of Mr./Ms. Siemens and his or her staff to manage relations with local customers, develop bids for projects, and ensure that business divisions cooperated on the delivery of a project. Local companies were given significant discretion over product specifications for local clients. Thus, the local company in Argentina might bid on a subway project in Buenos Aires, tailor that bid to meet the needs of the local client, and, if the bid was accepted, make sure that there was sufficient cooperation between the different business divisions in order to successfully complete the project.

Löscher could see the virtue in this organization—it tried to meld together global scale at the business level with local responsiveness at the country level—but it was very complex to effectively and efficiently implement. In his view, there were too many direct reports to the corporate headquarters, resulting in significant overload. There was also a serious accountability problem. If the company failed to deliver a project profitably—let's say, the subway system in Buenos Aires—who, then, was responsible for that: the local managers or the managers of the business divisions? Löscher believed that country managers had too much power in the structure and the business divisions had too little and were not accountable enough.

In 2008, Löscher changed the organizational structure to deal with these power and accountability issues. He consolidated the operating groups into three main sectors: industry, energy, and health care. The business divisions were placed within their respective sectors. He then organized the 190 country units into 17 regional clusters and gave them primary responsibility for developing a cost-efficient regional infrastructure, focusing on customers and managing sales organizations. Profit and loss responsibility was assigned to the sectors and business divisions. Previously, each operating group and national