

# Domino's Pizza, Inc.—2018

[www.dominos.com](http://www.dominos.com), DPZ

Headquartered in Ann Arbor, Michigan, Domino's delivers more than 1 million pizzas a day worldwide to over 85 different countries, with over half of sales coming from outside the United States. To many people's surprise, Domino's ranks among the top 10 companies with online transactions, right up there with Amazon and Apple; over 60 percent of Domino's sales in the United States are through digital channels. The firm is the second-largest pizza restaurant chain in the world with over 14,400 locations and is the number-one pizza delivery company in the United States.

Domino's is 97 percent franchised with royalties accounting for a large portion of its revenue. Selling food, equipment, and supplies primarily to stores in the United States and Canada accounts for a large portion of revenue as well. Domino's has over 260,000 full- and part-time employees worldwide that generated sales of over \$11 billion in 2017. Over 90 percent of all Domino's franchisees (owners) started their careers working in some capacity in a Domino's.

Domino's Q1 2018 financials released 4-26-18 were fantastic. Domestic same store sales grew 8.3 percent versus Q1 2017. The company's international division reported that same store sales increased 5.0 percent during Q1 2018, marking the 97th consecutive quarter of positive international same store sales growth for Domino's, and the 28th consecutive quarter of positive domestic same store sales growth. The company's global net store growth for Q1 2018 was up 110 stores, comprised of 79 net new international stores and 31 net new domestic stores. Given these excellent results, Domino's repurchased 448,008 shares of its common stock during Q1 2018 for approximately \$101.1 million. On April 24, 2018, the Board of Directors declared a 55-cent per share quarterly dividend for shareholders. Domino's revenues increased \$161.2 million, or 25.8 percent in Q1 2018, while net income increased \$26.4 million, or 42.2 percent. The company is obviously doing well but literally millions of rival firms are taking aim at Domino's in local villages, towns, and cities globally.

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## History

Growing up in foster homes most of their childhood, Tom Monaghan and his brother James borrowed \$900 in 1960 to purchase a mom-and-pop pizza store named Domi-Nick's in Ypsilanti, Michigan. After trading his brother James a Volkswagen Beetle in 1961 for his half of the business, Tom changed the store name in 1965 from Domi-Nick's to Domino's Pizza Inc. The company experienced steady growth during the 1960s, and by 1978 there were 200 Domino's stores in the United States. By 1998, there were over 6,000 Domino's with 1,500 located outside the United States. Tom Monaghan retired in 1998 by selling 93 percent of the company, worth \$1 billion, to Bain Capital Inc. In the 6 years following the sale, Domino's enjoyed great success under Bain Capital and in 2004, Domino's became a publicly traded company. The initial stock price was \$16 per share and placed a value on the company at over \$2 billion (double the price Bain paid).

Domino's celebrated its 50th anniversary in 2010 and was awarded best pizza chain in 2010 and 2011 by *Pizza Today Magazine*, marking the first time ever that the same pizza chain had received the award in consecutive years. Domino's CEO Patrick Doyle was named the best CEO of 2011 by CNBC, the same year that Domino's was ranked number-one in *Forbes Magazine's* "Top 20 Franchises for the Money" list.

## Vision/Mission

Domino's vision (paraphrased) is "to be the best place on the planet to prepare, deliver, and consume pizza." The company's mission statement (paraphrased) is to "have fun preparing, delivering, and consuming pizza." In addition to these statements, Domino's professes to be a company of exceptional people on a mission to be the best pizza delivery company in the world.

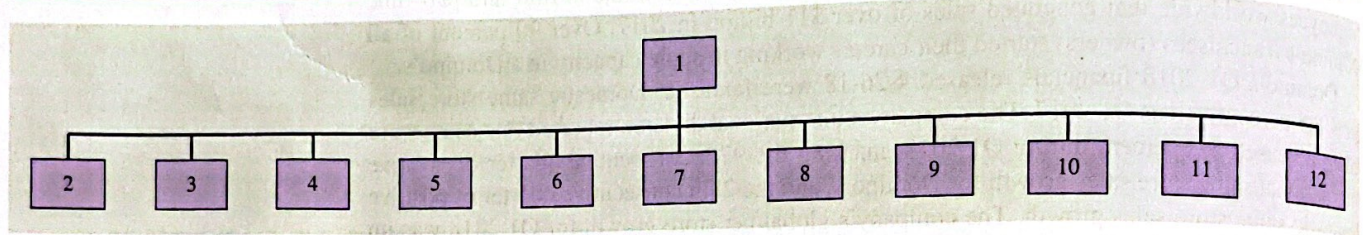
The company's motto in a few words are opportunity, hard work, inspired solutions, winning together, embracing community, and uncommon honesty. The reason for these special words is that nearly all Domino's franchise owners started their careers with the firm as delivery drivers or in other in-store positions. Thousands of other Domino's employees, including supervisors, trainers, quality auditors, international business consultants, marketers, and executives, also began their careers in the stores. Domino's core beliefs are to promote internal growth and provide opportunities for anyone willing to work hard.

**Internal Issues**

**Organizational Structure**

Since there is no COO or CAO by title depicted among Domino's top executives, the firm appears to operate from a very flat divisional-by-region type design. Since the firm's structure is portrayed neither in the firm's *Form 10K* nor on the company website, perhaps only insiders know exactly who reports to who, but apparently every top executive reports to CEO Brandon.

**EXHIBIT 1 Domino's Top Executives and Organizational Chart**



- |  |  |
|--|--|
| 1. David Brandon, Chairman                                 | 7. Jeffrey Lawrence, EVP and CFO   |
| 2. J. Patrick Doyle, President and CEO                     | 8. Timothy McIntyre, EVP Communications, Legislative Affairs, and Investor Relations |
| 3. Troy Ellis, EVP Supply Chain                            | 9. Kevin Morris, EVP General Counsel   |
| 4. Judy Werthausser, EVP Chief People Officer              | 10. J. Kevin Vasconi, EVP Chief Information Officer                                  |
| 5. Stanley Gage, EVP Team USA                              | 11. Russell Weiner, President Domino's USA   |
| 6. Scott Hinshaw, EVP Franchise Operations and Development | 12. Richard Allison, President Domino's International                                |

Source: Based on information at the company website.

**Current Strategies**

Perhaps Domino's most profitable strategy is their vertically integrated supply chain where they have backward control, to some extent, over many of their supplies such as dough, veggies, equipment, and uniforms, and direct forward control over about 400 retail stores that are company-owned. One area where Domino's could possibly extend their backward integration strategy would be to purchase trucks to deliver their products. Currently Domino's leases these vehicles.

Unlike Yum! Brands and other competitors who have diversified into other foods and restaurants, Domino's has maintained their strategy of staying focused on the Domino's Pizza Brand. The company still offers little to nothing in terms of healthy food options on the menu other than three salad options, but offers chicken wings, sandwiches, pasta, and desserts. While this approach enables Domino's to focus almost exclusively on pizza, this practice also increases the firm's vulnerability to the increasingly health-minded customer and possible government mandating all restaurants to stop using certain ingredients and preservatives, and potentially forcing all restaurants to label all nutrition information on the menu at the point of sale. Such a law would not be favorable to Domino's.

Domino's CEO desires to extend further the company's domestic and global presence. With over 14,400 stores and more than half of those international-based, Domino's enjoys large economies of scale and brand name recognition enabling the firm to spread costs effectively. With economies growing in many underdeveloped markets, Domino's senior management estimates the company is only serving about 50 percent of the international market they should be serving, thus suggesting the firm's plans to add an additional 5,000 internationally based stores in the coming years. Further expansion globally would increase risks as marketing research costs will be high, and trademark and patent protection laws are not as sophisticated in developing countries.

Domino's derives most of its income from U.S. and Canadian markets through royalties and supply-chain operations—including selling equipment, food, and supplies that franchisees must purchase from Domino's. In international markets, Domino's uses the "master franchisees" model, where the corporation attempts to attract an investor to take on multiple Domino's and gives them franchisee rights in that region. Here the master franchisee profits by sub-franchising, selling ingredients and equipment, and running their own stores.

Domino's attributes much of its success to an incentive-based system for franchisees where they actively share in profits through increasing demand for new stores and through purchasing supplies from the Domino's Supply Chain. Domino's individual franchisee stores and the over 400 company-owned stores also enjoy a simple and effective store layout enabling pizza delivery and carryout orders to be processed and executed efficiently as compared to many competitors. Unlike Domino's, many rival pizza firms utilize a dine-in business model which is much more costly. Competitive advantages such as these make Domino's an attractive franchisee option in the quick-service restaurant (QSR) market as overhead and investment is generally cheaper than competing firms.

### Sustainability and Ethics

Sustainability refers to the extent that an organization's operations and actions protect, mend, and preserve rather than harm or destroy the natural environment. Many firms today develop an annual sustainability report, similar to an annual report, to reveal to stakeholders their actions and commitment to sustainability. Domino's combines several reports into one calling it a Corporate Stewardship Report. The firm has long prided itself on taking care of its employees as 90 percent of all current owners started out working in a Domino's. In recent years, Domino's has improved its menu with an almost total revamp since 2008.

Today, MSG and artificial food colorings have been eliminated from all Domino's products in the United States except for where they occur naturally, like in cheese and some meats. Vegetables are distributed from a supply chain facility in Georgia to many U.S.-based locations. Having a central supply-chain location improves food safety issues as opposed to letting each individual store cut and prep its own veggies and meats. To better serve customers in a nutrition-minded society, Domino's adds their "Cal-O-Meter" online—as customers build a pizza they can watch the calorie clock tick up, or tick down if they are willing to forgo an extra tasty option—such as double meat or cheese. Allergen information is also available online.

Domino's uses 100 percent sustainable palm oil product for some of their items such as pan pizza dough, but palm oil is not used in the majority of Domino's offerings. To ensure the oil used is from sustainable sources, Domino's, in 2015, traced 100 percent of oil obtained from its supplier to environmentally friendly means. Like its palm oil supplier, Domino's cardboard suppliers hold certifications with several forestry councils to ensure responsible processing of trees; most pizza boxes at Domino's are 40 to 70 percent recycled.

Domino's is also a good citizen in the communities in which it operates. For over 50 years, the firm has aggressively supported schools, youth sports teams, and first responders. The company often provides free pizzas to first responders in times of crisis and donating free food to various programs for kids. In 2016 alone, the firm donated over \$8 million to communities, raised over \$7 million for St. Jude Children's research hospital, and donated over 14,000 pizzas as a small sampling of their philanthropic giving back to the community.

### Advertising/Sales Force

Up until 2008, Domino's domestic stores contributed 4 percent of all retail sales to support national and local advertising campaigns. However, starting in 2009, domestic stores voted to increase their advertising revenue contribution rate to 5 percent and eventually to 5.5 percent in 2011, and now 6 percent heading into 2018. Domino's expects this rate to remain unchanged for the foreseeable future. Much of those monies are devoted to mass mail flyers promoting specials at the local Domino's.

### Finance

Domino's income statements and balance sheets are provided in Exhibit 2 and Exhibit 3, respectively. Note the 12.75 percent increase in revenues in 2017 and the 29.45 percent increase in net income. Note also the 22 percent increase in property, plant, and equipment in 2017.

**EXHIBIT 2 Domino's Income Statement (in thousands USD)**

Income Statement	1/1/17	12/31/17		Percent Change
Revenues	\$2,472,628	\$2,787,979	↑	12.75%
Cost of Goods Sold	1,704,937	1,921,988	↑	12.73%
Gross Profit	767,691	865,991	↑	12.80%
Operating Expenses	313,649	344,759	↑	9.92%
EBIT	454,042	521,232	↑	14.80%
Interest Expense	109,384	121,079	↑	10.69%
EBT	344,658	400,153	↑	16.10%
Tax	129,980	122,248	↓	-5.95%
Non-Recurring Events	0	0	NA	NA
Net Income	214,678	277,905	↑	29.45%

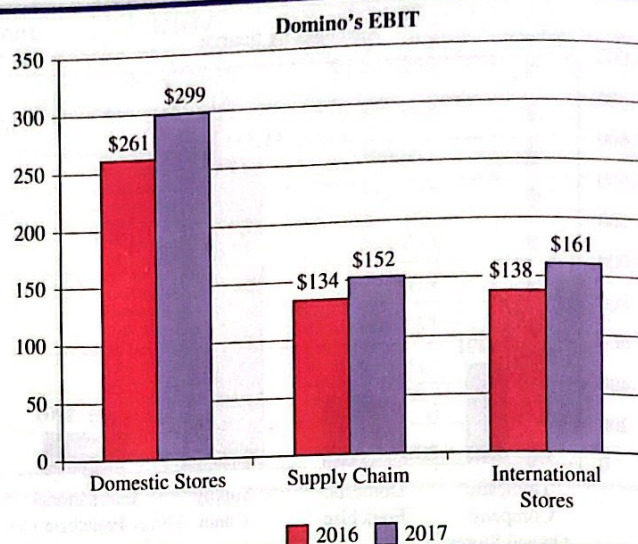
Source: Based on company documents.

**EXHIBIT 3 Domino's Balance Sheets (in thousands US)**

Balance Sheet	1/1/17	12/31/17		Percent Change
<b>Assets</b>				
Cash and Short Term Investments	\$169,311	\$227,530	↑	34%
Accounts Receivable	150,369	173,677	↑	16%
Inventory	40,181	39,961	↓	-1%
Other Current Assets	136,012	138,621	↑	2%
Total Current Assets	495,873	579,789	↑	17%
Property Plant & Equipment	138,534	169,586	↑	22%
Goodwill	16,058	15,423	↓	-4%
Intangibles	0	0	NA	NA
Other Long-Term Assets	65,830	71,955	↑	9%
<b>Total Assets</b>	<b>716,295</b>	<b>836,753</b>	<b>↑</b>	<b>17%</b>
<b>Liabilities</b>				
Accounts Payable	111,510	106,894	↓	-4%
Other Current Liabilities	292,188	291,391	↓	0%
Total Current Liabilities	403,698	398,285	↓	-1%
Long-Term Debt	2,148,990	3,121,490	↑	45%
Other Long-Term Liabilities	46,750	52,362	↑	12%
Total Liabilities	2,599,438	3,572,137	↑	37%
<b>Equity</b>				
Common Stock	481	429	↓	-11%
Retained Earnings	(1,881,520)	(2,739,437)	↓	-46%
Treasury Stock	0	0	NA	NA
Paid in Capital & Other	(2,104)	3,624	↑	NA
Total Equity	(1,883,143)	(2,735,384)	↓	-45%
<b>Total Liabilities and Equity</b>	<b>716,295</b>	<b>836,753</b>	<b>↑</b>	<b>17%</b>

Source: Based on company documents.



**EXHIBIT 5 Domino's EBIT by Division (in millions)**

Source: Based on company information.

products in the United States, the company owns another five dough manufacturing supply chains in Canada.

#### Domestic Stores

The company's Domestic Stores division includes a network of over 5,195 stores operated by franchisees and 392 company-owned stores in the United States. Domino's desires to have all of their stores owned and operated by franchisees, but if certain stores are underperforming, Domino's often will purchase these stores in hopes of turning them around and refranchising them at a later date. Domino's also uses company-owned stores as test sites for new products, promotions, new potential store layout improvements, and for prospective new franchisees.

Although the typical franchisee of Domino's operates 4 stores, the 14 largest franchisees operate over 50 stores, including the largest domestic franchisee that operates 187 stores. Currently, Domino's has 789 different domestic franchisees, with the average franchisee being in Domino's system for an impressive 14 years. Much of this longevity can be attributed to Domino's requiring prospective franchisees to manage a store for one year before entering into a long-term contract with Domino's. Domino's feels this system is unique to the pizza industry and provides a competitive advantage over rival pizza firms.

Franchise agreements require the franchisee to operate a store in a location for 10 years with the ability to renew for another 10 years with franchise renewal rates around 99 percent. Franchisees pay 5.5 percent royalty fee on sales and another 6 percent on national advertising and marketing.

#### International Division

Domino's has operations in over 85 countries with 9,269 internationally based locations. Exhibit 6 provides a breakdown of stores in the top 11 markets; the top 10 international markets account for over 64 percent of all Domino's international stores. Note that India has the most Domino's of all countries, followed by the UK. Just 5 years earlier, India was only third in total stores outside the United States behind both the UK and Mexico. As with domestic franchisee stores, most of the company's revenue in the International Division comes from royalty payments and advertising, as well as the sales of food and supplies to certain markets (predominantly Canada, Alaska, and Hawaii). Domino's aggressively attracts a master franchiser in international markets to sub-franchise out to other individuals.

**EXHIBIT 6 Domino's Store Locations at Year-End 2017**

Country	Number of Stores
USA	5,491
India	1,123
UK	1,002
Mexico	679
Australia	658
Japan	497
Turkey	491
Canada	452
South Korea	442
France	354
Netherlands	230

Source: Based on the company's 2017 Annual Report and other information.

**Competitors**

Pizza delivery and carry-out competition in both the United States and internationally is extremely intense, with Pizza Hut (owned by Yum! Brands) being the largest competitor in the industry. Yum! Brands' revenues are over 128 percent greater than Domino's. Papa John's and Little Caesars are also fierce rivals in the industry. In addition to the three main rivals of Pizza Hut, Papa Johns, and Little Caesars, Domino's faces intense competition from thousands of local mom-and-pop pizza stores, frozen pizzas from the grocery store, as well as hundreds of non-pizza fast food options.

Exhibit 7 provides a quick comparative analysis of Domino's with two rival firms. Note that Yum! Brands is three times the size of Domino's, but Domino's is nearly five times the size of Papa John's from a market capitalization perspective.

Internationally, Pizza Hut and Domino's are the main companies in the industry, but most countries also have thousands of mom-and-pop pizza and Italian restaurants. As with the domestic market, some customers consider local pizza stores to offer better quality products than large chains and are willing to pay marginally higher prices for this perceived quality. Another competitor is RAVE Restaurant Group, owner of Pizza Inn, based in The Colony, Texas. RAVE owns and franchises out more than 300 Pizza Inn and Five Pie Pizza stores in the United States and Internationally.

**Pizza Hut**

A division of Yum! Brands, Pizza Hut is based in Plano, Texas, and operates over 16,000 restaurants in the United States and internationally in over 100 countries as of the beginning of 2018, up from 12,800 restaurants just 5 years earlier. In contrast to Domino's, almost all Pizza Huts

**EXHIBIT 7 Financial Comparison of Domino's with Two Rival Firms**

	Domino's	Yum! Brands	Papa John's International
\$ Market Cap.	9.5B	26.6B	2.0B
# Employees	14,100	60,000	20,700
\$ Revenue	2,788M	6,366M	1,713M
% Gross Margin	31	45	21
\$ Net Income	278M	1,619M	103M
\$ EPS Ratio	5.25	3.77	2.90
\$ P/E Ratio	42.35	21.27	19.89

Source: Based on a variety of sources.

are dine-in restaurants. Pizza Huts serve their Pan Pizza, as well as their Thin n' Crispy, Stuffed Crust, Hand-Tossed, and Sicilian. Other menu items include pasta, salads, and sandwiches. Pizza Huts offer dine-in service at their famous red-roofed restaurants, as well as carryout and delivery service. About 15 percent of all Pizza Huts are company-operated while the remaining stores are franchised. The world's largest fast food company, Yum! Brands also owns and operates Kentucky Fried Chicken (KFC) and Taco Bell. The firm lost its CEO in 2018 to Chipotle Mexican Grill.

#### **Papa John's International, Inc. (PZZA)**

Headquartered in Louisville, Kentucky, and founded in 1985, Papa John's operates 5,097 pizza restaurants, with 4,456 of these being franchisee-owned and 743 being company-owned stores. Total restaurants have increased over 30 percent from year-end 2012 through 2017. Papa John's has restaurants in all 50 U.S. states and 44 foreign markets. The company currently has 16,500 full-time employees and markets their pizza under the slogan "Better ingredients, better pizza." The company reported revenue of over \$1.7 billion for year-end 2017 with net income of \$102 million. Papa John's carries \$85 million in Goodwill on their balance sheet.

Papa John's offers several different pizza styles and topping choices, as well as a few specialty pies such as The Works and The Meats. Papa John's stores typically offer delivery and carryout service only. The company announced in 2018 that it was reducing its formal partnership with the NFL over founder and Chairman John Schnatter's comments on players' rights to stand or not stand at games during the playing of the U.S. National Anthem.

#### **RAVE Restaurant Group**

RAVE owns Pizza Inn and Pie Five Pizza. The latter two are a relatively small chain of franchised quick-service pizza restaurants, with more than 300 locations in the United States and the Middle East. Pizza Inns offer pizzas, pastas, and sandwiches, along with salads and desserts. Most locations offer buffet-style and table service, while other units are strictly delivery and carryout units. The chain also has limited-menu express carryout units in convenience stores and airport terminals, and on college campuses. Pizza Inn's domestic locations are concentrated in more than 15 Southern states, with about half located in Texas and North Carolina. The firm has struggled in recent years with flat revenues from fiscal 2015 through 2017, hovering around only \$55 million. Net losses of \$1.2 million in 2015 have swollen to over \$12 million in 2017.

#### **Little Caesars**

Headquartered in Detroit, Michigan, and privately held, Little Caesars is famous for its advertising slogan, "Pizza! Pizza!" which was introduced in 1979. The phrase refers to two pizzas being offered for the comparable price of a single pizza by competitors. In November 2010, Little Caesars introduced Pizza! Pizza! Pantastic, denying that the return of "Pizza! Pizza!" had any relationship to the recent success of Domino's. Little Caesars operates under its parent Little Caesars Enterprises and is estimated to be the third largest pizza chain in the United States, along with Papa Johns. Little Caesars operates in 30 foreign countries and has over 5,460 locations that are both franchised and company-owned.

Little Caesars is building a new \$150 million, nine-story, 234,000 square foot, world headquarters expansion, more than doubling the size of its current campus in Detroit, to accommodate the company's rapid global growth and hiring. Little Caesars claims to be the largest carryout-only pizza chain in the world with a presence in all 50 states and 20 international markets. The company recently opened franchises in Dominican Republic, Costa Rica, and Panama with additional expansion taking place worldwide. Little Caesars attracts and continues to look for highly capable franchisee candidates for new market opportunities domestically and throughout the world.

### **External Issues**

#### **Nutrition Concerns**

An area of concern for all fast food establishments, including pizza stores, is the growing health-minded customer, as well as the growing pressure from government agencies to label all products with nutrition information. There have been battles between the restaurant industry

and government agencies for many years, much like the tobacco industry (in respect to labeling their products). It appears the war is close to being lost for the restaurant industry. Domino's itemizes nutrition information on their website. After doing the calculations, one large slice of hand-tossed pepperoni pizza, for example, has 300 calories and 12 grams of fat, and there are 8 slices in a pizza. To complicate matters for restaurants such as Domino's, it is difficult to provide accurate nutrition labels when there can be an almost endless combination of ingredients on a pizza. For example, someone may order a large sausage pizza with onions and olives whereas someone else might order extra cheese and tomatoes. Having to print out nutrition labels for all these combinations would be quite costly, as opposed to a restaurant like McDonald's where they can print the nutrition label on the Big Mac as there is uniformity in ingredients and the label is understood to be for the base item.

To complicate matters for the QSR industry as a whole, many lawmakers want to force nutrition information to be included on the menu at the point of sale, and there is still a debate in the United States regarding whether each state could/should enact their own nutrition guidelines or if there will be a national mandate/standard. Further spearheading the government's position, there have been several recent lawsuits where plaintiffs sought monetary damages in respect to advertising to children and obesity in children derived from eating fast food. As the United States (and world) population becomes more health conscious and more litigious, it seems inevitable that detailed nutrition and possibly even warning labels similar to those in the tobacco industry will appear on some products and menus. In addition, lawsuits and governments are also encouraging the elimination of trans fats (and other harmful products) that are still present in the cheese on a Domino's pizza, and many other pizzas.

Chipotle Mexican Grill claims to only use meat and dairy products from free-ranging cattle, as opposed to cattle injected with growth hormones. Domino's Pizza markets their pizzas as having gluten-free crust. These are attempts to win over health-conscious customers, comply with government regulations, and make current customers feel a little less guilty about eating pizza. The tug of war between customers, governments, lawyers, and the restaurant industry on health issues is likely to continue for some time.

In response to these challenges, many restaurants have opted for healthy menu options. Wendy's, for example, has promoted several meal combinations that contain less than 10 grams of fat. All of these items were originally on its menu, just not marketed in that manner. Wendy's has added side salads and fruit to help cut down on calories, fat, and sodium. Subway is also famous for marketing their products as healthy alternatives to other fast food options. Domino's, and many pizza competitors, offer few to no menu options for the health-conscious consumer.

### Demographic Issues

Some analysts say there are too many restaurants in the United States to be supported by the population. Currently, there are around 1 million fast food service locations in the United States, or 1 for about every 330 people. With people looking for cheaper and healthier options, it is difficult to determine just how many restaurants are too many. As businesses increasingly use business analytics to better determine potential restaurant locations, it will be interesting to see if the net total number of restaurants in the United States increases or declines in the coming years. Domino's for example plans to continue to add restaurants, but they target mainly college campuses, shopping malls, and other high-traffic areas of their core customer base, while eliminating stores in unproductive areas, and also are expanding internationally heavily.

### Barriers to Entry

Barriers to entry are relatively low for the restaurant industry, but rivalry (competitiveness) among firms is exceptionally high. One large contributing factor for the low barriers to entry is that many small entrepreneurs can open mom-and-pop establishments and bypass the franchise fees, royalties, selection process, etc. of owning a franchised restaurant and lease an existing building relatively cheap. However, even avoiding high-fixed costs, variable costs are often high, and small-scale entrepreneurs are not able to compete with larger franchise stores who can better negotiate pricing on food, packaging, and other supplies. In the QSR industry, the bargaining power of consumers is quite powerful, availability of restaurant options in most places is abundant, and consequently, there is intense price competitiveness among rival firms. Even if you are sure you want pizza for lunch or dinner, you likely have many options.

### Economic Factors

The current landscape in the Quick Service Restaurant (QSR) business is a bimodal population distribution with a large population of bargain-minded customers seeking deals on less expensive, fast food options, and another population of more affluent consumers targeting middle- to higher-end restaurants. Domino's is well positioned strategically to target the first group of consumers as there are many more of them; Domino's often has excellent sales and discounts to target this group.

Among the subset of customers who are value shoppers, many of these are also shoppers of quality and are willing to wait in line a little longer or pay a little more for better quality food products. Domino's has capitalized on this very well recently with the introduction of their Artisan pizzas, and new recipes (or higher-quality products) for their crust, sauce, and cheeses. In addition, Domino's offers many pick-up specials. While pick-up may be an inconvenience over delivery, many customers in today's climate are willing to tolerate a degree of inconvenience if they can get a better deal.

Similar to Domino's, many restaurant owners in the fast food industry have experienced stronger growth in their international markets than in domestic markets. This trend is expected to continue, especially in China and other developing nations, as many American fast food options are still novel, even in Europe.

### Global Issues

The fast food restaurant industry has been rapidly expanding overseas for the last 20 years and is expected to continue to do so in the foreseeable future. Domino's, for example, has over half of their store locations overseas and Yum! Brands generated over 60 percent of their revenue from overseas markets.

Expanding into global markets presents problems such as exchange rate fluctuations, diet of local consumers, securing permits, possible anti-American association with U.S. brands, collecting royalties from foreign operations, supply and distribution issues, currency valuation issues, and even language barriers are all potential threats of operating overseas. In addition, securing fresh food products in a timely manner may be difficult, as most franchises based in the United States have backward integrated supply chains providing better control over supplies.

Expanding across countries also increases the risk of not being able to protect intellectual property as well as desired. Trademark protection and registration, patents, dilution, and unfair competition are all risks associated with developing markets that are not as problematic in more developed markets. In the United States, most fast food restaurants are aimed at lower income people who wish for a quick and easy drive-through meal. However, in contrast, in many developing markets, while still offering virtually the same menu as in the United States, the fast food industry is geared more to the middle class and a sit down dine-in experience, much like a Buffalo Wild Wings, Moe's Southwest Grill, or TGI Fridays would be in the United States. In general, the overall décor and ambience in international fast food establishments tends to be a bit nicer than the United States counterparts.

### Future

In February 2018, Domino's launched its oven-baked sandwiches, but only in Australia. Domino's CEO of Australia and New Zealand operations says the fillings were chosen to include "on-trend" ingredients such as avocado and kale-slaw. There are four flavors to choose from and each sandwich costs \$5.95.

Almost as soon as Papa John's ended its sponsorship agreement with the NFL over differing beliefs, Pizza Hut was named as the official pizza sponsor of the NFL. The Pizza Hut sponsorship began with the 2018 NFL Draft. Papa John's is focusing on each of the 22 NFL teams separately now, rather than marketing to the league as a whole.

With up to a million or more restaurants selling pizza every day across the world, Domino's needs a clear strategic plan moving forward. The company is doing well now, but doing well today is not a guarantee to do well tomorrow, so diligence is required and needed.