

Domino's Pizza, Inc., 2013

www.dominos.com, DPZ

Based in Ann Arbor, Michigan, Domino's is the largest pizza delivery company in the USA having a 22.5 percent share of the pizza delivery market. Domino's digital ordering channels include online ordering at www.dominos.com, mobile ordering at <http://mobile.dominos.com>, and ordering on iPhone, Kindle Fire, and Android apps. More than \$2 billion of Domino's pizza is ordered online annually. There are more than 10,300 Domino's stores in over 70 countries. Domino's had sales of over \$7.4 billion in 2012, with \$3.6 billion of that coming from the USA.

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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 in Ypsilanti, Michigan, named Domi-Nick's. After trading his brother James a Volkswagen Beetle for his half of the business in 1961, 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 USA. During the 1980s, the company expanded rapidly both in the USA and internationally. By the end of the decade, Domino's had more than 5,000 stores in the USA, Canada, United Kingdom, Japan, Australia, and Colombia. By 1998, there were more than 6,000 Dominos, with 1,500 located outside the USA. Tom Monaghan retired in 1998 and sold 93 percent of the company (worth \$1 billion) to Bain Capital Inc. In the six years following the sale, Domino's enjoyed great success under Bain Capital and in 2004 Domino's became a publicly traded company on the New York Stock Exchange under the ticker symbol DPZ. The initial stock price was \$16 per share and placed a value on the company at more than \$2 billion (double the price Bain paid).

Domino's changed its 49-year-old recipe at year end 2009 and started a heavily advertised marketing campaign called "new inspired pizza." Domino's stock price appreciated from around \$8 a share at the start of 2010 to \$60 in mid-2003. Fueled by the new recipe and new products, 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. Domino's was recently ranked number 1 in *Forbes* magazine's "Top 20 Franchises for the Money" list.

About 96 percent of Domino's stores are owned by franchisees. There are very few company-owned Domino's stores.

Corporate Philosophy and Mission Statement

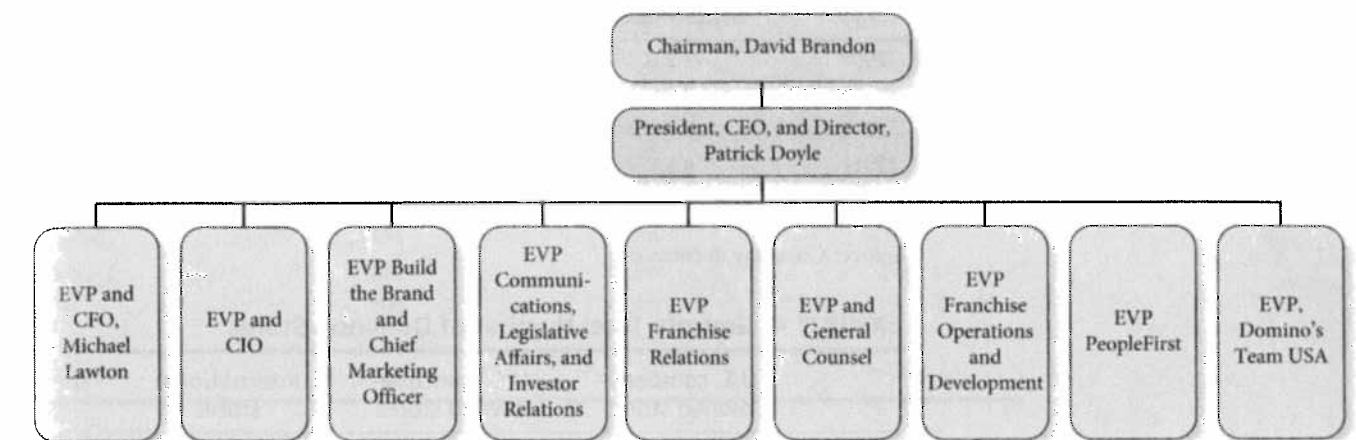
Domino's does not have a stated vision statement, but the company mission statement is as follows: "Exceptional franchisees and team members on a mission to be the best pizza delivery company in the world." Domino's "guiding principles" are based on the concept of one united brand, system and team:

- putting people first;
- striving to make every customer a loyal customer;
- delivering with smart hustle and positive energy; and
- winning by improving results every day. (2012 *Annual Report*)

Organizational Structure

As indicated in Exhibit 1, Domino's has 11 top executives, mostly executive vice-presidents (EVPs). It appears that Domino's operates from a functional organizational structure with Doyle being "where the buck stops," although for a firm of this size, a divisional or strategic business

EXHIBIT 1 Domino's Organizational Chart



unit type structure by region (or by franchised versus company owned) may be more effective in promoting delegation of authority, responsibility, and accountability.

Business Segments

Domino's provides financial information for four key business segments: (1) domestic company-owned stores, (2) domestic franchise stores, (3) domestic supply chain, and (4) international. Note in Exhibit 2 that the largest revenue-generating segment is the domestic supply chain with more than 50 percent of all revenue. Note also the large revenue numbers for the relatively few company owned stores, because each Domino's domestic franchisee owns his or her own store(s) and reports their revenues on their own personal financial statements rather than Domino's. From franchisees, Domino's reports only the royalties and advertising fees it receives from franchisees as revenue. The financial data for the international supply chain centers are included in the international division, not under the domestic supply chain division. Also note in Exhibit 2 the slight revenue decline in 2012 for domestic company-owned stores.

Exhibit 3 reveals that for 2012, Domino's international stores had the highest growth in revenue, followed by U.S. company-owned stores. However the sales growth among all three segments slowed in 2012.

Exhibit 4 reveals that Domino's growth in number of stores is highest outside the USA, with the actual number of company-owned stores in the USA falling to 388. About 10,000 employees work for Domino's, but counting all workers for all franchisees, this number is closer to 205,000.

EXHIBIT 2 Finances by Segment (in millions)

Business Segment	Revenue, 2012	Revenue, 2011	Revenue, 2010	Revenue Increase (%)
Domestic company-owned stores	\$324	\$336	\$345	(3.6)
Domestic franchise	195	187	173	4.3
Domestic supply chain	942	928	876	1.5
International	217	201	176	8.0
TOTAL	\$1,678	\$1,652	\$1,571	1.6

Source: Company documents.

Note: Domino's 2012 year ended 1-31-13.