

EXHIBIT 3 Same Store Sales Growth (Percent)

	U.S. company-owned stores	U.S. franchise-owned stores	International stores
2008	-2.2	-5.2	6.2
2009	-0.9	0.6	4.3
2010	9.7	10.0	6.9
2011	4.1	3.4	6.8
2012	1.3	3.2	5.2

Source: Company documents.

EXHIBIT 4 Growth: Total Number of Domino's Stores

	U.S. company-owned stores	U.S. franchise-owned stores	International stores
2008	489	4,558	3,736
2009	466	4,461	4,072
2010	454	4,475	4,422
2011	394	4,513	4,835
2012	388	4,540	5,327

Source: Company documents.

Domestic Supply Chain

Domino's domestic supply chain supplies franchisees with dough, vegetables, ovens, uniforms, and much more, enabling better control, pizza consistency, and timely delivery of products. This backward integration strategy enables Domino's to offer pizza at lower prices and allows store managers to focus on store operations rather than mixing dough on site, prepping vegetables, and bargaining with independent suppliers for ingredients. Domino's has 16 regional dough-manufacturing and supply chain centers and leases a fleet of more than 400 trucks to aid in delivering products to stores twice a week. However, Domino's franchisees are not required to purchase supplies from Domino's, but interestingly more than 99 percent do purchase all its supplies from the company's domestic supply chain segment. To ensure this division remains viable, Domino's provides profit-sharing incentives to franchisees to buy its products from Domino's. In addition to the 16 domestic supply chain centers, Domino's also operates 6 supply chain centers outside the USA.

Domestic Stores

The company's domestic stores division includes a network of 4,540 stores operated by 1,026 franchisees and 388 company-owned stores in the USA. Domino's desires to have all of its 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 then refranchising them at a later date. Domino's uses company-owned stores as test sites for new products, promotions, new potential store layout improvements, and as test sites for prospective new franchisees.

Although the typical franchisee of Domino's operates 4 stores, the nine largest franchisees operate more than 50 stores, including the largest domestic franchisee that operates 135 stores. Currently, Domino's has 1,077 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 1 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.

International Division

Domino's has 5,327 franchise stores outside the USA. The company's international revenues as a percent of total revenues increased to 13.0 percent in 2012, up from 11.2 percent in 2010. Exhibit 5 provides a breakdown of Domino's stores in the top 10 markets, which account for

EXHIBIT 5 Top 10 Countries Where Domino's Are Located

Country	Number of Stores, 2011	Number of Stores, 2012	% Change
United Kingdom	670	720	7.5
Mexico	577	581	0.7
Australia	450	464	3.1
India	439	522	25.7
South Korea	358	372	3.9
Canada	354	368	3.9
Turkey	220	284	29.0
Japan	205	245	19.5
France	195	215	10.3
Taiwan	141	140	-

Source: Company documents.

more than 75 percent of all Domino's international stores. Note that the United Kingdom has the most Domino's of all countries, followed by Mexico. Among the company's six "international" supply chain centers, four of these are in Canada, one is in Alaska, and one is in Hawaii. (It is unclear why Domino's categorizes Alaska and Hawaii as international). 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). Note in Exhibit 5 the rapid growth in Domino's stores in India, Turkey, and Japan. The largest Domino's franchisee outside the USA operates 911 stores.

Internal Issues

Domino's has a vertically integrated supply chain where they have backward control to some extent over many of its supplies such as dough, veggies, equipment, and uniforms and forward control over around 400 retail stores that are company owned. Domino's offers little to nothing in terms of healthy food options on the menu, such as salads or fruit. Although this approach enables Domino's to focus exclusively on pizza, this practice also increases the firm's vulnerability to the increasingly health-minded customer and possible government mandates for fast-food 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 attributes much of its success to an incentive-based system for franchisees in which it actively shares in profits through increasing demand for new stores and through purchasing supplies from the Domino's supply chain. Domino's individual franchisee stores and 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 use a dine-in business model, which is much more costly than Domino's strategy. Competitive advantages such as these make Domino's an attractive franchisee option in the quick-service restaurant (QSR) market because overhead and investment is generally cheaper than competing firms.

Sustainability

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 its actions and commitment to sustainability. However, Domino's does not produce an annual sustainability report nor does the company have a sustainability statement on its website.