

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 more than 75 percent of all Domino's international stores. Note that the United Kingdom