

Research on the brand awareness of Domino's Pizza in the Chinese market

Huayang Wang*

EBS Universität für Wirtschaft und Recht, Oestrich-Winkel, Germany

*Corresponding author: huayang.wang@students.ebs.edu

Abstract. As a world-renowned pizza company founded in 1960 in the United States, Domino's Pizza entered the Chinese market in 1997. Some studies have pointed out that Domino's Pizza has been in the Chinese market for 25 years, but its brand awareness has been tepid as more and more pizza brands enter the market. Therefore, the research topic of this paper is the possible reasons behind it and the growth potential of Domino's Pizza in the Chinese market. The research methods of this paper are as follows: Firstly, SWOT analysis is carried out by collecting data from Domino's prospectus and previous reports and literature. Secondly, according to Porter's four general competitive strategies, the paper puts forward suggestions on the competitive strategy and brand awareness of Domino's Pizza. The analysis showed that Domino's marketing efforts in cities outside Beijing and Shanghai were weak and its visibility was limited by the small number and density of its stores.

Keywords: Domino's Pizza; brand awareness; competitive strategies.

1. Introduction

In the context of globalization, the popularization of technology and the transparency of information have greatly reduced the threshold for enterprises to enter the market, leading to the increasing number of competitors in the industry, and the pizza industry is no exception. Nowadays, there are more and more imported brands in China's catering market. How to get out of many brands and gain popularity is one of the important factors for the sustainable development of brands. From the 1990s, pizza entered the Chinese market and continued to develop. More and more local pizza brands enter each city, making the pizza industry increasingly fierce competition. Whether it is promotion form, product design or service, it is the factor that affects consumer decision. Multinational chains like Domino's Pizza are located in different markets, and the company focuses not only on consumers' different tastes and consumption patterns, but also on the characteristics and advantages of its own brands, so as to stimulate consumers' consumption desire and brand preference. This study focuses on the performance of Domino's in the Chinese market and studies why its popularity has not been improved for a long time. Through information and data collection, this study will see the advantages and disadvantages of Domino's in its marketing, finance and other aspects, as well as the potential opportunities and threats. In addition to focusing on the recent situation of Domino's brand in China, the whole pizza industry and its major competitors in the Chinese market are also part of the research object of this study. It mainly provides relevant discussions and suggestions for the pain points of Domino's popularity by improving its competitive advantages [1].

2. Pizza Industry and Domino's Pizza

2.1 Introduction to Domino's Pizza

In 1960, Tom Monaghan was a local college student in Michigan. Mr. Monaghan and his brother James Monaghan bought DomiNick's Pizza for \$900. After eight months, James quit the business and Tom started running the pizzeria himself. In 1965, the company changed its name to Domino's Pizza. As a multinational Pizza delivery chain, Domino's Pizza celebrated the milestone of opening its 5,000th store worldwide in 1989. Today, Domino's Pizza has more than 18,300 stores in more than 90 countries and territories. In 1998, Domino's founder Tom Monaghan announced his retirement and

turned over ownership of the company to Bain Capital. In July 2004, Domino's Pizza was listed on the New York Stock Exchange (NYSE). In 2021, the Domino's brand was worth more than \$12.3 billion [2].

2.2 Overview of pizza industry in China

In 2010, there were 55 registered pizza enterprises in China, but by 2020, the number of registered pizza enterprises in China has reached 8,358, and the penetration rate of pizza stores in China's first-tier is constantly improving. But at the same time, pizza is too replicable, and the main products of the brand are mainly durian pizza, chicken pizza, etc., which is seriously homogenized. In addition, in the consumption concept of Chinese people, pizza can be regarded as an occasional taste, which leads to the low re-purchase of pizza. Compared with other Southeast Asian countries, the pizza market in China lags behind. At present, There are only 9.8 pizza outlets per million people in China, compared with 28.4 in Japan and 28.9 in South Korea, which means that the penetration rate of Chinese pizza in China is only about one-third of that. According to the Frost Sullivan report, the market size of Pizza in China grew from 22.8 billion rmb to 33.5 billion rmb in 2016-2019, fell to 30.5 billion in 2020 due to the impact of the epidemic, and is expected to grow to 62.3 billion rmb before 2025, with a compound annual growth rate of 15.4% [3]. Accordingly, combined with the factors of China's vast territory and large population, the future opportunity and development is very considerable.

2.3 Brand management concept

Domino's Pizza has its focus to customers who want home-delivered pizza, stores are built mainly to provide experience for dine-in and support for delivery services, thus greatly reducing costs. Domino's Pizza has put forward the slogan "delivery over half an hour is free", such novel promotion attracted a lot of attention and media coverage at that time. By the 1980s, Domino's Pizza was spending heavily on television advertising, emphasizing its convenience and ease: "One Call Does It All." Slowly, Domino's became synonymous with fast delivery in the minds of its customers. In order to speed up the location of each store, Domino's Pizza analyze the main surrounding takeaway consumers, communities, streets, road conditions, etc., meal preparation program design, menu simplification and other measures are used to achieve the best delivery route, so as to shorten the cooking time of pizza. At Domino's, the biggest department is not flavor development or marketing, but IT. "Domino's Pizza is really a technology company that happens to sell pizza," quips its marketing chief. In order to allow users to enjoy the meal ordering service under all possible life scenarios, a series of digital technologies are used to bring users the ultimate experience. In order service, with the help of digital technology, "online customization" has become the new foundation of Domino's business. Domino's Pizza is the earliest and most successful enterprise in the American fast food industry to seek digital transformation and use information technology to transform the enterprise and achieve success. As early as 2007, Domino's Pizza began to promote mobile ordering. Users can place orders on Twitter, Facebook, Apple Watch, Amazon Echo, Google Home and other major platforms, and 60% of Domino's orders in 2016 came from digital platforms.

3. Analysis and strategy

3.1 Domino's enters the Chinese market

With the U.S. fast food market saturated, Domino's Pizza has been looking for growth opportunities in international markets. In 2013, it had 10,566 stores worldwide, including 4,900 in the United States, 750 in the United Kingdom, 650 in India, and the rest scattered across 70 other countries. Domino's Pizza entered China in 1997, opening its first store in Beijing. As of mid-April 2022, it has more than 480 stores in 13 cities, including 140 stores in Shanghai and more than 120 stores in Beijing. In other words, about 55 percent of Domino's Pizza is located in Beijing and Shanghai. Dash Ltd is the exclusive franchisee of Domino's Pizza in Mainland China, Hong Kong,

China and Macau, China. In May 2017, Aileen Wang joined as executive Director and Chief Executive Officer, plan overall strategy and guide business direction for the company. Aileen Wang previously worked for McDonald's China for 8 years, serving as Regional General Manager in Shanghai (managing over 100 stores), Vice President and General Manager in Central China (managing over 500 stores) and Vice President of Franchising, where she was responsible for developing the franchise system and overseeing the franchisees [3].

3.1.1 Current situation of Domino's Pizza in China

Not long ago, on March 28, 2022, the Hong Kong Stock Exchange website disclosed the prospectus of Dash Ltd.. According to the prospectus, even though most of the catering industry has been hit by the epidemic, Dash Ltd achieved operating revenue of 837 million rmb, 1.104 billion rmb and 1.611 billion rmb in 2019-2021 respectively. That translates to 32% and 46% year-on-year increases in 2020 and 2021. Among them, the revenue in Beijing and Shanghai accounts for the majority, from 2019 to 2021 was 702 million rmb, 869 million rmb and 1.147 billion rmb respectively, accounting for 83.9%, 78.7% and 71.2% of the total revenue in that year respectively. But the company profits have not surged in tandem with revenues. According to the prospectus, the net loss of Dash Ltd from 2019 to 2021 was 182 million rmb, 274 million rmb and 471 million rmb respectively, with a cumulative net loss of 927 million rmb for three years [4].

3.1.2 Brief comparative analysis of competitors

In 1990, Pizza Hut opened its first branch in Beijing. Pizza was not popular in China at that time. After entering the Chinese market, Pizza Hut adopted the strategy of setting up shop in the core business circles and shopping malls. And pay attention to decoration, provide more space social environment to create a casual, elegant and family-style dining place, which allows shoppers to eat Pizza Hut without leaving the mall. Although with the landing of peers, Lacesar Pizza, Zunbao and other Chinese local pizza brands continue to break out, and with the help of the dilivery platform, squeezing the market space of Pizza Hut. However, from the overall situation of pizza industry in the Chinese market, Pizza Hut has achieved the cliff in all aspects of the first, which is mainly related to the timing of Pizza Hut's entry into the Chinese market and its own positioning. The top five pizza brands were Pizza Hut, Domino's, local brands Zumbo Pizza and Lacesar Pizza, and Papa John's. In 2020, Pizza Hut accounted for 39% of market share, while Domino's ranked third with 3.6% market share. Domino's Pizza remained in third place as well as in the distribution business, with market share of 5.1 percent. In first-tier cities, Domino's overall market share was 9.1 percent and delivery market share was 11.3 percent, placing it in second place [3].

3.2 SWOT analysis

Domino's Pizza's overall strength, in addition to its commitment to getting pizza to customers in 30 minutes and its relatively low price, is the technology the company invests in. For example, Domino's launched a social media one-click ordering service that allows users to easily place orders by linking their Domino's account to Twitter with a pizza emoji [5]. In February 2015, Domino's Pizza launched an APP called Tummy Translator, which enables people to order a pizza "what their stomach wants" based on a scan of their stomach, simply by opening an APP and placing a phone headset on their stomach. Domino's Pizza is also working with Xbox to build a interface into the platform, allowing users to order food while playing the game. In cooperation with Samsung TV, consumer can choose the order button on the TV at any time when they are watching the TV [6]. These multi-channel approaches help capture and generate large amounts of data. In terms of food delivery, to cater consumers' increasing emphasis on convenience, Domino's Pizza announced a partnership with Nuro in 2019, for further exploration and testing of autonomous pizza delivery to delivery, digitally driven Domino's Pizza continues to break through people's imagination and bring digital surprises to users. While it may not actually make money from the development of these technologies, it is safe to say that these marketing techniques have gained eyeballs. These are the elements that young people value, especially by bringing technology and sense of science and

technology to the retail of pizza and snacks. At present, more than half of Domino's stores are only distributed in Beijing and Shanghai, and there are few stores in other cities. Due to the small distribution scope, many places cannot order takeout, so the consumption desire of potential customers is greatly reduced. In addition, the problem of cost, reputation and safety of delivery teams caused by insisting on 30 minutes of delivery can not be ignored.

As domino's largest Asian international market by far, as of January 2022, Domino's had 1,495 stores in India, where 50 percent of menu items are vegan in order to cater to the preferences of India's large Hindu population [7]. Such as the Cheese and Corn pizza in India, or the Octopus Bomb Shrimp in Korea. In The Chinese market, the company launching 12 kinds of crusts for Chinese consumers by the end of March 2022, twice as many as Pizza Hut. And on Tuesday and Wednesday, the activity of 30% off pizza, which has a subtle influence on users' consumption habits. The pizza menu also covers a wide range of prices from entry level to premium level, and offers regular promotions and cost-effective packages to meet the needs of different consumers. Because of the fast pace of life and the impact of the Covid-19, people further strengthen the demand for food delivered. Take-out and carryout are the two main segments of Domino's Pizza, but people will not bring their own thermal insulation boxes when taking away. Besides, Chinese consumers value convenience and seldom have carryout. In accordance with the principle that pizza is not delicious when it is cold, carryout will not bring large orders to the company, and it is mainly concentrated on dine-in in the store or time-saving delivery. Compared with other Asian markets, Domino's has launched a variety of pizza flavors, but there is still no particularly popular or distinctive popular pizza. Domino's can think of a localized and novel pizza, and then use advertising and online media to increase brand awareness. For the slower-growing stores number of Domino's Pizza, the popularity of peers and the increasing number of competitors will be a potential threat. With the expansion and development, there is a risk that the negative news of the store and dilivery accidents in the past will be mentioned again [8].

3.2.1 Porter's Four Generic Competitive Strategies

Michael Porter's general strategy is a way to gain competitive advantage. When choosing the right strategy, it is crucial to consider the company's own capabilities and advantages. Common strategies can be applied to products or services in all industries and organizations of all sizes. Porter divides the general strategy into cost leadership, differentiation and focus. The focus strategy can be subdivided into two parts: cost focus and difference focus. Cost leadership means increasing profits and market share by reducing costs. Differentiation, as the name implies, is to create unique ideal products and services, including functional innovation, better Delivery methods, extra support service, such as customization. Focus means providing professional services in a niche market and inventing unique cost focus or differentiated focus products for the market by understanding the dynamics of the market and the unique needs of the customers therein. When the visibility of an enterprise is opened, consumers will choose and support the products, there will be a strong consumer market and bring economic benefits to the enterprise brand. On the other hand, enterprises with high visibility can have more cooperation options and have more say and choice in cooperation with other enterprises. Enterprises with high visibility can also attract a large number of high-quality partners, which will continuously inject new impetus for the sustainable development of enterprises [9]. As the competition between brands and products is fierce, therefore, one of the most important ways for Domino's to win the favor of consumers and improve its brand awareness in the market is to form its competitive advantages in products and services.

3.2.2 Recent investment priorities

As the company focuses on takeaway service and takes first-tier cities as its main position, the labor cost of the company is relatively high. To maintain the 30-minute delivery strategy, the company hired more full-time and part-time riders to ensure delivery. From 2019 to 2021, the company's employee compensation expenses were accounting for 40.15%, 42.50% and 43.66% of the total revenue in the same period, according to the prospectus. While advertising and promotion spending accounted for only 7.4%, 7.8% and 7.6 % of the revenues respectively. Net proceeds from

domino's IPO, in addition to general corporate purposes, will be used to expand stores and renovate existing stores, including new store designs and remodeling [10]. Improve the utilization of central kitchen, purchase kitchen equipment and other office equipment. In addition, it is used to enhance technical capabilities, upgrade order and data management systems, and further improve operational efficiency and service capabilities. In 2022 and 2023, Domino's plans to open 120 and 180 new stores in China. In the next two years, 46% of these 300 stores will be opened in first-tier cities and 39% of the stores will be concentrated in new first-tier cities [11].

4. Specific application and suggestions

Domino's can improve its stores, such as the area of small scale stores, and basically only provide take-out and delivery services, so as to reduce operating costs. Domino's has been in China for 25 years, but its current pain point in new first-tier and second-tier cities is limited coverage. Retail sales are driven by sales volume and the number of stores. However, the density of stores in these cities is not concentrated enough at present, which leads to many customers wanting to eat but unable to place orders. As a result, the expansion of customers' number is passively restricted and the company's popularity cannot be effectively spread. In fact, the consumption concept of lower-tier cities is also closer to that of first-tier cities. Dominos' Pizza can try to open more stores in these cities. The improvement of urban level promotes people's diversified demands for catering services. Delicious, hygienic, convenient, family travel and celebration of special occasions are considered as important factors to buy pizza [12]. In particular, with the increasing acceptance of pizza by the younger generation of Chinese consumers, it would be a very suitable product for office workers who have no time to dine-in in the store on weekdays and college students who like picnics on campus.

Differentiation increases a company's visibility based on a variety of factors, including the number of stores, the company's ability to deliver on time, and the ability to provide consumers with an online ordering experience that tastes good and is easy and convenient. In other words, Domino's Pizza should step up digitalization, optimize customer experience and company operations. Especially in the Chinese market, adding some technological attributes from customer order to delivery, and develop Domino's own technological advantages. That means, besides its original focus on delivery, Domino's can beef up its marketing efforts in various softwares or invest advertisements in TV series or variety shows. Since consumers' evaluation of products depends on the design, Domino's could also create seasonal drinks and snacks, or create interesting names for pizzas to arouse consumers' curiosity and create product and brand memories. These include simulated McDonald's children's meals with add-on toys or the launch of the popular blind box co-branded quickly gain attention. Of course, this is all based on strong marketing efforts. Marketing is not only through social media, but also by focusing on the impact of correct marketing ethics and corporate social responsibility.

In recent years, due to the impact of the epidemic, environmental hygiene and a healthy lifestyle have received more and more attention. Words like low sugar and low fat are particularly appealing to consumers, people may be tempted to eat fried foods but must pair them with zero calories or a low-sugar beverage. From a health perspective, Domino's can add a vegetable and energy-rich mixture to its innovative pizza, creating a niche product that can create unique additional value while meeting the needs of customers in different markets and building strong brand loyalty among customers.

5. Conclusion

This study found that Domino's Pizza has been using the promise of free delivery within 30 minutes as a selling point for the brand, after all, the word free has a huge appeal to consumers. Coupled with the fact that Domino's continues to inject technology into its pizza, making buying a pizza as fun and novel as playing a game, it's a marketing approach that sticks in the memory of anyone who's ever consumed it. But domino's marketing in China has not been as intense, and the

tech-savvy side of domino's is barely visible, apart from some monotonous promotional activities. In addition, different from The positioning of Pizza Hut in the Chinese market, Domino's is committed to the delivery service, but the coverage of Domino's stores is very low, resulting in a small scope of delivery service. All of these factors explain why Domino's hasn't been a household name in China, despite a flurry of attention over the company's recent plans to list in Hong Kong. The research in this paper was conducted after Domino's filed its prospectus and after DPC Dash Ltd. Before the official listing. Can be compared with domino's later development situation. In addition, previous studies have reported and analyzed Domino's, but there is no systematic study on the pain point of Domino's popularity in the Chinese market. Based on Porter's Four Generic Competitive Strategies, this study also provides the prospects and suggestions for the future of Domino's. The limitation of this study is that the specific analysis and strategy application are not only affected by force majeure factors or factors such as upstream suppliers, but also need to take into account the work of building good reputation and after-sales service in advance. In the future, these aspects can be further refined to facilitate further research.

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