

MARKETING PLAN OF DUNKIN' DONUTS



Executive Cover Memo

To:

From: (Student's Name)

Subject: Implementation of the new kind of coffee – Green Coffee – into the Dunkin' Donuts menu

Date:

This is to recommend the implementation of new kind of coffee – Green Coffee – into the Dunkin' Donuts menu that will benefit from sales growth and attraction of new customer segment.

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BACKGROUND

Currently, Dunkin' Donuts serves over 2.7 million of people a day and has a stable customer market. However, a number of customers can be attracted by the product with additional features. Green Coffee is an appropriate item for this purpose. It gained immense popularity in a very short period since it contributes to weight loss. Scientists have also proved that green coffee is a potent antioxidant that helps to cleanse the body of free radicals. It improves physical and mental activity, excellent tones as well as helps with migraines. Thus, implementing this kind of

coffee into the Dunkin' Donuts menu will contribute to capturing new customers, in particular, "Green" (people who care about the background) and "Healthy coffee lovers" (those who are intending for healthy lifestyle).

RECOMMENDATION

The implementation should start in December 2015 and be provided during one year. It is suggested to attract 10% of customers that means 27 people a day for each coffee house. This number will ensure sales growth for 3-5% and increase in profits by 1-2%. Cost price for a cup of new kind of coffee will amount to \$0.43 since market price for 1 ounce of Green Coffee is the same. Newly implemented product can bring the company from \$23 thousand to \$ 46thousand.

NEXT STEPS

The new product will be implemented and gain a foothold by December 2016. Construction will commence in January. Gradually, the Green Coffee will be entered in other European countries and Russian Federation. The concept of environmentally responsible remodeling should be approved in Europe in 2016.

Executive Summary

Market of coffee business is actively developed both in the USA and abroad. Some of the target audience of premium class restaurants moved into the coffee houses segment, and the revenue Dunkin' Donuts

Company recorded a very strong performance. The target audience of McDonald's brand is huge nowadays. However, the company is able to attract a new customer segment such as "Green" (people who care for the environment) and "Healthy coffee lovers" (those who have healthy lifestyle). A new healthy kind of coffee, namely Green Coffee, which results in weight loss and is produced in a friendly ecological way, can solicit the aforementioned customers. Attraction of this segment can provide sales growth (3-5%), increase in profits (1-2%) and form a new customer market which can number to 10% of existing now. The company can realize a profit from \$23 thousand to \$46 thousand on implementation of Green Coffee, meanwhile a cup of new coffee will cost nearly \$0,43 that means that the costs will require \$11 610. The main feature of advertising campaign for Green Coffee will be creativity and usage of "Event marketing," which attracts attention to the company as well as consumers to a new product. For Green Coffee, Dunkin' Donuts will use print advertising, advertising in the press, radio and television advertising, outdoor advertising on transport, and advertising on the Internet.

MARKETING PLAN OF DUNKIN' DONUTS

Company Overview

Dunkin' Donuts is an international network of cafes specialized in coffee and donuts and one of the networks of Dunkin' Brands. It is presented by more than 10 thousand coffee houses in 32 countries; about 6.7 thousand places located in the United States and more than 3 thousands operating in other countries (Barkan, 2011, p. 12).

Nowadays, Dunkin' Donuts is the world's largest fast-food chain specializing in the sale of coffee, donuts and other baked goods. The history of the brand began in 1950 when Bill Rosenberg opened his first coffee house in Quincy, Massachusetts. In 1955, the first franchisee of the company obtained a license. It is part of the American corporation, Dunkin' Brands, Inc., owned by a consortium of private equity firms such as Bain Capital, The Carlyle Group, and Thomas H. Lee Partners. From 2007 to 2009, Dunkin' Donuts was brand №1 in the world according to Customer Loyalty Engagement Index, which is annually held by Brand Keys. The network is aimed at young active citizens who value every minute of their time.

The company is operating according to the rule “cooking and selling the freshest and delicious coffee and donuts to serve customers promptly and courteously in modern well-equipped places.” Now, coffee networks serve more than 2.7 million visitors daily. Dunkin' Donuts relies on low prices. About 60% of annual sales of Dunkin' Donuts in the US accounted for potables due to the popularity of coffee drinks. 40% belong to the bake sales such as donuts, bagels, little Munchkins, muffins, toasts, hash Browns, and sandwiches (Barkan, 2011, p. 22).

Creators of the coffee house Dunkin' Donuts pursued the following marketing and financial purposes:

1. To create an atmosphere and environment in coffee houses, which will result in the return of people for coffee;
2. To create an image that would stand out against the background of smaller coffee chains;
3. To clearly convey to customers that the value and commitment of Dunkin' Donuts is not just the company's growth plans, which are

available in the media;

4. Each new coffee house should reach \$20,000 weekly sales;
5. To open new stores at a lower cost (about \$315,000 per place on average).

Since the company has an opportunity to attract new customers for uncovered market segment, the recommendation for Dunkin' Donuts is to implement a new product that is Green Coffee. Demand for the product on the market is huge. Green Coffee is a powerful marketing phenomenon. It has a variety of useful features which can help the company increase sales.

Marketing Objectives and Goals

The purpose of the marketing plan is attracting new customers (10%) by implementation of new healthy kind of coffee, Green Coffee, as well as increase of and service (reduction of complaints by 10%).

Period of planning: 1 year

Location: The USA, Russia (Moscow)

Desired consumers: "Green" and "Healthy coffee lovers"

Strategic Goals

Ensure sales growth for 3-5%, increase in profits by 1-2%, due to the implementation of new product, Green Coffee. Margin should be slightly lower than 20%.

According to forecasts, the company's profit will grow due to selling of

new product which cannot be found in competitors.

Revenue of the corporation has grown by 5.3%, in total it amounted to \$5.95 billion worldwide. It is planned to increase the revenue to \$7 billion (Russell & Taylor, 2007, p. 81).

Objectives towards **Consumers**

- The attraction of consumers and new customer segments due to implementation of healthy coffee.

Desired customers are “Green” and “Healthy coffee lovers.” The “Green” care for the environment. The menu should include some of green coffee cocktails and food obtained without violence. “Healthy coffee lovers” appreciate the taste and quality of the drink and strive for a healthy lifestyle.

Objectives towards **Competitors**

- The main objective of the company in general and each of its employees in particular is 100% satisfaction of every visitor.
- The company needs to update its line of products in order to attract new customers.
- It is necessary to focus on the development of coffee houses chain's infrastructure.
- It is crucial to promote the exchange of the best practices on a global scale, otherwise speaking, to ensure that the best practices of service and new ideas from any restaurant immediately are implemented in

the company's restaurants worldwide.

- The company should conquer the leading market position in this segment.
- It is important to develop the markets which are not yet covered.
- Increasing the attendance of coffee houses, offering new and traditional specialties are vital.

SWOT Analysis

STRENGTHS

1. Famous brand name, popular worldwide;
2. High level of customers' loyalty;
3. A wide range of donates numbering more than 1000;
4. Comfortable place for breakfast and coffee break, lunch, or dinner;
5. Providing the coupon and discount system as a way to retain the customers;
6. Developed chain franchisees consisting of 10 thousands places in 33 countries;
7. One of the most accomplished in the sector;
8. Maintaining relationships with popular sport teams;
9. High percent of effectiveness of marketing and advertising approaches.

WEAKNESSES

1. Mismanagement (management structures are not adjusted);

2. An exterior design of cafes is not innovative (design showcases, outdoor guide is missing);
3. Customers Relationship Management (CRM) should be improved (database, analysis, communication, and loyalty programs for customer and reseller);
4. Constant rift with the franchisee owners and numerous instances of suing them. Imperfections and changes;
5. Frequent cases of conflicts with the franchisee owners and litigation with them.

OPPORTUNITIES

1. Opportunities of growing market niches such as “quick” and “casual;”
2. The usage of new distribution channels (franchise resale), the development of relationships with trade intermediaries;
3. Strengthening of brand loyalty through communication means.

THREATS

1. Imperfections and changes in legislation (franchise, tax);
2. Decrease of consumer interest in brand over time;
3. Incompetence of the staff (competition for quality staff / influence of human factor in this segment);
4. The lack of quality spaces with the active expansion of the network.

Marketing Mix

PRODUCT:

- Coffee houses Dunkin' Donuts;
- Positive emotions and perfect service;
- Freshly ground and freshly brewed coffee, unique donuts;
- Snacks, breakfasts and specialty lunches;
- Brand TM;
- Franchising (B2B), manufacture for franchisees.

PLACE:

- Pleasant atmosphere of coffee houses for all customers without exceptions, who will hold family evenings there, seek for coffee or organize gatherings with friends;
- Place for the young and impetuous, place for communication;
- HoReCa are partner institutions, in the future – franchisees;
- Subject Internet resources, social networks.

PRICE:

- The price is corresponding to the segments of “Middle” and “Upper Middle” (mainstream category) that emphasizes the quality of the product but remains democratic;
- The policy of discount due to the loyalty program of Club DD;
- Gift cards “Dunkin 'Donuts;”
- The high price of lost customers:

- Pricing based on competition.

PROMOTION:

- Communication complex is responsible for interacting with consumer and maintaining a positive image;
- Club format loyalty program;
- Promotional support of sales (B2B) and shares (B2C);
- Formation of the PR-reasons and events;
- Promotional persons according to the positioning.

Market Analysis

STP ANALYSIS

Segment: People who are intending to have coffee break and lunch in Western style.

Target Group: Middle and upper middle class, single persons, couples, and families.

Positioning: A cozy place which offers high quality and tasty donuts, variety of kinds of coffee and other baked products.

INDUSTRY ANALYSIS

Coffee houses have existed for over 400 years. At last few decades, they have become especially popular in the world. For example, in the US, there are over 13,000 coffee houses today. On this basis, it is believed that the market is not close to maturity currently, and no coffee house chain

differentiates itself more significantly than others (Marcoux, 2015, p. 89).

Recently, the overall coffee sales have grown to a large extent; therefore, a specialized segment of the coffee house rises at a good pace annually. Low cost of coffee-based drinks and relatively large investments lead to a relatively high-profit level on the coffee market.

According to statistics, 77% of people consume coffee on a daily basis, drinking in average 3 cups of coffee a day (Marcoux, 2015, p. 90). Consequently, one can conclude that the coffee is the second largest commodity after oil in the world. Thirty years ago, almost no one used the espresso. Nowadays, espresso-based drinks are a half of all the consumed coffee.

ANALYSIS OF CONSUMERS

Corporate Customers

Generally, such consumers in the coffee market are corporate orders for offices, businesses, and institutions.

The following services are provided to corporate customers:

- Maintenance of holiday and other activities of client companies;
- Delivery of products for coffee breaks during conferences;
- Providing the products for company buffets at work (increased competition among employers contribute to a change in the mentality of businessmen in the direction of upward social security of employees and the creation of attractive working conditions).

Individual Consumers

There is a fierce competition in the market since the visitors of cafes place high demands on the quality of coffee and the level of service due to a possibility to compare products and services. Differences in expectations of consumers can be determined by examining the motivation for visiting food enterprises. The consumer chooses to visit a coffee house proceeding from own preferences and ideas and taking into account the characteristics of an image of the former. The most significant characteristics are location, the range and quality of dishes and drinks, price level, service culture, additional services, the nature of the clientele, the internal atmosphere of the coffee shop, brand recognition, various incentive shares, and others items.

Market Segmentation

The client base of Dunkin' Donuts consists of five target groups:

1. Locals
2. Tourists
3. Office staff
4. Students
5. Passers

These groups are potentially strong consumer segments. The benefits of the segments are that they help to maintain the profitability of the business all year round. Tourism reaches its highest peak during summer. On the other hand, there are not so many students during summer as in the period from September to June. Nevertheless, other segments (locals, office workers, local businesses, and city traffic) ensure profitability of

Dunkin' Donuts throughout the year.

In addition, focusing on several market segments, Dunkin' Donuts does not become excessively dependent on any single customer group. For example, some local coffee houses, mostly with students as clients, have rather low profitability during summer. Moreover, these places should seek to sell themselves to newly arrived students of universities annually. Dunkin' Donuts avoids this due to the connection of all consumer segments in one common stream of customers.

Research on the Competitors

Most of the coffee houses are a democratic market segment of catering. The largest networks of coffee houses on the market are Starbucks, Subway and McDonalds. The main competitors of Dunkin' Donuts are fast-food chain, Subway, and coffee house chain, Starbucks. Both achieve good results and increase rather than reduce the number of its branches. Consequently, revenues increased. Analysts believe that the success of Dunkin' Donuts is related primarily to a large range of goods. The company offers not only different kinds of coffee and donuts but also cocktails, ice cream, and sandwiches. In addition, the branches of Dunkin' Donuts regularly offer customers to participate in various promotions and contests.

Market Strategy

From December 2015 to December 2016, the first Green Share of the company should be held. Its purpose is to introduce a new product, Green Coffee, made in compliance with all the requirements of environmentally friendly production. The corporate color of the cup

should be changed into green to focus the attention of the buyers on the ecological compatibility.

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Wood, stone and muted green will appear on the posters for green coffee. Green coffee is rich in chlorogenic acid, powerful antioxidants cleansing the body from free radicals. The slogans for new share will state that “green coffee has more antioxidants than red wine, olive oil, and even green tea. There is, of course, more positive than negative impact of coffee on health,” and “Scientists made the discovery that the green coffee has a fat-burning effect. The main active ingredient is chlorogenic acid, which can be found in green coffee in large quantities. During roasting of coffee, its amount is greatly reduced.”

Packaging made from recycled raw materials should be designed and have several size options.

New product will be presented in the following forms:

1. Green coffee beans;
2. Green coffee in the form of hammers;
3. Green coffee in the form of hammers with additives (cardamom, ginger, collagen, etc.);
4. The extract from green coffee beans;
5. The product of roasted coffee (instant or natural) mixed with green coffee, etc.

The new concept should harmoniously fit into the modern image and

attract the attention of the visitors. The first ecological coffee recipe directed on simplicity will appear in December. Gradually, the Green Coffee will be entered in European countries and Russian Federation. The concept of environmentally responsible remodeling should be approved in Europe next year. In Russia, Dunkin' Donuts will start designing new places under the environmental concept.

Financial Projections

The network profit of one the of world's largest coffee house chains, Dunkin' Donuts, in 2014 increased by 40%, to \$2.313 million versus \$1.395 million in 2013. Such data are contained in a report issued by the company. From the available data, one can calculate the profit on the increased number of sales. Annually, sales increased by an average of \$1.918 billion or almost 84% compared with the previous year (Russell & Taylor, 2007, p. 78).

This marketing plan involves increase in profits by 1-2%. Therefore, one can calculate the financial projections for implementation of new kind of coffee. Newly implemented product should bring the company from \$23 thousand to \$46 thousand.

Primary costs consist of purchase of coffee beans as well as of design and producing of special Green Coffee cups. Price for 1 ounce of Green Coffee is \$0.43. Cost price for a cup of new kind of coffee will be the same. Therefore, costs will require \$11 610.

Organization and **Implementation**

Implementation of new Green Coffee should be supported by the complex of means. In order to familiarize the client with the properties and benefits of the new product, the following activities should be provided:

1. **Media-purpose of business:**

- Work with new clients;
- Work with loyal customers;
- Branding;

2. **Ways to achieve goals:**

- Outdoor advertising;
- Advertising media;
- PR (forming a common brand image among the public):

3. **Infrastructure and room design:**

- Rating (the number of the audience that saw or heard, read a magazine, a newspaper about exactly taken new product in a specified period of time relatively to the total population) (Chernev & Kotler, 2012);
- CPT (cost per thousand) is the real value of the coverage of thousand representatives of readership, viewership, listenership, or any population in the region indicated by research (Chernev & Kotler, 2012);
- OTS (opportunity to see) is the number of times (in thousands) this advertising message could potentially be seen (perceived) (Chernev & Kotler, 2012).

Promotion Mix

The promotion of new concept of “Green Coffee” will use both billboards and PR. Advertising banners and billboards will be situated on the roadsides, 1 km to the nearest restaurant. Permanent panels on pillars will resemble that driver can stop and have a healthy snack. Advertising on TV, action “aid to preserved areas” will be included to promotion plan. In addition, advertising on the Internet will be conducted. The effectiveness of advertising of Dunkin’ Donuts is high because it serves about 2 million people daily.

The basis of PR-campaign is a communication program (communications) with groups, organizations and individuals interesting for the company. The overall objective of PR is the creation of internal and external social and psychological environments which will be conducive for the success of the new product. Establishing and maintaining mutually beneficial and harmonious relations, mutual understanding and goodwill between the organization and the public determines a success. For this purpose, all available means of communication should be presented regarding marketing and PR-activities.

Key messages:

Dunkin' Donuts is healthy!

Dunkin' Donuts is a constant sample of high-quality products and fast service, a friendly atmosphere and hospitality.

Dunkin' Donuts is for those who care for the environment and own fit.

Dunkin' Donuts is a favorite meeting place for young people and for the whole family.

Emotional benefits

It is trendy, I care about my fit and health

Consumer benefits

Bargain price, cozy place, quality food

Product benefits

Easy to get guaranteed high quality in a convenient and prestigious place

Properties of the product

A new product with unique features for health

Characteristics of the goods offered to visitors are their quality and safety.

However, its impact on health should be improved.

Price Policy (Pricing Strategy)

Pricing is a very important and contradictory process at the same time. The reason is that the company has to solve the issue of improving the profitability and attractiveness of the product for clients and its competitiveness. Mainly the following approaches to pricing are used:

- 1) Costs of production plus the average rate of profit;
- 2) Pricing based on demand;
- 3) Focus on the price level of competitors.

A strategy of selective implementation will be applied for Green Coffee since the visitors are aware of the product, and there is practically no competition. "Event Marketing"

"Event marketing" can be considered as a means of promoting a new product. Its purpose is to present the consumer goods and services as a gift. "Gift marketing" will take place on Green Coffee Day. This event will be conducted for visitors and businesses of PR-activities. Its formal goal is to celebrate the creation and introduction of a new product of the company and the informal one is to attract new customers. During the day, visitors will be able to get acquainted with the taste and packaging of the new product.

Control (Performance Indicators of the Plan)

One can calculate the efficiency of new kind of coffee in Dunkin' Donuts. Dunkin' Donuts seeks to increase profit by \$7 million; the cost amounts to \$2.4 million. It follows that the effectiveness of the measures of provided marketing plan is as follows:

$$K \text{ eff.} = 7,000,000,000 / 2,400,000,000 = 2.91$$

Conclusion: At \$ 1 invested, Dunkin' Donuts will receive \$ 2.91 from the sale of the marketing plan.

The purpose of implementing the new product was attracting new customers (10%). Nowadays, Dunkin' Donuts serves over 2.7 million visitors daily. Thus, the portion of new customers should make up 270 000 people all over the world. There are more than 10 000 Dunkin' Donuts coffee houses. Therefore, it is simple to calculate that to meet marketing plan requirements, each coffee house should serve for 27 persons more per day starting from January 2016. In addition, each coffee house should note daily increase in profits for 6-7%.