Online Video Case 8.1

DUNKIN’ DONUTS: Dunking the Competition

In 1950, Bill Rosenberg founded the Dunkin’ Donuts chain (www.dunkindonuts.com) by opening the first location in Quincy, MA. By 1975, 1,000 locations nationwide were grossing a collective $300 million in sales. On April 28, 2010, Dunkin’ Donuts opened its first store in Moscow, Russia, marking the beginning of Dunkin’ Donuts’ plans to expand throughout Russia and Ukraine. The company went public in July 2011. As of 2014, there were more than 10,500 Dunkin’ Donuts stores worldwide, including more than 7,000 franchised restaurants in the United States and 3,000 international shops in 30 other countries.

This impressive growth would not have been possible without extensive marketing research and a commitment to quality. Rosenberg began the company culture of listening to what the customer wanted and then providing it, and that tradition continues today. Marketing research in the form of focus groups and survey research revealed that customers select a coffee and donut shop based on five factors: accessibility, quality, variety, image, and affordability. The company is built around these factors. From research, Dunkin’ Donuts found that its customers wanted a coffee and donut shop that was very accessible—close to work or home and easy to get to. To accompany its stand-alone locations, Dunkin’ Donuts has opened locations in Home Depot, Wal-Mart, 7–11, and Stop & Shop stores to add to the convenience that customers desire. Every location is strategically placed and designed with these customers’ preferences in mind. Because these purchases are so convenience-driven, the locations can be placed close together without cannibalizing business.

Marketing research further revealed that quality translates to freshness in the donut business. Therefore, Dunkin’ Donuts makes donuts at least four times a day. Upon conducting research with survey questionnaires and taste testing in many different markets, Dunkin’ Donuts found the blend of coffee that customers favor the most. This coffee is brewed and allowed to sit for no longer than eighteen minutes. After the eighteen-minute window, the coffee is poured out, and a fresh pot is brewed. This commitment to quality was made as a result of researching what the customer desired in a cup of coffee.

The company also offers variety—seventy flavors of donuts. Recently, Dunkin’ Donuts has expanded its coffee line (again, due to research and taste testing) to include iced coffees, cappuccinos, lattes, espressos, and flavored coffees, such as hazelnut coffee.

Marketing research showed that customers preferred an image that related to the common person. They did not want a coffee shop that was flashy; they just wanted a common shop that made a great cup of coffee. Therefore, Dunkin’ Donuts appeals to just about everyone. During the late 1970s and the 1980s, the ad campaign of “Fred the Baker” brought this image to life. With commercials showing him waking up in the middle of the night with a commitment to quality, he appealed to the common person. The Mercedes and the pickup truck come together in an egalitarian Dunkin’ Donuts parking lot. In addition, Dunkin’ Donuts is affordable. Just about any consumer can afford the Dunkin’ Donuts experience. Dunkin’ Donuts is much less expensive compared to Starbucks and other upscale coffee shops.

Dunkin’ Donuts realizes that first and foremost its donuts and coffee need to be up to par to customers’ expectations. Already the retail market leader in donuts and bagels, Dunkin’ Donuts knows that it takes a commitment to marketing research to stay there. Bob Pitts, the current technology product developer, demands a continuing commitment to listening to what the customers prefer. Again, this manifests itself through constant research and taste testing. The customer is a very important source of wisdom and insight at Dunkin’ and customer opinion and feedback is important. Customers’ preferences have not only shaped the recipes of the donuts and bagels, but they have also prompted the introduction of the Dunkin’ Decaf and flavored coffees such as hazelnut and French vanilla. The huge success of these introductions reaffirmed the importance of customers for Dunkin’ Donuts and its new products. This journey of innovation has continued
with the launch of indulgent coffee drinks, such as cappuccinos, lattes, and espressos. In August 2007, Dunkin’ announced a partnership with Procter & Gamble. In this alliance, P&G roasts Dunkin’s packaged coffee according to Dunkin’s specifications and is responsible for distribution as well as a national marketing campaign based on the coffee-shop chain’s current “Are You Runnin’ on Dunkin’?” theme. The initiative helps P&G gain entry into the premium coffee market, and Dunkin’ Donuts gets P&G’s distribution expertise and a new source of income. The packaged coffee is available at Kroger, Wal-Mart, and other stores.

Speaking to customers and getting their insights is a crucial part of Dunkin’ Donuts’ marketing research strategy. The use of focus/consumer groups and market surveys for taste testing and feedback is an ongoing process. With a commanding presence in the market, reliance on marketing research has had obvious positive effects that are sure to continue in the future, and Dunkin’ Donuts can continue dunking the competition.

**Conclusion**

Marketing research has kept Dunkin’ Donuts relevant and appealing to people across the world throughout the years. Dunkin’s positioning as an everyday, accessible store for everyone has helped it to foster a bond with its customers. This relationship of respect and humility has endured even as Dunkin’ has expanded its product portfolio to include more varieties and target newer customers, all without alienating its existing customers. The emphasis that Dunkin’ places on using marketing research to make the customers critical stakeholders who provide feedback and insight and help direct the innovation process has reaped rich benefits for Dunkin’ Donuts.

**Questions**

1. Discuss the role that marketing research can play in helping a coffee shop such as Dunkin’ Donuts formulate sound marketing strategies.
2. Dunkin’ Donuts is considering further expansion in the United States. Define the management decision problem.
3. Define an appropriate marketing research problem based on the management decision problem you have identified.
4. Use the Internet to determine the market shares of the major coffee shops, globally and in USA, for the last calendar year.
5. Search social media (see Chapter 4) to obtain information on consumer preferences for coffee shops.
6. What type of syndicate data will be useful to Dunkin’ Donuts?
7. Discuss the role of qualitative research in helping Dunkin’ Donuts expand further in the United States.
8. Dunkin’ Donuts has developed a new line of pastries with a distinctive French taste. It would like to determine consumers’ response to this new line of pastries before introducing them in the marketplace. If a survey is to be conducted to determine consumer preferences, which survey method should be used and why?
9. Design a taste test comparing Dunkin’ Donuts coffees with those offered by Starbucks.
10. Develop a questionnaire for assessing consumer preferences for coffee shops.

**References**