



Domino's Pizza:Writing the Recipe for Digital Mastery



Domino's Delivers a Digital Transformation

from digital channels

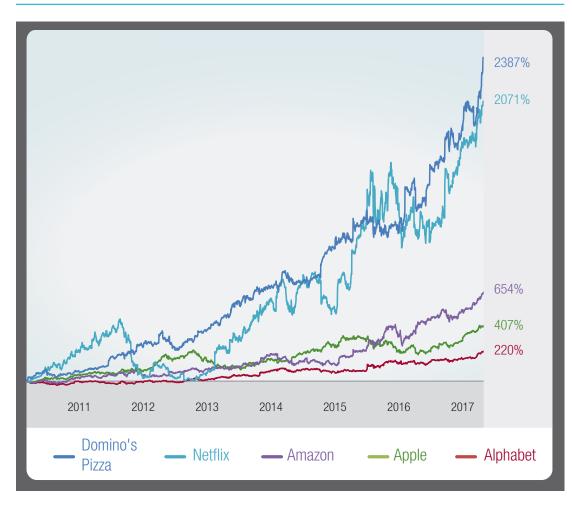
Do you know a company that has delivered higher returns than Google, Apple, Netflix and Amazon for several years? A company that has delivered higher returns than Alphabet, Google's parent company, despite IPO-ing at the same time. As Figure 1 shows, this stellar performer is none other than Domino's Pizza.

Its ascent to these heights is a story of significant transformation. In 2009, Domino's pizzas ranked last in consumer taste surveys¹. At that point, its share price also hovered at historic lows. Fast-forward

to 2017 and the Domino's of today bears little resemblance to that stuttering firm. Domino's has become a successful digital organization:

- 50% of the 800 people working at Domino's headquarters work in software and analytics².
- 60% of the company's sales come from digital channels compared to 25% in 2010 – a dramatic increase since 2008 when the company started its digital sales (see Figure 2). That's far more than the restaurant industry average of 20%³.

Figure 1: Share Price Evolution of Select Stocks, 2010 to Date



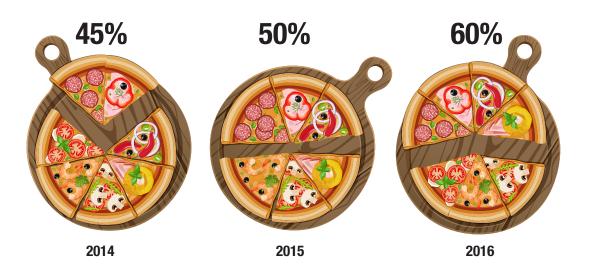
Source: Google Finance

Clearly
investments
that we've
been making
have been
working. The
return on
investment on
our digital
platform has
been terrific.

For Domino's CEO Patrick Doyle, digitization has been critical. "Clearly investments that we've been making have been working. The return on investment on our digital platform has been terrific" he has said⁴. The company's "Anyware" platform allows consumers to order from a wide variety of digital platforms (see Figure 3). Domino's was the first in the industry to allow ordering via innovative channels such as Google Home⁵. The company was also amongst the very first players in the restaurant industry to experiment with pizza delivery through drones⁶.

So, how did a pizza firm achieve this digital transformation? For Domino's, the answer lies in two areas. First, a determination to focus on both the customer experience and operations. Second, a commitment to develop, and align behind, a compelling vision.

Figure 2: Digital Sales as Percent of Total Retail Sales, US, 2014-2016



Source: Domino's Annual Reports

The Key Ingredients: Consumers and Operations

Domino's digital transformation was founded on three key initiatives:

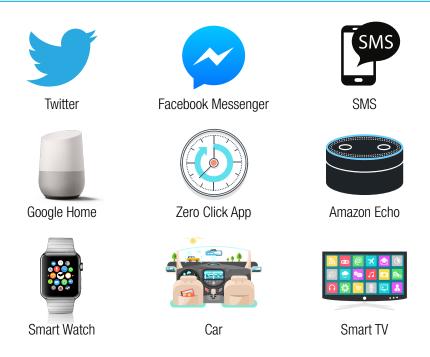
- 1. Creating a digital platform for consumers
- 2. Digitizing Operations
- 3. Creating a digital enterprise platform for franchisees

The focus on platforms was a long-term, customerfocused commitment. As CEO Patrick Doyle says, "We decided this was clearly the place where our customers were going. We started investing heavily 6-8 years ago on our digital platform?."

1. Creating a digital platform for consumers

To make ordering easy for customers, Domino's made significant investments in multiple digital platforms. As the number of digital channels proliferated, Domino's started broad-basing its availability. Today, customers can order Domino's pizza through multiple platforms, from Ford cars to Apple watches⁸ (see Figure 3). With the latest platforms, you can use voice commands to order through Google Home or use Facebook messenger chatbot 'Dom'⁹.

Figure 3: Platforms for Ordering a Domino's Pizza



Domino's also made it extremely easy to get your hands on a pizza with single-touch ordering. Domino's Easy Order feature lets customers buy a pizza by doing nothing more than pressing a button on their Apple Watch (see Figure 4)10. And

Domino's "Zero Click" app automatically orders a pre-saved pizza option when consumers open the app, with no clicks required. The app has a 10-second countdown window, in case consumers mistakenly opened the app, to cancel the order¹¹.

Figure 4: Innovative Ordering Approaches from Domino's

Zero click

App that automatically orders a presaved pizza when app is opened



1. One Tap ordering through Apple Watch



2. Zero Click app-10 second countdown window

2. Digitizing Operations

Domino's Pizza Tracker capability allows it to seamlessly track an order from the oven to the consumer's home. Consumers also have complete transparency as the process begins:

- After the online order is received in-store, it is tracked through the delivery line as it is prepared and on to when baking starts.
- When the pizza is out for delivery, it can even be tracked through GPS¹². The feature has already been rolled out in Australia and is in testing in the US. The company's tracking apps provide detailed delivery information, reducing complaints.
- Domino's Australia's online platform also gathers information on user trends, allowing them to better predict demand. When consumers check the driver location through GPS tracker, real-time polls are activated that ask about the consumer's culinary preference¹³.

The Australian franchisee has also launched 'Project 3/10', which aims to get in-store cooking time down to three minutes and delivery time down to 10 by tapping data insights. The 'On-Time Cooking' initiative launched in Domino's Australia franchise tracks customers via GPS and begins cooking their order so that it will be complete at precisely the same time they arrive at the store to collect it¹⁴. Domino's Australia/New Zealand has recorded 33% per cent year-on-year growth for online sales¹⁵.

Given the importance of its delivery capability, Domino's recognizes that it is more than just a pizza-maker – it is an e-commerce company. As Domino's chief digital officer Dennis Maloney says, "When more than half of your sales are coming through your digital channels, you are, by default, an e-commerce company¹⁶."Domino's is working on innovative delivery formats to transform its delivery options (see Figure 5):

- In Australia, Domino's set up a dedicated division, DRU (Domino's Robotic Unit), to work on an autonomous delivery vehicle. DRU is working with startup Starship Technologies, focused on pizza delivery in Germany in 2017, and it will roll the concept out to its stores worldwide if it proves to be a success¹⁷. According to Henry Harris-Burland, VP of Marketing, Starship Technologies, "The last delivery leg from the store to the customer home can account for up to 40% of the delivery costs of the product and Starship is looking to reduce this cost tenfold with their delivery robots."
- In New Zealand, Domino's completed the first delivery of commercial food by drone worldwide in 2016 and had partnered with startup Flirtey to achieve this. The franchisee CEO said: "We invested in this partnership, and technology, because we believe drone delivery will be an essential component of our pizza deliveries, so even more customers can receive the freshest, hottest pizza we can offer¹8."
- In the US, Domino's has introduced a high-tech delivery vehicle – the Domino's DXP– with an in-built oven for warming pizzas, storage space for 80 pizzas and areas for sodas and salads. The DXP will allow drivers to do their jobs with greater ease and efficiency as the pizzas will be warm during the journey¹⁹.

Figure 5: Delivery Innovations from Domino's

When more than half of your sales are coming through your digital channels, you are, by default, an e-commerce company.





1. DXP Delivery Truck.



2. Autonomous delivery vehicle for DRU from Starship Robotics.



3. Drone used for pizza delivery in collaboration with Flirtey

3. Creating a digital enterprise platform for franchisees

Domino's shares its technology and innovation with its franchisees. Domino's model involves building the core technology platform which is leased out to its franchisees. Stores are charged a fee for every sale done through the platform. Key elements of these platforms include the Domino's digital royalty program (Piece of the Pie Rewards), its point of sales systems (PULSE), and its mobile application²⁰.

Domino's launched its own point of sale system PULSE in 2002. Using a single system for own stores and franchisees enables it to build or update ordering platforms without worrying about managing multiple vendors or applications. Domino's ensured the technology was built inhouse to accelerate the process when it wants to add new functionality. According to Kevin Vasconi, CIO Domino's, "Ensuring a single point of sale was maybe the most important technology decision made in the last decade at Domino's²¹."

Domino's has also been successful in encouraging its franchisees to adopt its PoS system. As opposed to having multiple systems, a single system means it can seamlessly roll out best practices around the world. According to Patrick Doyle, CEO, Domino's, "Our worldwide digital participation keeps ramping up. We continue to increase participation in our global online ordering platform and now have nearly 70% of stores outside the US using Domino's PULSE, a proprietary point of sale system. We continue to take advantage of the master franchisee model by sharing digital best practices and remain committed to technology growth as a true worldwide initiative for the business²²."

Ensuring a single point of sale was maybe the most important technology decision made in the last decade at Domino's.



Cooking Up a Compelling Digital Vision

From

mobile
first to

Al first

Our digital transformation research has shown that successful digital leaders – 'digital masters' – have a transformative vision and that they lead from the top²³. This was true of its CEO, Patrick Doyle, who has said: "In a lot of ways we're really a technology company; We've adapted the art of pizza-making to the digital age²⁴."

Innovation-led Approach

There is a strong focus on technology and innovation across Domino's franchisees, helping make Domino's a powerful technology-driven global brand. "Innovation is ingrained in the company's DNA and plays a big role in the future strategic direction of the business²⁵. We have been running internal creative hackathons and innovation sessions for some time, but we now have an innovation center designed to solve business problems and disrupt and revolutionize the industry²⁶." - CEO of Domino's master franchise in Australia

Domino's encourages innovation through a culture of experimentation and hackathons. The company was featured in Forbes' 'Most Innovative Growth Companies' in 2016²⁷ and also ranked among the top 10 innovative companies in the food space by Fast Company in 2017²⁸.

Innovation takes place across the Domino's world. Domino's Australia unveiled an international innovation lab called 'DLAB' in 2016. DLAB, according to the country's CEO, is "a dedicated innovation space set to encourage out-of-the-box thinking both internally to benefit Domino's customers and externally supporting start-ups, entrepreneurs and disruptive thinkers. Just as

important is our commitment to fostering and developing internal ideas, with Domino's project teams already transforming ideas into reality in the DLAB space²⁹."

The Australian lab has been working on multiple innovations based on new technologies. For instance, it recently launched DRU Assist, an inapp Al-based virtual assistant based on natural language processing³⁰. The company has already realized the importance of focusing on Artificial Intelligence. As the head of the Australian franchisee says, "In 2017, Domino's is going from mobile first to Al first. That means that from this year onwards we will be developing nearly all of our platforms with an insight to engaging with Al and machine learning first as we adapt to all the different devices in society³¹."

Digital Talent Management

Domino's is an organization of 290,000 employees, but only 5% are under direct control. To build the culture required to deliver on its vision, Domino's has focused on training and developing franchisees, then put in place their own systems to developing store managers. Domino's has a home-grown e-learning platform, the DPZ University, which houses internal training and guidance material for its teams.

In the US, Domino's also introduced a digital way to recruit the staff – Pizza Hero³². Potential recruits learn everything they need to make a pizza through the gameplay. And the best virtual pizza chefs are given an opportunity to submit an application at their local Domino's store. Players made millions of pizzas and hundreds of them got to actually work in their local Domino's.

Conclusion

When commentators focus on digital transformation, they often point to the successes of digital natives like Uber, AirBnB, or the latest unicorn. However, Domino's Pizza provides a compelling example of a company in a traditional sector that has undertaken significant technology-driven transformation. The success of Domino's shows that it is not only the digital natives who can disrupt their sector and create extraordinary value.

References

- 1. The Atlantic, "Dominos, the Pizza that Never Sleeps", June 2013
- 2. Harvard Business Review, "How Domino's Pizza Reinvented Itself", November 2016
- 3. Bloomberg, "Domino's Deserves Its Silicon Valley Valuation", October 2016
- 4. diginomica, "Digital continues to deliver for Domino's Pizza", October 2016
- 5. PR Newswire, "Now You Can Order Domino's® from Google Home", December 2016
- 6. CNBC, "Domino's delivers world's first ever pizza by drone", November 2016
- 7. Yahoo, "Dominos CEO: We got ahead of the curve in technology", October 2016
- 8. Dominos Website: www.anyware.dominos.com
- TechCrunch, "Domino's now lets you order from its full menu via Messenger no setup or account required, February", 2017
- 10. Engadget, "Domino's Pizza brings one-tap ordering to Apple Watch", January 2016
- 11. Dominos Website: www.anyware.dominos.com
- 12. YouTube, "Domino's Pizza tracker on CNN", July 2013
- 13. CMO, "Customer tracking and Al robots top Domino's new digital innovations list", June 2016
- 14. CMO, "Customer tracking and Al robots top Domino's new digital innovations list", June 2016
- 15. CMO, "Digital innovation helps Domino's chalk up record full-year financial result", August 2016
- 16. Adage, "Is Domino's Pizza The Next Tech Giant?" August 2016
- 17. Fox News, "Starship robots will deliver pizza for Domino's", March 2017
- 18. https://www.dominos.com.au/inside-dominos/media/november-2016-pizza-by-drone-a-reality-with-world-first-customer-deliveries-in-new-zealand
- 19. PR Newswire, "Second Wave of Domino's DXP® Delivery Vehicles to Hit the Road This Summer", May 2016
- 20. Diginomica, "Digital continues to deliver for Domino's Pizza", October 2016
- 21. NRN.com, "How Domino's became a tech company", March 2016
- 22. Diginomica, "Digital continues to deliver for Domino's Pizza", October 2016
- 23. HBR Press, "LEADING DIGITAL, Turning Technology into Business transformation", 2014
- 24. Wall Street Journal, "How Pizza Became a Growth Stock", March 2015
- 25. Domino's, "Domino's Opens New Innovation Hub DLAB", February 2016
- 26. Domino's, "Domino's Opens New Innovation Hub DLAB", February 2016
- 27. Forbes, "Most Innovative Growth Companies", 2016
- 28. Fast Company, "The 10 Most Innovative Companies in Food 2017", February 2017
- 29. Domino's, "Domino's Opens New Innovation Hub DLAB", February 2016
- 30. ZDNET, "Domino's partners with Nuance for DRU artificial intelligence", March 2017
- 31. ZDNET, "Domino's partners with Nuance for DRU artificial intelligence", March 2017
- 32. Fastcocreate, "How Domino's Became A Tech Company", May 2014

About the authors



Jerome BuvatHead, Digital Transformation Institute *jerome.buvat@capgemini.com*

Jerome is head of Capgemini's Digital Transformation Institute. He works closely with industry leaders and academics to help organizations understand the nature and impact of digital disruptions.



Subrahmanyam KVJSenior Manager, Digital Transformation Institute subrahmanyam.kvj@capgemini.com

Subrahmanyam is a senior manager at the Digital Transformation Institute. He loves exploring the impact of technology on business and consumer behavior across industries in a world being eaten by software.



Sumit Cherian
Senior Consultant, Digital Transformation Institute
sumit.cherian@capgemini.com

Sumit is a senior consultant at the Digital Transformation Institute. He is an avid follower of industry innovations and how digital technologies disrupt the business landscape.

The authors would like to especially thank Jenny Fouracre-Petko from Domino's for her contributions to this report.

Digital Transformation Institute



The Digital Transformation Institute is Capgemini's in-house think-tank on all things digital. The Institute publishes research on the impact of digital technologies on large traditional businesses. The team draws on the worldwide network of Capgemini experts and works closely with academic and technology partners. The Institute has dedicated research centers in the United Kingdom and India.

dti.in@capgemini.com

If you enjoyed reading about this Digital Master, read more in the series at: www.capgemini-consulting.com/dti/digital-masters-series







For more information, please contact:

Mike Petevinos

Consumer Products & Retail, Capgemini Consulting

mike.petevinos@capgemini.com

Kees Jacobs

Consumer Products & Retail, Capgemini

kees.jacobs@capgemini.com

Jerome Buvat

Digital Transformation Institute jerome.buvat@capgemini.com



About Capgemini

With more than 190,000 people, Capgemini is present in over 40 countries and celebrates its 50th Anniversary year in 2017. A global leader in consulting, technology and outsourcing services, the Group reported 2016 global revenues of EUR 12.5 billion. Together with its clients, Capgemini creates and delivers business and technology solutions that fit their needs and drive the results they want. A deeply multicultural organization, Capgemini has developed its own way of working, the Collaborative Business Experience™, and draws on Rightshore®, its worldwide delivery model.

Learn more about us at www.capgemini.com

About Capgemini Consulting

Capgemini Consulting is the global strategy and transformation consulting organization of the Capgemini Group, specializing in advising and supporting enterprises in significant transformation, from innovative strategy to execution and with an unstinting focus on results. With the new digital economy creating significant disruptions and opportunities, the global team of over 3,000 talented individuals work with leading companies and governments to master Digital Transformation, drawing on their understanding of the digital economy and leadership in business transformation and organizational change.

Find out more at: www.capgemini-consulting.com

The information contained in this document is proprietary. No part of this document may be reproduced or copied in any form or by any means without written permission from Capgemini. ©2017 Capgemini. All Rights Reserved. Rightshore® is a trademark belonging to Capgemini.