



# Baking success into new opportunities



PRODUCT/PRICING STRATEGY

## RESULTS

Prototype stores quickly exceeded objectives. While competitors Krispy Kreme and Starbucks shuttered locations, Dunkin' continued its national expansion plans. The recharged configuration of its current stores also gave them a strong defensive position against the new 800-pound gorilla in the coffee shop category, McDonald's.



## The Situation

Dunkin' Donuts, the world's largest coffee and baked goods chain, wondered what it could do with its existing store concept to increase sales and profitability. With national expansion plans on the horizon as well, it also wanted to know whether its current concept would work as it opened new locations across the U.S.

The company had no shortage of ideas about possible changes: serve sandwiches, offer catering and delivery, provide cozier seating, have a more sophisticated look, etc. Management at the firm, however, wanted to find the most profitable configuration, and brought us in to help them build the "Dunkin' of the future."

## The Insight

After identifying "On the Go" consumers as the financially optimal target, we used our Concept Engineering<sup>SM</sup> tool, a modified form of multiple trade-off analysis, to test more than two billion different configurations of product, service and price. We identified the impact of each item on visits, spending and sales for different segments of customers. All the possible restaurant and menu combinations were reassembled to forecast visits and sales. The costs associated with different items were subtracted from estimated sales to provide a profitability assessment.

## The Strategy

Dunkin' Donuts introduced incremental innovations to its existing stores while building prototypes for new stores based on the concepts with the highest profit potential.