

# **“PIZZA WARS”**

## **CLASH OF THE TITANS**



# Pizza Wars

“We are not really competing with Domino’s – we’re not in the same category. Domino’s is more delivery and take-aways, while we offer a complete dining experience in addition to delivery and take-away options.”

**Pankaj Batra, Marketing Director, Tricon Restaurants, India.**

“One has to take risks to reach economies of scale. Domino’s also shook up competition when it reached a target of 100 outlets.”

**Hari Bhartia, Co-Chairman, Domino’s Pizza India.**

## INTRODUCTION

Until 1996, Pizza in India was synonymous only a bread dough base slathered with some ketchup. Since 1996, there was a proliferation of ‘high-priced branded’ pizzas in the market, with the entry of international pizza chains. Domino’s and Pizza Hut , the two big US fast food chains entered India in 1996. Each claimed it had the original recipe as the Italians first wrote it and was trying desperately to create brand loyalty.

Domino’s and Pizza Hut – tried to grab as large a slice of the pizza pie as possible. (Refer Table I and II for market shares). While Pizza Hut relied on its USP of “dining experience”, Domino’s USP was a 30-minute delivery frame. To penetrate the market, both the players redefined their recipes to suit the Indian tastes. Domino’s went a step ahead by differentiating regions and applying the taste-factor accordingly.

Domino’s also made ordering simpler through a single toll-free number through out the country. Domino’s and Pizza Hut expanded their market ever since they entered India. Domino’s had grown from one outlet in 1996, to 101 outlets in April 2001. Pizza Hut too, which began with just a single outlet in 1996 had 19 outlets in 2001

**TABLE I - MARKET SHARES: 1999**

PIZZA CHAIN	MARKET SHARE (%)
Pizza Hut	46.42
Domino’s	21.67
Others	31.91

Source: Financial Express

**TABLE II - MARKET SHARES: 2000**

Pizza Chain	2000 Market Share (%)
Pizza Hut	18
Domino's	70*
Others	12

Source: Business Standard, \*As claimed by the company

### **BACKGROUND**

Domino's entered India in 1996 through a franchise agreement with Vam Bhartia Corp. The first outlet was opened in Delhi. With the overwhelming success of the first outlet, the company opened another outlet in Delhi. By 2000, Domino's had a presence in all the major cities and towns in India. Pizza Hut entered India in June 1996 with its first outlet in Delhi. Initially, the company operated company-owned outlets.

However, keeping in line with its worldwide policy where Pizza Hut was gradually making a shift from company-owned restaurants to franchisee owned restaurants, Pizza Hut made the shift in India too. Pizza Hut had four company-owned franchisees – Universal Restaurants Pvt. Ltd. (Delhi, Uttar Pradesh and Rajasthan), Specialty Restaurants Pvt. Ltd. (Punjab), Dolsel Corporation (Gujarat, Karnataka and Andhra Pradesh), Pizzeria Fast Food Pvt. Ltd. (Pune and Tamilnadu) and Wybridge Holdings (Mumbai).

### **POSITIONING WARS**

When Domino's entered the Indian market, the concept of home delivery was still in its nascent stages. It existed only in some major cities and was restricted to delivery by the friendly neighborhood fast food outlets. Eating out at 'branded' restaurants was more prevalent. To penetrate the Indian market, Domino's introduced an integrated home delivery system from a network of company outlets within 30 minutes of the order being placed.

However, Domino's was not the trendsetter so far as home delivery was concerned. Delhi based fast food chain, Nirula's was the first to start free home delivery in 1994. But where Domino's stole the market was its efficient delivery record. Goutham Advani (Advani), Chief of Marketing, Domino's Pizza India, said, "What really worked its way into the Indian mind set was the promised thirty minute delivery." Domino's also offered compensation: Rs.30/- off the price tag, if there was a delay in delivery. For the first 4 years in India, Domino's concentrated on its 'Delivery' act. For its delivery promise to work, Domino's followed a 11-minute schedule: one minute for taking down the order, one minute for Pizza-making, six minutes oven-time, and three minutes for packing, sealing and exit.

Pizza Hut, on the other hand, laid more emphasis on its "restaurant dining experience." It positioned itself as a family restaurant and also concentrated on wooing kids. Its delivery service was not time-bound. A company

official said, “The Pizza making process takes about 20 minutes and since we don’t usually deliver to places which are beyond the reachable-in-half-an-hour distance, customers can expect home delivery within 45 minutes.” Moreover, analysts felt that Pizza was something that just was not meant to be delivered. Said Vivek Sure, Projects Manager, Pizza PizzaExpress, “If you don’t eat pizza fresh, it turns cold and soggy.” However, Domino’s seemed to have overcome this problem through its delivery pack called ‘Domino’s Heatwave.’

## **LOCALIZING THE MENU**

Since its entry into India, Domino’s introduced nine new toppings for Pizzas to cater to the local tastes. Different flavors were introduced in different parts of India. Advani said, “The Indian palate is very definitive – people are extremely finicky and choosy, not too willing to experiment. Food tastes vary from region to region. To capture the market, we had to localize flavors.”

Thus, Deluxe Chicken with Mustard Sauce’ and Sardines were confined to the East, Mutton Ghongura and Chicken Chettinad to the South and Chicken Pudina to Mumbai. Butter chicken, Makhani Paneer and the Chatpata Chana Masala were confined to the North. Very soon, Pizza Hut followed Domino’s and offered customized Spicy Paneer and Chicken Tikka toppings.

Apart from this, it also opened a 100% vegetarian restaurant at Ahmedabad, a one-of-its-kind worldwide. The restaurant also offered a special Jain menu, which did not have a single root-based ingredient to fit in with the food habits of Jains. Another city-specific adaptation of its menu by Pizza Hut was the restaurant in Hyderabad, (Andhra Pradesh) which offered Halal meat and chicken only with no beef and pork products in the menu.

## **PRICING AND PROMOTIONAL WARS**

Domino’s sold a 12” Pizza for Rs 265. (Refer Table III for price range). Commented Pankaj Batra (Batra), Manager (Marketing), Tricon International said, “Indians are value-sensitive, not price-sensitive. We need to offer comeback value to our customer.” The high price was attributed to the high quality of ingredients used. For instance, Domino’s sourced its Peperoni and Jalapeno needs from Australia and Spain respectively. However, with competition increasing from Pizza Hut, Domino’s introduced price cuts, discounts and freebies to attract the customers. In 1998, Domino’s introduced the Pizza Mania scheme where it offered a large pizza for Rs.129/-. The demand was overwhelming and the company sold close to 5000 pizzas in the first week of its launch.

During late 1998, both Domino’s and Pizza Hut were trying to lure the customers with discount coupons by issuing such coupons through several schemes. Said an analyst, “Even then, the prices are too high. Globally, fast food chains only succeed when they bring their prices down to the same level as the street food.” However, both Domino’s and Pizza Hut were concentrating more on data base marketing and below-the-line activities and special offers.

### **TABLE III - PIZZA PRICE COMPARISON**

<b>Company</b>	<b>Price Range (Rs)</b>
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<b>Domino's</b>	<b>39-265</b>
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<b>PizzaHut</b>	<b>75-350</b>
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Domino's was spending 50% of its total marketing budget on special offers and discounts along with delivered direct mailers and pizza training classes. Domino's also had a tie-up with Discovery Channel under which the channel advertised its pizzas while Domino's put the channel's name on its mailers. Domino's conducted Pizza making classes for school students. In 1998, it offered a clock to all its customers who had bought Rs.15,000 worth of pizzas throughout the year. Said a company official, "Database marketing is an important part of our strategy. We have a special cell analyzing our database to look for repeat and loyal customers."

### **BRAND BUILDING THROUGH ADVERTISING**

Domino's and Pizza Hut initially restricted their ad strategy to banners, hoardings and specific promotions. In August 2000, Domino's launched the 'Hungry Kya? (Are You Hungry)' sequence of advertisements on television. A company official said, "We realized that a Pizza couldn't be slotted – it could be a snack; then again, it could also be a complete meal" The only definitive common link between Domino's Pizzas and eating was the hunger platform.

The launch of 'Hungry Kya?' campaign coincided with Domino's tie-up with Mahanagar Telephones Nigam Ltd. (MTNL) for the 'Hunger Helpline'. The helpline enabled the customers to dial a toll-free number (1600-111-123) from any place in India. The number automatically hunted out the nearest Domino's outlet from the place where the call was made and connected the customer for placing the order. The number also helped Domino's to add the customer's name, address and phone number to its database.

This was followed by Pizza Hut's first campaign on television in July 2001, which said, 'Good times start with great pizzas.' The ad was aired during all the important programs on Star Plus, Sony, Sony Max, Star Movies, HBO, AXN, and MTV. Pizza Hut planned to spend between Rs.70-75 million on the ad campaign in 2001. Said Pankaj Batra, "The first ad campaign on TV defines Pizza Hut as a brand, and what it offers to its existing and potential customers. Once the awareness of this message is high, we will focus on other facets of the brand and its offerings."

**Hungry Kya?** : A woman suggestively nibbles at her husband's ear as he surfs the Net. Eventually, he asks her in an irate voice: "Hungry Kya?" She nods expectantly, so he advises her to order a Domino's Pizza. A roadside Romeo whistles appreciatively at a young girl. She whips around, grabs him by the collar and asks him in a husky voice: "Hungry Kya?" – and a voice over orders a Domino's Pizza.

**Good times start with great pizzas** : The ad was woven around the traditional arranged marriage scenario, in which the parents of the girl after finding a suitable boy for her fix up a meeting for them at Pizza Hut. The commercial begins with a man waiting for somebody outside Pizza Hut, and is later seen practicing the way he would introduce himself. Meanwhile, the girl for whom the man was waiting for, arrives and catches him unawares while

he was talking to himself. Though both of them seem to be apprehensive of each other, they eventually decide to order food. While the man orders for a veggie supreme pizza, the girl opts for a Pepsi and salad. She is not able to resist the temptation when the pizza actually arrives. The pizza acts as the catalyst and helps them get over their initial awkwardness and shyness. The commercial signed off with a hint that the two of them are planning to share the rest of their lives, with the sign-off line saying, 'Good times start with great pizzas.'

MTV : Private cable and satellite channels.

### **GOING PLACES (LITERALLY)**

By March 2000, Domino's opened 37 outlets all over India. Between April 2000 and February 2001, Domino's set up 64 more outlets in India. Delhi had the maximum number of outlets – 17, followed by Mumbai with 13. Domino's had the largest retail network in the fast food segment in India- with 101 outlets across 40 cities.

Domino's had a tie-up with a real estate consultant Richard Ellis to help with locations, conduct feasibility studies, and manage the construction. It was also looking at non-traditional outlets like large corporate offices, railway stations, cinema halls and university campuses. In early 2000, Domino's had opened an outlet at Infosys, Bangalore, which was very successful. It also had outlets at cinema halls – PVR in Delhi, Rex in Bangalore, and New Empire in Kolkata.

By January 2001, Pizza Hut had 19 outlets across India. In a move to expand further, Pizza Hut planned to open an additional five restaurants in Mumbai and 30 restaurants across major cities in India, by 2001 end. Tricon announced that the company would invest Rs.30 million on each of the restaurants. In March 2001, Pizza Hut opened its first three-storeyed 125-seater dine-in restaurant at Juhu in Mumbai. Said a company official, "We are expanding the number of restaurants across the major cities to cater to today's youth which has taken to pizzas as a cuisine."

### **QUESTIONS FOR DISCUSSION**

1. Domino's entered India at a time when Pizza Hut and McDonald's were already in the market. What was the strategy adopted by Domino's to make a dent in the Indian market?
2. 'Database Marketing was an important part of the strategy in the Pizza Industry.' Comment.
3. Though Pizza Hut entered India before Domino's, it eventually lost its share to Domino's. How can Pizza Hut counter the competition from Domino's?

## EXHIBIT I

### SLICING OFF COST

Initially, Domino's worked on a simple model: it had three commissaries in New Delhi, Mumbai and Bangalore, which worked as self-contained, independent outfits. They bought their own wheat, tomatoes and other ingredients, processed them, then delivered them in refrigerated trucks to each outlet. But increasingly, as volumes began to grow and more towns were brought under the fold, the model stretched far too wide. In January 2000, Domino's began rolling out its own logistics model. Domino's first decided procurement strategy for its key raw materials like wheat, baby corn tomatoes and spices.

For instance, wheat was cheapest in Jalandhar's wholesale market. Its refrigerated trucks then got the wheat back to the commissary in Delhi, which handled the processing of the wheat and prepared the pizza base. As the trucks had to go through Chandigarh, to reach Jalandhar, and since Chandigarh was a potential market for Domino's products, it opened an outlet there. The cost of entry was very low because there was no additional transportation cost. The same logic was extended to Shimla. From Chandigarh, Shimla was just a three-hour drive away with a large market, especially in the tourist season. And on the way back to Delhi, the trucks pick up cheese from Karnal, a town on the Chandigarh-Delhi highway. This cheese was transported to its commissaries across the country.

There were three obvious benefits: lower transportation costs, cheaper procurement and economies of scale. It also cut out the duplication in procurement and processing of the raw materials across each of the three commissaries. Based on the agricultural map of India, Domino's was looking for the best product at the lowest cost. Identifying specialty crops in each region also had strategic implications for Domino's. It allowed the commissary in a region to specialize in processing a particular crop. For instance, the commissary for the eastern region in Kolkata was responsible for buying tomatoes, processing them and then sending them to all the other commissaries. Similarly, the northern commissary sent out pizza bases. This way, not only did it cut out duplication, the dangers of perishability were also minimized. Domino's also planned to use its fleet of 25 refrigerated trucks to transport products of other companies on the same route. The savings from the logistics model and money from third-party transportation was passed on to customers in the form of lower prices.

**Source: compiled from various source.**