

Hospitality and Tourism Business Operations Event



ArdreyKell DECA

ArdreyKell High School

10220 ArdreyKell Road

Charlotte, NC 28277

Brett Carlson

Jackson Wright

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I. EXECUTIVE SUMMARY

Krispy Kreme was founded by Vernon Rudolph in 1937. It started from humble beginnings with only a few stores but now has grown into an international corporate franchise. Over time they have expanded their brand and made its equity several times bigger. Their mission is “To touch and enhance lives through the joy that is Krispy Kreme.”

Krispy Kreme currently promotes itself through social media and what they call “word-of-mouth-marketing” through in store and print advertisements. Their target market is male work professionals between the ages of 24-39 and families with younger children.

In this research recently conducted, we used surveys and interviews along with secondary sources to research this company and the images and beliefs surrounding it. In total, we conducted 100 surveys, 6 interviews, and dozens of hours of online secondary research. The findings we received led us to three main conclusions: we need to improve our coffee, diversify our product lineup, and establish new promotional methods.

The proposed rebranding plan we will put into action includes introducing a new product line called KK2GO, introducing new coffee and doughnut flavors, begin using new coffee machinery and beans, introduce new promotional methods, introducing a new merchandise line, and launching a slogan which the customers of Krispy Kreme can identify. The time span that we will use to launch this entire project is in the second half of the 2014 year between July and January. Our total budget for this plan is \$401,298. This budget includes the merchandise, promotions, coffee machines, and flavorings. Our projected return on investment (ROI) for this project is 175%.

II. INTRODUCTION

A. Description of the business or organization

Krispy Kreme was established on July 13, 1937 in Winston-Salem, North Carolina. The founder, Vernon Rudolph, bought a yeast-rising recipe for doughnuts from a New Orleans French chef and began producing them out of a shop in what is now Old Salem. At first, Krispy Kreme distributed their doughnuts to grocery stores to be sold at the local level. Soon after, the demand for Krispy Kreme doughnuts began to increase substantially and their bakeries went from distributing doughnuts to selling them directly.

In the 1940s and 1950s, bakery expansion continued to increase with an emphasis on quality control and keeping the same quality and taste at each bakery. Therefore, Krispy Kreme began to manufacture its own mix at an offsite location so that each bakery would use the same recipe.

In 1973, Krispy Kreme lost their owner and founder Vernon Rudolph. After his death, Krispy Kreme began to slump in the changing times and they eventually had to sell the business to Beatrice Food Company in 1976. In 1982, the Krispy Kreme franchisees bought the business back from the Beatrice Food Company and went back to the original way of making doughnuts hot, fresh, and always homemade. They began to expand again across the US from New York to California.

In 2009 when the recession occurred, Krispy Kreme lost many sales and eventually had to shut down over a hundred bakeries. However they have begun to expand again to the international market and are now reaching Puerto Rico, Canada, the Middle East, Australia, England, Turkey, Asia, and Mexico.

Krispy Kreme's mission statement is "To touch and enhance lives through the joy that is Krispy Kreme."

Krispy Kreme is a corporate franchise meaning that they are led by a group of board members and they also allow their stores to be operated by franchisees. To become a franchise owner, you must go through a lengthy process that if they trust you enough, you can buy in for \$2 million. In addition, the franchisees pay a percentage of gross profit to Krispy Kreme.

Krispy Kreme sells a variety of quality made doughnuts using the same recipe from when they began. Over the past 70 years of their business, they have added multiple new items to their menu such as Kreme filled donuts and powdered cake donuts. They also sell coffee and other beverages for their consumers' pleasure.

Krispy Kreme has done very well with their marketing on their website and uses several social media websites. However, there is always room to improve the promotion of their brand. They already know how great their products are, and they want to help you know how great they are too.

B. Description of the community (economic, geographic, demographic, and socioeconomic factors)

Krispy Kreme bakeries are located throughout the United States. To examine the effectiveness of our new methods, we are focusing on the institution of our methods at the Cotswold location of Krispy Kreme located in Charlotte, North Carolina. If the efforts seem effective, we plan on using it in many of our other bakeries to grow them as well.

Economic: The two major industries that helped Charlotte develop into the flourishing city it is today include banking and distribution. Charlotte has become known as a national and international financial center because of its successful banks. It is the major banking center in the

Southeast with only New York ahead. Distribution plays a major role in Charlotte's economy and attracts foreign businesses from many different countries. Some factors of distribution that make Charlotte so important include an inland port facility, a foreign trade zone, and the area's customs and immigration offices. There are hundreds of foreign-owned companies that have facilities located in the Charlotte region. One-third of all foreign companies in North Carolina and South Carolina combined are located in Charlotte alone.

In October 2000, Charlotte placed fifth in the "Top 20 Large Cities" to own a business. A variety of major national companies' headquarters are located in Charlotte. Its urban region continues to attract new industries. Textiles is the major industry followed by food products, printing and publishing, machinery, primary and fabricated metals, aircraft parts, computers, and paper products.

Geographic: Charlotte is approximately 297.7 square miles and is the largest city in North Carolina located in the southern piedmont. Charlotte Douglas International Airport is the 11th busiest passenger airport in the US with over 38 million travelers. It has 138 different destinations including international locations such as Mexico, Ireland, Germany, Jamaica, and Brazil. More than half the population of the United States can be reached from Charlotte within one hour's flight time or one day by vehicle.

Interstate 485 runs around Charlotte and has access to two other interstates, 77 and 85. The city is where most of Charlottes' jobs are located whereas the suburbs are where the neighborhoods and schools are located. Many of the people that live in the suburb commute to their job in the city.

Demographic: The population in Charlotte is 775,202 people. Approximately 374,669 (48.3%) are males, and 400,533 (51.7%) are females. The average age of people living in

Charlotte is 33.2 years old, whereas the average age of North Carolina is 41.9 years old. The two major races located in Charlotte are Caucasians and African Americans. There are 341,673 (45.5%) Caucasians and 252,655 (33.6%) African Americans.

Charlotte is a very educated city with approximately 88.9% having an education of high school or higher. 40.2% of that has a bachelors degree and 11.8% have a major or doctorate degree. Although educated and very young, Charlotte has a 11.3% unemployment rate.



Socioeconomic: The estimated average price of a house in Charlotte is \$167,400. The average household income is \$50,177. On average, Charlotte has 2.5 people per household with only 67.6% of people in Charlotte being homeowners.

C. Description of the business or organization's mission, target market, and existing brand efforts

The mission statement of Krispy Kreme is to "To touch and enhance lives through the joy that is Krispy Kreme." What this means is that they are trying to reach all people and let them love and enjoy their products hoping that it will enhance their lives. They strive to complete this mission by making their products more accessible and making new and better products to be sold at their local bakeries. In addition, they are also enhancing people's lives by giving them the opportunities to succeed with fundraising opportunities and charitable support. In addition,

their mission is not only for their products but their service and the experience of going to Krispy Kreme.

The target market of Krispy Kreme's efforts for this objective is in the Cotswold area of Charlotte, NC. They want to reach the young family population in the Cotswold area. Krispy Kreme wants to be able to reach the young professionals who commute to work that are between the age of 24-39 that want a coffee or a quick breakfast on the way to work. They also want to reach young families, with children ages 5-12, for an easy breakfast before school or on the weekends. The average income of this area is above the city average at \$87,000 and contains many families. Krispy Kreme is trying to reach the customers from within a 10 mile radius because these are the people most likely to come to their store location. They market heavily towards those who use social networking with their Facebook and Twitter pages that get new information quickly out towards their loyal customers. This fits the area well with the technologically advanced younger generation that lives there. Krispy Kreme believes in "word-of-mouth marketing" meaning that they advertise primarily with social networks and friendly employees who undergo training at Krispy Kreme University. Krispy Kreme also uses large windows to draw in customers with the sight of their doughnuts being freshly made and put into their display racks ready to be sold. In addition, they use their commitment to cause marketing strategies to help the community by giving free doughnuts away or donating them for a good cause and spread the joy of Krispy Kreme. They stay away from out of house marketing agencies because no one can know their business better than themselves.

The company colors of Krispy Kreme are green and red. People also associate Krispy Kreme with the neon sign in the window and the red and green sign over the door. Krispy Kreme does not have a trade character to advertise with their brand.

The employee uniforms are collared shirts containing the Krispy Kreme company colors. In addition, employees are required to wear nametags on their uniforms. Their storefronts have recently been switched to a more modern theme and include newer technology and architectural design.



The sales approach that Krispy Kreme employees strive for is to be friendly and helpful to its customers in order to receive positive feedback. They do this so that the customers will return to the store for more of their products.

III. RESEARCH METHODS USED IN THE STUDY

A. Description and rationale of research methodologies selected to conduct the research study

The methods of primary research we are using consist of surveys and interviews. We will be using a quota sampling survey of customers by asking Cotswold Krispy Kreme patrons questions as they leave that specific location. Quota sampling is a research technique that divides a population into targeted groups and then selects a quantified amount of those people. We chose quota sampling because it will allow us to obtain answers from our targeted markets. For the

interview, we will ask questions to the Krispy Kreme CEO, Jim Morgan, and several Krispy Kreme employees.

The reason that we chose to do surveys is because we want to know what people think of Krispy Kreme and what we can improve to make them better. Also, we will be using this survey to show how our target market perceives the Krispy Kreme brand and what their spending patterns are when they visit our stores. Although quota sampling is not the norm of the industry, we are using it because it is a cheap and effective form of research and allows us to gather information from the consumers we see the most. The interviews with the employees and the CEO will help us understand the internal factors of the company such as the company mission statement, sales approach while also identifying what is wrong with their company and what could be improved.

To balance our research we used secondary sources that provided us insight into how customers perceive our product line and the services we provide in the past. We want to make a timeline of our company's past to catalogue their progress over time. We want to know what changes had the most significant effects and which ones did not to make the best decision possible. In addition, we want to know information that cannot fit on our reduced survey. We have many questions for our customers but we do not want to be a pain in their day. Examples of secondary sources that we would look at include previously conducted surveys, published business reports, and interviews with Krispy Kreme customers.

B. Process used to conduct the selected research methods

The process we used to conduct our research was to develop a set of questions for those who we will survey (Figure 1.1). We created the questions to find out why they were at Krispy Kreme

on that given day and how their overall experience was with the store. We will also allow them to list and explain complaints, affirmations, and ideas for the business.

Figure 1.1

Krispy Kreme Experience

1. Gender: Male____ Female____

2. Age: ____ Under 18 ____ 18-24 ____ 25-32 ____ 33-40 40 or above____

3. Scale of 1-5, 5 being often and 1 being never, how often do you go to Krispy Kreme?
 1 2 3 4 5
 < ----->

4. Scale of 1-5, 5 being great and 1 being disgusting, how good is Krispy Kreme coffee?
 1 2 3 4 5
 < ----->

5. Scale of 1-5, 5 being great and 1 being terrible, how nice is the staff at Krispy Kreme?
 1 2 3 4 5
 < ----->

6. Scale of 1-5, 5 being great and 1 being disgusting, how good are the donuts at Krispy Kreme?
 1 2 3 4 5
 < ----->

7. Do you think Krispy Kreme has better coffee compared to other top brands? Yes No

8. Do you think Krispy Kreme does well marketing towards you? Yes No

9. Do you think Krispy Kreme has enough of a variety of donuts? Yes No

10. How strong do you believe that Krispy Kreme's stores are available?
 Strongly Agree Agree Disagree Strongly Disagree

11. How strong do you believe that Krispy Kreme competes well in their market?
 Strongly Agree Agree Neutral Disagree Strongly Disagree

12. How strong do you believe that Krispy Kreme is clean?
 Strongly Agree Agree Neutral Disagree Strongly Disagree

13. How strongly do you believe that Krispy Kreme should continue to sell donuts in grocery stores?
 Strongly Agree Agree Neutral Disagree Strongly Disagree

14. Do you like Krispy Kreme? Why? _____

15. What would you change about Krispy Kreme? _____

We will use a quota system to get an exact amount of our target market that we have chosen. We interviewed people leaving the Cotswold store location during the week of November 4-10, 2013 between 7am-9am and 5pm-7pm Monday through Friday. We were also there on Saturday and Sunday between 10am-1pm. We did not want to survey a person twice so before they completed the survey we asked if they had previously completed one in our research. Of the surveys completed, we will pick approximately 100 surveys fitting into our target market, 60 businessmen within the ages of 25-40 and 40 people with children between the ages of 5-12. We

chose these numbers to keep costs down and to ensure that we get a good amount of people to interview.

For the interview it was important that we received viewpoints from two different perspectives within the company; employees and the CEO. We wanted to get the viewpoint of the CEO because they set internal goals and policies that employees must live up to. Their perspective is much broader in terms of customer opinion and much more specific in terms of employee expectations. We interviewed the CEO, Jim Morgan, via email to his personal Krispy Kreme email address that we acquired from him through our research process.

Figure 1.2

Interview with Jim Morgan:

How did you become CEO of Krispy Kreme?
 What do you hope to accomplish while CEO?
 Do you consider Dunkin Donuts to be better than you? Why?
 What do you need to improve to better help your market share?
 How do you plan on making your brand better?
 Do you believe your efforts will work?
 What is the weakest point of Krispy Kreme? How will you improve it?
 Do you believe your coffee sales need to be improved?

Interview with Krispy Kreme Employees

Interview with Krispy Kreme employees:
 How did you start working at Krispy Kreme?
 Do you like working at Krispy Kreme? Why?
 Do you believe you were properly trained before working? Why?
 How well do they advertise their promotions?
 What do you think of their products?
 What products could be improved? Why?
 How often do you see average customers come into Krispy Kreme? At what times?
 Do you believe they compete well with Dunkin Donuts? Why?
 Do you sell coffee products often?
 How often do you see people with coffee already with them when they come into the store?

When interviewing employees we want to get facts and opinions on what the business is doing right and wrong from people who experience it every day. We want to see if what they believe is wrong is also viewed as a weakness by the CEO.

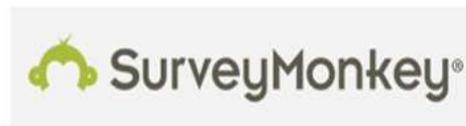
We have included copies of interview questions in the space above (See Figure 1.2). By formulating open-ended responses we were able to gain more in-depth responses that built off each other and were slanted towards the opinion of those we interviewed.

For secondary research, we wanted to find information that we could obtain quickly and easily through the use of search engines on the internet. We used Google to search for previously conducted surveys pertaining to Krispy Kreme. We conducted searches relating to customer satisfaction, preferences, and expectations. We were able to locate multiple websites with information pertaining to these factors by visiting www.my3q.com, www.survata.com, and www.surveymonkey.com. The www.my3q.com website was the most beneficial because it depicted answers from surveys that were specific to the information we were seeking.

We also pulled from business reports of their company as a whole and as their individual location at Cotswold. We used Krispy Kreme's published business reports and one conducted by trade organizations such as www.hoovers.com and investor.com. We did this to evaluate how that specific location does compared to others. We pulled from Krispy Kreme's past two quarterly reports and analyzed them to see what their progress has been and what may be the causes of any fluctuations. We also pulled from the reports of the first year at the Cotswold location to see how it has progressed since being established.

In addition to customer surveys and business reports, we also looked at past interviews that we found through Google's search engine online of the Cotswold location and Krispy Kreme as a whole. We used websites such as www.glassdoor.com and www.bizjournals.com. We wanted

to establish a broader customer perspective of the very loyal customers to Krispy Kreme and the Cotswold location and to see why they keep coming back. We also want to know what executives and employees have said in the past to see development and changes in their ideas and thought. Finally, we used websites such as yelp.com and foursquare to see customer reviews and opinions.



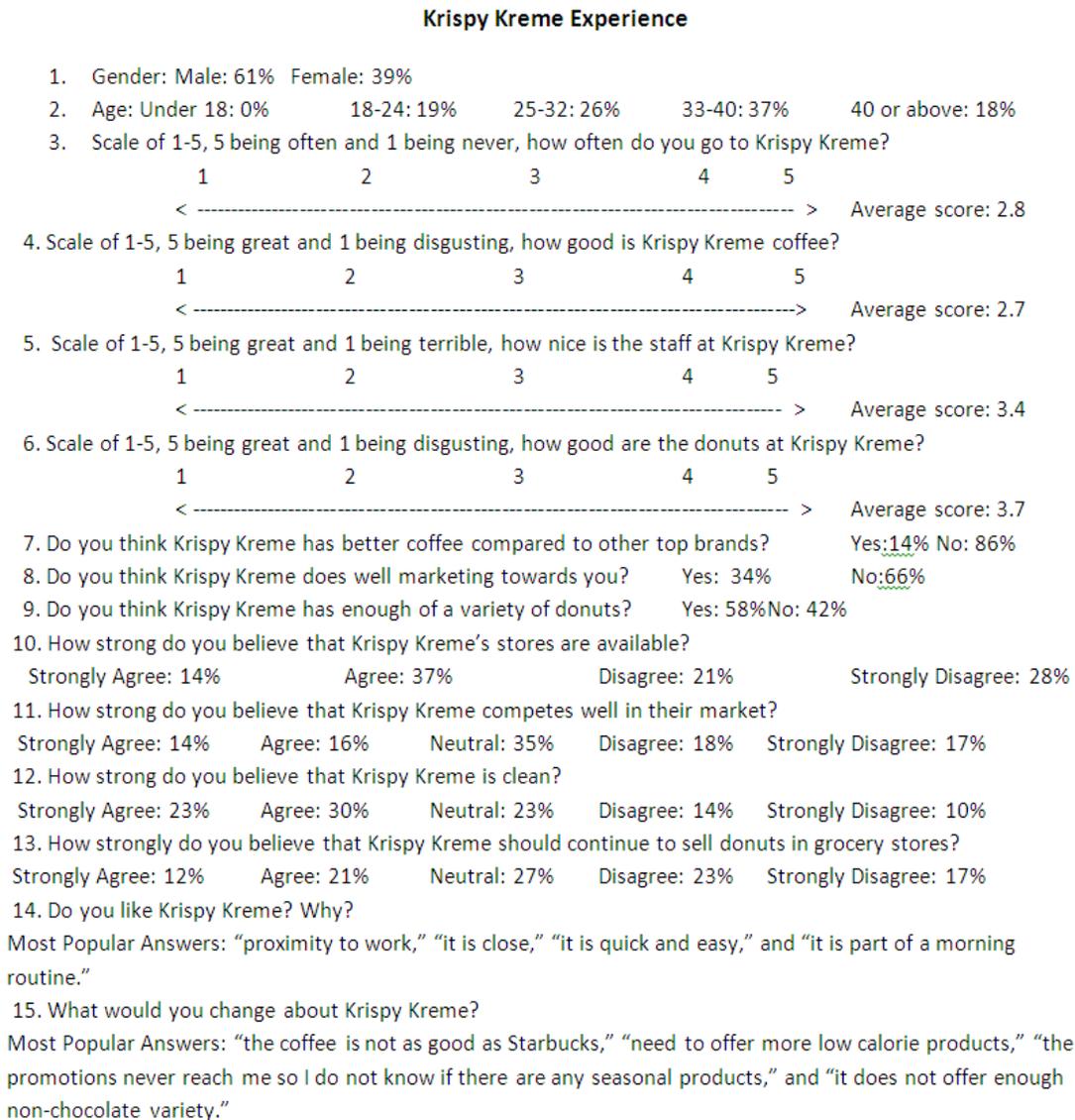
We hope that by combining a variety of research approaches we can best determine how to rebrand Krispy Kreme. Our goal is to determine the needs and areas of concern within the organization so we can come up with ideas to specifically target them.

IV. FINDINGS AND CONCLUSIONS OF THE STUDY

A. Findings of the research study

Our goal was to find a group of 100 people with 60% being business professionals and 40% being parents who use Krispy Kreme as a meal choice for their kids. In total we surveyed just over 200 people for our research. In figure 2.1 details the findings of our survey results.

Figure 2.1



An overwhelming majority of people expressed dissatisfaction for taste of our coffee and the variety of our doughnuts. In contrast, those who answered our survey said the doughnuts we already have are good and the stores are very clean. Our survey also revealed that our target market of business professionals and parents with kids seem to not be receiving promotional tools.

In our interview with Jim Morgan we received very helpful information. In figure 2.2 are his answers to our in depth interview.

Figure 2.2

Jim Morgan Interview Answers:

1. **How did you become CEO of Krispy Kreme?**
I became CEO of Krispy Kreme in January 2008 after being the Krispy Kreme Chairman since January 2005. Based on my qualifications of passed work experiences I was nominated for the position.
2. **What do you hope to accomplish while CEO?**
While CEO I hope to accomplish making Krispy Kreme a national powerhouse in the breakfast-to-go business industry. I hope to make our products and services better and available to more people in newer and more comfortable store locations.
3. **Do you consider Dunkin Donuts to be better than you? Why?**
I do not want to say they are but they are a fierce competitor and they have made our business better. They do a very good job marketing and developing new products which we plan to improve ourselves.
4. **What do you need to improve to better help your market share?**
We need to help spread the joy of Krispy Kreme to more people by making our products accommodate more people and serve a larger consumer base in order to increase our market share.
5. **How do you plan on making your brand better?**
To make our brand better we must improve the perception of Krispy Kreme and allow more people to know who we are through promotions and the establishment of new stores.
6. **Do you believe your efforts will work?**
I believe that our efforts will work. That is the main reason I wake up in the morning. I hope the initiatives and propositions we have made will improve the company and create a legacy of greatness for our company.
7. **What is the weakest point of Krispy Kreme? How will you improve it?**
I do not believe we have many weak points. We obviously need to improve our availability to consumers and also introduce new and better products that make people keep coming back to our stores.
8. **Do you believe your coffee sales need to be improved?**
Our coffee sales can always be improved with newer and better products and more store availability. What makes me the angriest is when I see people come in with coffee from some of our competitors. My goal is to limit this occurrence.
9. **Added dialogue:**
Krispy Kreme is doing very well lately and we are hopeful for its future. We hope with some minor adjustments we can increase our sales and market share.

From Jim Morgan we learned that he notices that Krispy Kreme has some flaws. He realizes that Krispy Kreme's coffee sales are not where they should be and the company must do a better job promoting to get customers inside their stores. In addition, he wants to expand the appeal of Krispy Kreme to more consumers and he notices that Krispy Kreme has a large amount of untouched potential. Finally, we found that he is willing to back efforts to improve the company's brand.

In our second interview we discovered a lot of important information for our research. We found that many employees enjoy working at Krispy Kreme and see it as a “good working experience that will develop their work skills for future employment.” Many also believe they were trained properly for the things you can be trained for through the Krispy Kreme University. They believe there are some things you cannot train for which is understandable. The employees also majority believe that the Krispy Kreme promotions do not reach all of their market and it is seldom that they see promotions outside of the store. In addition, they believe that their products are very tasty but understandably unhealthy. They believe they should improve upon their varieties of coffee and doughnuts. Further, they said that the majority of customers come in between the times of 7-10 am and 4-7 pm. They said it mostly fluctuates based upon when the hot and fresh sign is lit. When asked if they compete well with Dunkin Donuts they mostly responded with indifferent answers because Krispy Kreme doesn’t have the same amount of stores, and their donuts are fairly different. They also say they do sell coffee fairly often, but only about one per dozen donuts. They say they can do much better but people keep coming in with coffee from other places in the cup with the logo of that company such as Starbucks and Dunkin Donuts. The employees notice their coffee is not as good as some other places but they notice room for improvement in variety and taste.

For our secondary data, we collected information from a variety of different websites. The information from my3q.com was the most beneficial because it provided us with surveys that Krispy Kreme has already conducted. For example, one of the surveys had information suggesting coffee could be better. Another survey requested suggestions for new donut and coffee flavors. Most of the responses were suggesting new coffee flavors because the donuts are already fine. Another website that we used for our secondary sources is www.hoovers.com. This

website provided us with financial information for Krispy Kreme and its success in the past. Finally, the last website we used for secondary data was bizjournals.com. This website provided us with customer insights on the Cotswold location. Most of the comments were positive and complimented many aspects of the store. Only one or two comments complained about the employees working there and the cleanliness of the store. One thing that we did notice is that there were very few comments about coffee.

B. Conclusions based on the findings

From our research we can conclude that Krispy Kreme needs to improve their coffee and store availability, and introduce new types of doughnuts and promotions. With these improvements, Krispy Kreme can become much more successful. In order to improve their coffee, they will need to introduce new flavors and enhance the brewing process. Although increasing store availability is necessary to our success, we must generate additional revenue through the other changes to be able to pay for the addition of new stores. We also want to introduce new doughnuts to create more interest in our brand. If we introduce new doughnuts, customers may want to try them out. Seasonal doughnuts would be the best approach to give limited amount of time for trial and if perception of the doughnut is good we can continue selling them. In turn, they may want to try the other doughnuts and therefore develop a relationship with the brand. Finally, we need to improve the ways that we promote to our customers. For example, Krispy Kreme main promotions occur on their website or on social networks. We want to expand their promotions to more and newer media promotions such as advertising on online newspapers, popular phone applications, and online TV broadcast websites. We also want to introduce a slogan that people can associate with our company and they can notice in their everyday lives.

Krispy Kreme also has lots of strengths, such as customer service, cleanliness, and their doughnuts. Krispy Kreme thrives at helping their customers with any issues that they have with their store. Comments from my3q.com show that customers that have problems with some of our aspects are satisfied with the customer service. One example is that a customer online said that she received the wrong type of doughnuts, so she complained to the manager and he fixed the problem right away. The stores are also very clean on the inside because employees are required to keep their workplace clean. It is very important to them that the customers are eating in a clean and tidy restaurant. Lastly, one of Krispy Kreme's greatest strengths is their doughnut's taste. Although they lack in coffee sales, Krispy Kreme has delicious doughnuts that are favored by the customers. Their doughnuts don't need any improving, and should stay the way they are because they are very successful. However, we want to add new doughnuts and eliminate disliked or unpopular doughnuts to increase our sales. We will emphasize on these three strengths to show our customers what we are good at and what we offer to them as a brand.

V. PROPOSED REBRANDING PLAN

A. Objectives and rationale of the proposed rebranding plan

In our rebranding effort we have three main objectives: improve the quality and variety of our coffee, improve the variety of our doughnuts, and improve our promotional variety and approach. The main goal of these objectives is to increase our overall market share and our store availability, therefore increasing our profits.

For improving the quality of our coffee, we will begin using new and better 100% Columbian coffee beans in our coffee and we will improve upon the brewing process. We will introduce new and improved coffee machines to get the best brew with the most plentiful amount. We will teach our employees the best way to make our coffee in the new machines and

we will establish a higher amount of efficiency and same level of quality and taste. We will also introduce new flavors of coffee to the limited selection that we currently have. We will contract an outsourced company to give us the flavorings for our new products. Currently we only have three flavors of regular coffee and four flavors of specialty coffees. We plan to introduce the new flavors of mochas including caramel and white chocolate and we will also offer these coffees as iced beverages. Also, we plan on introducing new latte flavors including cinnamon and white chocolate. We will also introduce frappuccinos with the flavors chocolate, caramel, and vanilla. In addition, we will begin offering seasonal options including pumpkin spice latte, strawberry frappuccino, gingerbread frappuccino, peppermint latte, and an eggnog latte. We want to do all this to expand upon our market by reaching people that are more interested in coffee than doughnuts and if they start coming into our store for doughnuts we can hopefully convince them to buy some of our other products. We also don't want to be known just as a doughnut place, we want to be known as a coffee and doughnut place. If you add coffee to the doughnuts, you develop the sense that you are having a complete meal. We also want to make the buyer feel as though they have plenty of options and they are not restricted to just one option while still not overwhelming them with an abundance of options.

We will also introduce a new product line called "KK 2 Go" coffee with the flavors of several iced coffees espressos including caramel mocha, chocolate mocha, caramel latte, and chocolate frappuccino. They will be sold in glass bottles to promote our naturalistic look and promote recyclable products. It will also help promote our products by letting the customer see the product and notice their all natural components. We will sell them in the refrigerated snack bar currently already in our stores with juices and milks inside. Consumers will be able to take

them and keep them at home in a refrigerator. This is the perfect product for people on the go that do not have the time to stop by Krispy Kreme for coffee every morning.



For adding a newer variety to our doughnuts we will introduce new fruit flavored doughnuts and low fat/ calorie doughnuts to make our customers not feel as though they are consuming a high amount of calories each time they eat our doughnuts. We will introduce the new fruit flavors of strawberry, cherry, grape, and apple. We chose these flavors due to the fact that they are the most common fruit flavors used in desserts and pastries and we feel confident that our customers will enjoy them. We will put the flavoring inside of our original recipe for our lower calorie doughnuts to give it the flavor, but the same great taste of an original Krispy Kreme doughnut. In our lower calorie and less fat doughnuts, we will decrease the amount of sugar used in our original recipe and use less sugar in the icing, and offer it without icing for increased nutritional benefits. We will also add to our seasonal menu new flavors of peppermint, pumpkin, eggnog, gingerbread, and sweet potato doughnuts. For these particular doughnuts, we will market them at different seasons of the year. We chose to add more of these products because we want to capitalize on a time of year where people are willing to spend money. We also want them to buy our merchandise for holiday gift giving while they are in the store

enjoying our great doughnuts. To market the doughnuts, we will put out advertisements on social media and websites that fit our target market.

For improving and diversifying our promotions we will expand our promotions on social networks by posting more often to remind our customers of our products. We will also introduce website advertisements on parenting.com, urbanspoon.com, charlotteweekly.com, and businessweekly.com to attract family oriented people and young professionals. We will include pictures of our products with details on promotions and reminders to be considering Krispy Kreme the next time they want coffee or doughnuts. We will also advertise in Charlotte area print magazines and Sports Illustrated magazine distributed specifically to the Charlotte area with their Charlotte sports magazine. Further, we will begin promoting on Google with Google AdWords and include our promotions and website on searches for coffee, doughnuts, family treats, and food. Although the cost to put out all of these advertisements is high, the profits associated with them will be much greater.

SERVED HOT AND FRESH SINCE 1937



We will also introduce a new slogan to go with our products to make our customers remember our brand. Our new slogan will be “Served Hot and Fresh Since 1937” and we will use our brand colors, red and green, and the signature “Hot and Fresh” sign in the display of our slogan. We will display our new slogan on numerous merchandise and promotions for our brand. This will help spread our brand and introduce new merchandise which our consumers will buy.

B. Proposed activities and timeline

Event	Day Due
Contract coffee and flavoring companies	July 1, 2014
Buy new coffee machines and train employees	July 20, 2014
Introduce new slogan and begin promotions on our social media sites and on Google AdWords	August 1, 2014
Introduce new fruit flavored and low calorie doughnuts	August 5, 2014
Introduce new coffee flavors and KK2GO	August 15, 2014
Publish Advertisement in SI magazine and other magazines	September 4, 2014 weekly issue
Publish advertisement on online websites	September 10-25, 2014
Introduce/ promote fall themed doughnuts and coffee	October 1, 2014-November 27, 2014
Introduce winter themed doughnuts and coffee	November 28, 2014-January 5,2015
End project at Cotswold location and collect and analyze all data	January 10, 2015
Determine if solutions were beneficial and determine if it should be used worldwide	March 1, 2015

VI. PROPOSED BUDGET

A. Costs associated with proposed rebranding strategies

When creating our overall budget we must take into account both variable and fixed costs which are company will spend on this project.

Our fixed costs include the prices we must pay that do not vary with business volume. In this category we must pay for our new coffee machines, the flavorings for our new doughnuts, and the flat prices for promotions in magazines and online. For our new coffee machines we will introduce new standard coffee machines and coffee bean grinders made by Bunn whom we believe is a very good manufacturer of coffee machines. The price of the grinder which we want to use is \$918. The price of the standard coffee machines we want to use is \$1,153. We also want to bring in new an espresso machine made by Jura which is a nationally respected espresso machine manufacturer. The price of the machine we are looking to buy is \$2,499. We propose that we have two of the standard coffee machines so that we can always be producing coffee and to not mix flavors as often by having time to clean the machines before using them again. We will also have one grinder and one espresso maker. Our total estimated price for the machines is \$5,723. The prices of the flavorings for our doughnuts and espressos fluctuate based on the flavor taste and quality of the taste. The flavorings which we want to buy must be sold in 50 lb. boxes and be between the price range of \$50-60. The list of flavorings we will buy is caramel, white chocolate, peppermint, cinnamon, vanilla, strawberry, gingerbread, eggnog, cherry, grape, apple, pumpkin, and sweet potato. This way we can keep our costs down while still having a plentiful amount of flavor in our espressos and doughnuts. Approximately five boxes of flavoring must be purchased for each flavor to have enough inventory for the project. Our estimated total price for the flavorings is \$3,575. Further, the price for a promotion in a magazine

or on a website depends on the size and the popularity of the magazine or website. We want to use a full page promotion in the magazine Sports Illustrated (SI) for the Charlotte area and we want to use five quarter page advertisements in food and Charlotte based magazines. The cost of the one full page advertisement in SI is \$60,000 and the price of the five quarter page advertisements is \$100,000. We will also have advertisements on two local Charlotte food websites, www.urbanspoon.com and www.charlottemagazine.com. We will have two banner advertisements of Krispy Kreme. The cost of these two promotions will be \$95,000. We will also have to pay for new in-store promotions to display our new slogan. This will include a new indoor sign along with several small stickers to stick to windows and walls displaying our slogan. We estimate the total cost of this will be \$30,000. The total cost of these promotions will be approximately \$185,000. The total cost of the machines and flavorings will be \$9,298. Our estimated total fixed costs is \$294,298.

Our variable costs include the prices on the products that fluctuate based on the volume which we buy. In this category we must pay for our merchandise, Google AdWords, and unforeseen costs. Each of these products that we buy is based off of how many we buy or how many times a consumer looks at our advertisement online. Most merchandise wholesalers sell based on how many a company/individual buys to determine the cost. We will buy our first order of 250 of each of the merchandise first and if it seems we are selling a certain piece of merchandise quickly we will buy more based on timing and demand. Our estimated price for the merchandise cumulatively is \$44,000. Google AdWords charges us based on how many times people click on our website from the google search. We estimate this total cost at around \$23,000. Further, for unaccounted costs that we have not for seen that may accumulate because

of negligence by our employees or ourselves we estimate at \$40,000. Our estimated total variable costs is \$107,000

Cumulatively, our overall budget which we believe we should use is \$401,298. This does not include the basic budget we currently have in our day to day operation including utilities, labor, and cooking and cleaning supplies. We will use this budget to determine the budget for future projects if we chose to carry on this model.

B. Proposed metrics to measure return on investment (ROI)

We have chosen four main metrics to determine the success of our plan: sales, new visitors, brand perception, and amount of new followers on social media.

The sales metric is the easiest and largest indicator we will use to measure our ROI. We will analyze the sales of the time period which we implemented our new strategies to the same time period of the year before. We will also analyze how much of the new products and merchandise we sold compared to our standard products to see if people were willing to try it and continue trying the product. We will determine if our efforts were successful or detrimental to our brand's image and equity.

The new visitors metric will help us determine if our promotions were successful to bringing in new customers. We will determine this by asking the customer if it is their first time at our store. If so we will ask them to fill out information on a card giving basic information about them and we will send them rewards based on their contact information. This will allow us to track how many new customers come in on any given day and track and see if there is an increase in new customers coming to the store. This will help us determine if the promotion was successful enough to have a return on the money we spent on the promotions.

The brand perception metric will help us determine exactly what the overall public is thinking towards our new products and promotions. We will do this by regularly checking social media to see what people are saying about us and if anything is changing. We will also check social mention sites such as yelp and Angie's list to determine if people are acting positively towards our promotions. We must suit our consumers and if our consumers say they do not like the taste of our new products or they do not like the new style of our promotions we must change them accordingly.

The amount of followers on social media metric will help us determine if our stores are gaining higher popularity among the public. Currently Krispy Kreme has a page on Twitter, Facebook, and Instagram. We have 86.6k followers on Twitter, 4.7m likes on Facebook, and 32k followers on Instagram. We will track the number of followers on these social networks to see if the number of followers greatly increases during the time of our project. It will show us our brand loyalty and determine if our new products are making more people like Krispy Kreme more and want our promotions for our products.

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VIII. APPENDIX

Figure 1.1

Krispy Kreme Experience

1. Gender: Male____ Female____
2. Age: ___ Under 18 ___ 18-24 ___ 25-32 ___ 33-40 40 or above____
3. Scale of 1-5, 5 being often and 1 being never, how often do you go to Krispy Kreme?
 1 2 3 4 5
 < ----->
4. Scale of 1-5, 5 being great and 1 being disgusting, how good is Krispy Kreme coffee?
 1 2 3 4 5
 < ----->
5. Scale of 1-5, 5 being great and 1 being terrible, how nice is the staff at Krispy Kreme?
 1 2 3 4 5
 < ----->
6. Scale of 1-5, 5 being great and 1 being disgusting, how good are the donuts at Krispy Kreme?
 1 2 3 4 5
 < ----->
7. Do you think Krispy Kreme has better coffee compared to other top brands? Yes No
8. Do you think Krispy Kreme does well marketing towards you? Yes No
9. Do you think Krispy Kreme has enough of a variety of donuts? Yes No
10. How strong do you believe that Krispy Kreme's stores are available?
 Strongly Agree Agree Disagree Strongly Disagree
11. How strong do you believe that Krispy Kreme competes well in their market?
 Strongly Agree Agree Neutral Disagree Strongly Disagree
12. How strong do you believe that Krispy Kreme is clean?
 Strongly Agree Agree Neutral Disagree Strongly Disagree
13. How strongly do you believe that Krispy Kreme should continue to sell donuts in grocery stores?
 Strongly Agree Agree Neutral Disagree Strongly Disagree
14. Do you like Krispy Kreme? Why? _____

15. What would you change about Krispy Kreme? _____

Figure 1.2

Interview with Jim Morgan:

- How did you become CEO of Krispy Kreme?
- What do you hope to accomplish while CEO?
- Do you consider Dunkin Donuts to be better than you? Why?
- What do you need to improve to better help your market share?
- How do you plan on making your brand better?
- Do you believe your efforts will work?
- What is the weakest point of Krispy Kreme? How will you improve it?
- Do you believe your coffee sales need to be improved?

Interview with Krispy Kreme Employees

Interview with Krispy Kreme employees:

- How did you start working at Krispy Kreme?
- Do you like working at Krispy Kreme? Why?
- Do you believe you were properly trained before working? Why?
- How well do they advertise their promotions?
- What do you think of their products?
- What products could be improved? Why?
- How often do you see average customers come into Krispy Kreme? At what times?
- Do you believe they compete well with Dunkin Donuts? Why?
- Do you sell coffee products often?
- How often do you see people with coffee already with them when they come into the store?

Figure 2.1

Krispy Kreme Experience

1. Gender: Male: 61% Female: 39%
 2. Age: Under 18: 0% 18-24: 19% 25-32: 26% 33-40: 37% 40 or above: 18%
 3. Scale of 1-5, 5 being often and 1 being never, how often do you go to Krispy Kreme?

1	2	3	4	5	
< ----->					Average score: 2.8
 4. Scale of 1-5, 5 being great and 1 being disgusting, how good is Krispy Kreme coffee?

1	2	3	4	5	
< ----->					Average score: 2.7
 5. Scale of 1-5, 5 being great and 1 being terrible, how nice is the staff at Krispy Kreme?

1	2	3	4	5	
< ----->					Average score: 3.4
 6. Scale of 1-5, 5 being great and 1 being disgusting, how good are the donuts at Krispy Kreme?

1	2	3	4	5	
< ----->					Average score: 3.7
 7. Do you think Krispy Kreme has better coffee compared to other top brands? Yes: 14% No: 86%
 8. Do you think Krispy Kreme does well marketing towards you? Yes: 34% No: 66%
 9. Do you think Krispy Kreme has enough of a variety of donuts? Yes: 58% No: 42%
 10. How strong do you believe that Krispy Kreme’s stores are available?

Strongly Agree: 14%	Agree: 37%	Disagree: 21%	Strongly Disagree: 28%
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 11. How strong do you believe that Krispy Kreme competes well in their market?

Strongly Agree: 14%	Agree: 16%	Neutral: 35%	Disagree: 18%	Strongly Disagree: 17%
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 12. How strong do you believe that Krispy Kreme is clean?

Strongly Agree: 23%	Agree: 30%	Neutral: 23%	Disagree: 14%	Strongly Disagree: 10%
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 13. How strongly do you believe that Krispy Kreme should continue to sell donuts in grocery stores?

Strongly Agree: 12%	Agree: 21%	Neutral: 27%	Disagree: 23%	Strongly Disagree: 17%
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 14. Do you like Krispy Kreme? Why?

Most Popular Answers: “proximity to work,” “it is close,” “it is quick and easy,” and “it is part of a morning routine.”
 15. What would you change about Krispy Kreme?

Most Popular Answers: “the coffee is not as good as Starbucks,” “need to offer more low calorie products,” “the promotions never reach me so I do not know if there are any seasonal products,” and “it does not offer enough non-chocolate variety.”
-

Figure 2.2**Jim Morgan Interview Answers:****1. How did you become CEO of Krispy Kreme?**

I became CEO of Krispy Kreme in January 2008 after being the Krispy Kreme Chairman since January 2005. Based on my qualifications of passed work experiences I was nominated for the position.

2. What do you hope to accomplish while CEO?

While CEO I hope to accomplish making Krispy Kreme a national powerhouse in the breakfast-to-go business industry. I hope to make our products and services better and available to more people in newer and more comfortable store locations.

3. Do you consider Dunkin Donuts to be better than you? Why?

I do not want to say they are but they are a fierce competitor and they have made our business better. They do a very good job marketing and developing new products which we plan to improve ourselves.

4. What do you need to improve to better help your market share?

We need to help spread the joy of Krispy Kreme to more people by making our products accommodate more people and serve a larger consumer base in order to increase our market share.

5. How do you plan on making your brand better?

To make our brand better we must improve the perception of Krispy Kreme and allow more people to know who we are through promotions and the establishment of new stores.

6. Do you believe your efforts will work?

I believe that our efforts will work. That is the main reason I wake up in the morning. I hope the initiatives and propositions we have made will improve the company and create a legacy of greatness for our company.

7. What is the weakest point of Krispy Kreme? How will you improve it?

I do not believe we have many weak points. We obviously need to improve our availability to consumers and also introduce new and better products that make people keep coming back to our stores.

8. Do you believe your coffee sales need to be improved?

Our coffee sales can always be improved with newer and better products and more store availability. What makes me the angriest is when I see people come in with coffee from some of our competitors. My goal is to limit this occurrence.

9. Added dialogue:

Krispy Kreme is doing very well lately and we are hopeful for its future. We hope with some minor adjustments we can increase our sales and market share.