

Donatos: Finding the New Pizza

>Abstract

The pizza segment of the fast-food industry is very aggressive. As people's tastes change and new diets become the rage, restaurant chains must decide if and how to respond. This case focuses on the research behind the introduction of Donato's low-carbohydrate pizza, and how the company collapsed its normal product-development research process to take advantage of a current trend.

www.donatos.com

>The Scenario

Some strategic windows remain open for an extended period of time; other, don't. One of those slim windows faced Tom Krouse, chief concept officer with Donato's, an independent premium pizza restaurant chain, headquartered in Columbus (Ohio). Krouse, who is responsible for new product development, had to answer a question facing many restaurants: Is the low-carb diet a flash fad or a trend—and should we respond?

“Restaurants are influenced by many factors: product, message, weather, reputation, and competition, to name a few. But mostly we are influenced by changing eating habits. As a result, we monitor a variety of sources. One of these is syndicated research obtained from The Yankelovich Monitor and NPD Eating Trends. Another is e-mail comments from customers received via our web site. We also hold monthly *WASSUP* Meetings,” shared Krouse, “where each employee brings knowledge of an element from popular culture and explains its affect on Donatos.”¹ Donatos, recently divested by fast-food giant McDonald's, had, for four years, access to tremendous amounts of research on the eating habits of Americans. In late July, according to the 2003 *HealthFocus Trend Report*, 26% of eaters were “carb aware.” “This meant that they were incorporating low-carb habits into their diets. We had a multitude of evidence, over several months, that the interest in low-carb eating plans was increasing,” concluded Krouse.

The time was July 2003. Krouse, who himself was following the Atkins diet,² was noticing that at company meetings, where pizza is a staple refreshment, “little piles of crust” were being left behind. “At first, we worried that something might be wrong with the crust,” shared Krouse. While to some degree food quality is important to any restaurant, Donatos stakes its reputation and its position in the pizza segment on two factors: premium quality and an abundance of toppings—*Edge to Edge*® as its slogan goes. Donatos discovered that nothing was wrong with the crust; its employees were avoiding the carbohydrates inherent in the grain-based foundation of every pizza on the market at that time.

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Convinced the low-carb craze permeating the media was no fad, Donatos started its research-based product development process. The process typically starts with developing the product prototype, followed by employee taste testing, concept screens (where participants, usually in a central location, are shown photographs of food products, and then queried about the item's uniqueness, brand fit, price attractiveness, and the likelihood of purchase if the product were available), and ultimately in-restaurant tests in two or more restaurants within the chain.³ In-restaurant tests also include participants completing a self-administered intercept survey or, for delivery customers, a callback phone survey.

In the product prototype phase, Donatos was running into problems. "We were getting in low-carb crusts, and they were awful. 'Awful' is not a good fit with who we are," emphasized Krouse. "Then we had one of those creative recognitions—people were willing to eat the toppings without the crust." That changed Donatos direction: could the company market a pizza without crust. "Our director of distribution said, 'That's just goofy enough to take off,'" chuckled Krouse. "With all the emphasis on quality toppings, a no-dough pizza captured our personality."

By November 1, Donatos had decided to proceed with the concept of a dough-free pizza. One break-through came in finding the plate. "Simplicity of innovation is sometimes the best innovation," explained Krouse, "especially when your product is made by 16–17 year olds." Donatos found a make-bake-serve plate. "It's made of paper, but obviously one that can stand intense heat." But in employee taste tests of the first prototypes, something wasn't quite right. Donatos did central location taste tests to test some recipe variations. "We introduced a recipe which includes soy crisps, to give it texture and added protein without the carbs." Statistically, the recipe with soy crisps was only a marginal winner over the recipe without the crisps. And adding the crisps would add significant cost to the new product. "Sometimes you have to step away from the numbers, and look at the central issue of what and who you are. We pride ourselves on being the very best. Adding protein for those customers watching carbohydrates was what we should be doing." Due to the somewhat negative connotation that soy has in the marketplace, Donatos' special ingredient isn't mentioned in its ads or on its Web site. They describe the pizza as having "protein-enriched crumbles."

A pizza without dough is built essentially the same as one with dough, with one obvious difference. The doughless pizza is layered on a plate with sauce first, followed by the protein crumbles and then the toppings. For every pizza, Donatos' measures all its topping servings to .01 of a pound to ensure consistency from pizza to pizza and restaurant to restaurant. So from a production standpoint, the dough-less pizza would not require new equipment or much new training of store-level employees.

So what do you name a doughless pizza? Do you use the "No Carb" or "Low Carb" banner as did many new food entries in the latter months of 2003, or do you choose a name in keeping with your positioning? "We toyed with almost 70 names. Some were clever, like 'NADA pizza,' even 'Not-A-Pizza,' and we put several through trademark search. Finally, we put three names to the test using

a weekend omnibus phone survey. *No Dough*® was the winner for clarity of message and understanding of the low-carb benefits.

All this time Donatos was watching the calendar. By December 22 it was testing the new product in two stores in Columbus. Ads proclaiming the new *No Dough*® pizza were featured in restaurant windows of the test stores. “Starting January 2, we usually see a 25% increase in salad sales,” described Krouse. Not surprising, given that for years “losing weight” has been one of Americans’ top-three New Year’s resolutions. “And we wanted to own the idea of a crust-free pizza; we saw it as a significant marketing advantage.” So a new product development process that routinely takes 12 to 14 months took just 6½ months—to take advantage of what Donatos saw as a very important strategic window. On January 19, Donato’s rolled its *No Dough*® pizza into all its 184 stores. “We like to think of ourselves as a ‘smart speed organization,’” explained Krouse. “We have the discipline to make fact-based decisions but move quickly.”

When you order a Donato’s pizza, *No Dough*® is one of three crust options, so people wanting to eat low-carb can do so without changing their pizza topping preference. According to Valen Group, a Cincinnati-based marketing research firm, in January 2004 about 28 percent of all Americans—59 million people—were watching their intake of carbohydrates.⁴ And how has that market segment responded? Donatos is tracking interest and response through a variety of techniques: ongoing telephone tracking studies conducted every quarter using a sample of approximately 600 to 800 adults (done by Wilkerson and Associates, Louisville, Kentucky), as well as customer e-mail sent through the Donatos’ Web site, and in-restaurant comment cards. “*No Dough*® is meeting our expectations,” shared Krouse. “And we are getting incremental business, as well as more frequent visits/calls from regular customers.” But one big surprise in this story is the gluten-free market segment, a segment Donatos had not identified. “We are getting e-mails that say, ‘Thank you! Now I can eat pizza again!’”

> Discussion

- 1 Map the research design used by Donato’s for new product development.
- 2 Evaluate the *Wassup* meetings as an exploratory methodology to help define the research question.
- 3 Evaluate the test market Donatos used. What were its advantages and disadvantages?
- 4 What measurement scales would you have used on the survey that was part of the in-restaurant product tests?

> Sources

Developed from interviews with Tom Krouse and materials provided by Donatos. Used with permission of Pamela S. Schindler © 2004.

> Notes

¹ Tom Krouse, Chief Concept Officer, Donatos Pizza; interviewed February 26, 2004.

² The Atkins diet is one of two, often-followed low-carbohydrate eating plans; the other is the South Beach diet. For more information about both visit: <http://atkins.com/> and www.southbeach.com.

³ Donatos has 184 restaurants throughout Ohio, Indiana, Kentucky, New Jersey, Alabama, and in the cities of Philadelphia, Pennsylvania and Orlando, Florida.

⁴ Alexander Coolidge, “Hold the Carbs,” *The Cincinnati Post Online Edition*, posted January 22, 2004.