



AMERICA RUNS ON DUNKIN'®

**Coffee: it's not just for breakfast
anymore!**

Presented by Bear Marketing



Executive Summary

Our research findings after conducting a focus group, online survey, in-depth observations and interviews led us to the following findings:

- Coffee is mainly associated as a morning drink.
- Along gender lines, females tend to take their coffee with flavors or 'dressed up' more so than males, who prefer to drink it black.
- The coffee category is heavily image driven. Dunkin' Donuts has a more laid back, everyday person image, but in blind taste tests many consumers preferred Starbucks.
- Consumption of coffee has increased with the younger generation.
- Although many coffee drinkers say they only drink it in the mornings, it has been noticed that many of them also drink it in the afternoon as a pick-me-up.
- Atmosphere plays a large role in whether the consumer wants to stay and drink their coffee or take it out on the go.



History

- Founded in 1950, Dunkin' Donuts is America's favorite every day, all-day stop for coffee and baked goods.
- Dunkin' Donuts is a market leader in the following categories: regular/decaf coffee, iced coffee, hot flavored coffee, donuts, bagels and muffins, as well as the largest coffee and baked goods chain in the world.
- Dunkin' Donuts has earned the #1 ranking for customer loyalty in the coffee category by *Brand Keys* for four years running.
- More than 9,000 restaurants in 30 countries worldwide.
- In 2009, Dunkin' Donuts global system-wide sales were \$5.7 billion. Based in Canton, Massachusetts, Dunkin' Donuts is a subsidiary of Dunkin' Brands, Inc.



Industry & Category

- U.S. coffee shop industry includes about 25,000 stores with combined annual revenue of \$13 billion.
- The driving demands in this industry are consumer taste and personal income.
- Companies individually rely on prime locations, store traffic, and the delivery of high-quality products
- Coffee shops are competing with convenience stores, gas stations, fast food services, and gourmet shops.



Trends

- Daily consumption of coffee beverages among consumers remained consistent in 2009 with 54% of the overall adult population partaking.
- Coffee preparation at home is up 5 percentage points with 83% of coffee drinkers reporting they made coffee at home the day before, and 80% of coffee drinkers doing so during the previous week.
- Out-of-home coffee preparation is down 6 percentage points for each of the same time frames.
- The number of consumers who report drinking coffee at work remained consistent at 18%, but fewer are partaking in restaurants (5%) than in 2008 (8%)



Target Market

- Coffee consumers aged 18-24, 29% now partaking.
- Slightly up from 2008 level, the current percentage of 18-24's who drink coffee is lower than 2007 high of 37%.
- Coffee drinking by adults age 25+ maintaining 2008 levels, those in the 40-59 age group on par with the 61% high set in 2007 & 2008.
- Movement continued in the 25-39 age group, returning to the 44% level from 2007.
- Traditional coffee has retained its footing with consumers age 25+, showing no significant changes. Gourmet coffee consumption among older consumers has returned to levels typically seen over the past 8 years, following an exceptionally strong year in 2008.



2 years ago...

- 8,800 locations
- System-wide sales \$5.5 billion

Last year...

- 351 new locations in 2009, 171 of these in the U.S. and 131 new franchises outside the U.S.
- More than 9,000 restaurants worldwide for \$5.7 billion system-wide sales
- Much of the chain's growth included openings in non-traditional locations, such as airports, arenas, travel plazas and universities

This year's predictions/goals...

- "As we continue to grow in 2010, we are focusing on steady, strategic growth that allows us to gain greater penetration in our existing markets, while also entering a few select new territories." – Nigel Travis, Chief Executive, Dunkin' Brands



Social Media

Over 1.2 million Facebook Fans

- Feature a “Fan of the Week” for their profile picture
- Does not include posts or replies from a company representative
- Advertises contests and takes daily one-question polls
- Most popular discussion topics are “Bring Dunkin’ Donuts to California” and “K-Cups with Dunkin’ Donuts”
- Has a “Get Dunk’d” feature where visitor’s picture gets covered in chocolate, & “Maurice” a talking espresso bean users can personalize and send greetings to friends

Over 50,000 followers on Twitter

- Posts by “Java Josh”
- More interaction with brand representatives, guiding followers to “DD Cons Care” for solutions to posted problems



“Create Dunkin’s Next Donut” Contest

- Chance to win \$12,000 and have the donut sold in DD stores
- Nearly 90,000 people submitted creations
- 12 finalists chosen: Cop Cake, Full Moon, I Like You a Latte, Let Freedom ‘Ring,’ Mango Fandango, Monkey-See Monkey-Donut, Mornin’ Paper, Much A Do About Nut Things, Nut N’ Fancy, Pumpkin to Pie-n For, S’morgasbord, Snack-o-Lantern
- Judged on use of ingredients, donut name & back story
- Finalists compete in bake-off at Dunkin’ Donuts University



Highlights from Social Terms of Use

- ...don't get too excited. What we are planning to give away (probably) won't make you rich, better looking or famous.
- If we offer something for the first number of "Tweets" or responses, we count based on when we received them. It's not our fault if computers or ISPs mess up, lose power, the dog eats your "Tweet", the dog eats out connection, the dog eats your computer, the dog eats you, etc., etc.
- If we post a message of the day or tell you we are going to pick our "fav" response to something, we get to pick the one we like. Period. Same applies when we say we are going to pick more than one.
- Wait for it, wait for it, wait for it... here it comes: Void where prohibited!
- That's that. Simple, right?



Past Ad Campaigns

1982 Fred the Baker debuts - "Time to Make the Donuts"

<http://www.youtube.com/watch?v=Y5XA7PVql2I&feature=related>

2006 – "America Runs on Dunkin'" introduced

2008 – "Bounce"

<http://www.youtube.com/watch?v=n-IS1TIF4cg&feature=related>

2009 – "You 'Kin do It" launched with \$100 million social media promotion

2010 – 60 years of Dunkin' Donuts

<http://www.youtube.com/watch?v=CyfjXbQojzc>



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Primary & Secondary Competitors





S.W.O.T. Analysis

Strengths

- Longer continuous business presence than competitors
- Largest coffee & baked goods chain in the world
- Affordable option for gourmet coffee
- Already known for breakfast

Weaknesses

- Low traffic outside breakfast hours
- Non-environmentally friendly styrofoam cups
- Hard to differentiate between 'fast food' and 'quick service'
- Franchise model leads to inconsistent product quality & service



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S.W.O.T. Analysis, cont.



Opportunities

- Higher number of 24-hour stores
- Good ad campaigns with established 'fun factor' easy to increase with inexpensive promotions
- Create a more permanent brand merchandise market (travel mugs, filters for home brewing, etc...)
- Up-in-coming younger market & affordability

Threats

- McDonald's new focus on coffee, Starbucks ubiquitous presence
- Quality & product continuity
- K-Cups
- Energy drinks & specialty coffees



Problems

- Customers stay and go quickly, atmosphere not conducive to long-term visit.
- In-store focus still heavy on donuts rather than coffee.
- More quick pour coffee being sold than specialty or gourmet.
- Starbucks high placement in minds of consumers.
- Quality seen as lacking in a faster service environment.



Methodology

- Started with in-store observations at Caribou, Starbucks and Dunkin' Donuts
- Moved onto focus group to study initial hypotheses
- Conducted ten-question online survey to more finely test ideas
- Initiated in-depth individual interviews to hone theories



Observations





Observations

Caribou – LIFESTYLE

- Brewed Coffee: \$2.00
- Drinks: hot & iced coffees, smoothies, 'Snowdrifts,' hot tea
- Foods: sandwiches, muffins, cookies, cakes, scones, bagels, donuts, oatmeal
- Friendly staff & lots of merchandise, some not related to coffee
- Free wi-fi, music and rich aroma of coffee
- Log cabin appeal: fireplace, oversized chairs & rustic furniture

Conclusion: For a lot of people, coffee drinking is a part of lifestyle. Caribou offers these customers large variety of coffees, edibles, atmosphere and a great place to hang out.



Starbucks - EXPERIENCE

Brewed Coffee: \$ 1.50

- Drinks: hot coffees, iced coffees, hot tea, smoothies
- Foods: parfaits, sandwiches, wraps, salads, oatmeal, fruit
- Friendly staff
- Branded merchandise
- Official feeling atmosphere, much more space behind counter than in the rest of the store
- Wi-fi free with purchase of goods

Conclusion: Even though it sells higher-priced coffee and coffee-related beverages, Starbucks is a place for trendy coffee aficionados as well as status-seeking consumers who wants more than just a cup of coffee



Dunkin' Donuts - SPEED & PRICE

Brewed Coffee: \$1.69

- Drinks: hot coffees, iced coffees, hot tea
- Food: donuts, 'Munchkins,' bagels, cookies, sandwiches, flatbreads
- Grab-and-go coffee destination
- Staff is more impersonal - Helpful yet not extremely friendly
- Higher calorie menu
- Very small behind-the-counter area, large seating area

Conclusion: Appeal lies in speed and economically beneficial prices. No frills attached. Discourages retaining customers after purchase.



Which chain brews the best cup - fastest and cheapest?

1 small skim vanilla latte

DD:	2 min 04 sec	\$2.16
SB:	2 min 55 sec	\$3.69
CC:	2 min 12 sec	\$3.59



Focus Group

Insights

- After watching ads: advertising stimulates trial but loyalty seems to persist
- Coffee associations: breakfast drink, stimulator, caffeine kick, pick-up line, soother, dessert, detoxification
- Smell stimulates craving or purchase
- Decaf vs. Caffeinated – most drinkers cannot tell the difference & thought of it as an oxymoron
- Price is more important than quality
- Starbucks “small-tall-venti-grande” extremely complex vernacular makes “ordering coffee like taking a test” according to one participant
- Successful and professional associated with Starbucks
- Many are compelled to buy coffee if they hang out at a shop to use free wi-fi or to hang out and spend significant time at the location



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Focus Group, cont.



Dunkin' Donuts is seen as a quick, fast, on-the-go coffee shop

- People buy donuts, even if they do not buy coffee as well
- Not seen as a place to go with friends
- Prefer going there alone
- Older people and retirees hang out there in afternoons
- Promotions, discounts, coupons, trials, and sampling all increase visits
- After seeing location photos: Many felt Dunkin' Donuts chairs are uncomfortable, more suitable for ice cream parlor or diner than coffee shop, not seen as warm, nice or intimate



They want to like Dunkin' Donuts,
but they *really* like Starbucks...



Focus group participants tasted two hot coffees made in identical coffee pots. All had expressed preference for Dunkin' Donuts over Starbucks. All expressed liking the Starbucks brewed coffee served at the event better than the Dunkin' Donuts brewed coffee.

Conclusion: Image means much more than taste



Emerging Trends

Among teenagers & younger drinkers:

- Growing number prefer coffee as their beverage
- Gourmet coffee is more appealing
- Prefer take-out
- Found before-and-after school at coffee shops

Among older drinkers:

- Usually brew at home
- Hang out at coffee shops in afternoons

Along gender lines:

- Men prefer black coffee
- Women more likely to see coffee as a dessert or drink specialty coffees
- Women prefer creamers and different added flavors

As a result of the economic slowdown:

- More people brewing their own coffee
- Increase in buying store brand coffee beans
- Younger people seen with cups/thermos mugs indicative of home-brew increase

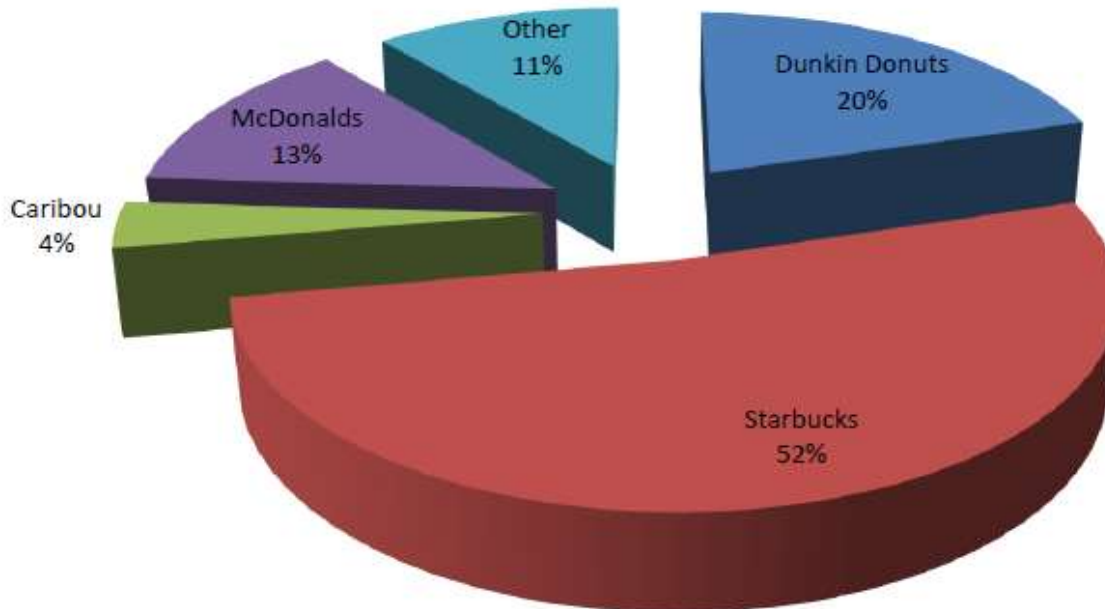


Online Survey

Based on the insights we received from the focus group and observations, we wrote 10 questions covering general coffee habits. The survey link was sent via e-mail and on Facebook to people who drink coffee more than 4 days per week. Fifty five responses were recorded.



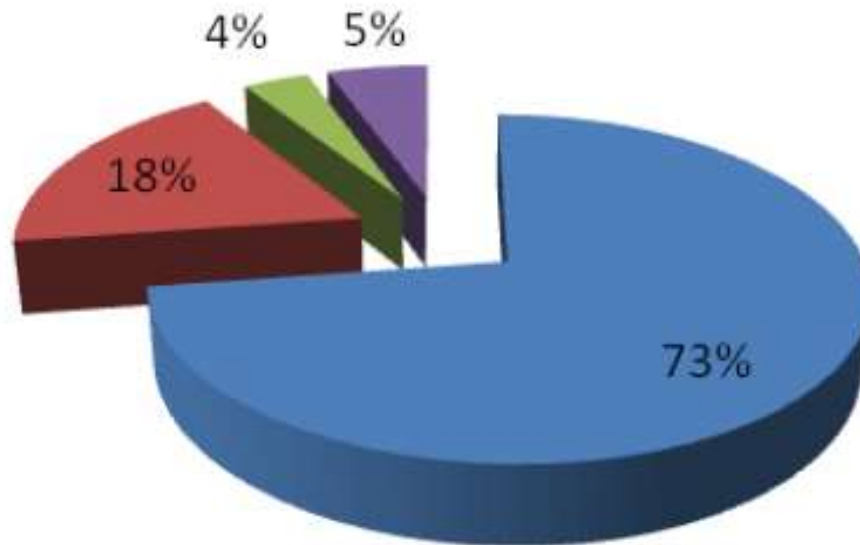
Starbucks has front-of-mind presence for 52% of consumers when choosing to purchase pre-brewed coffee





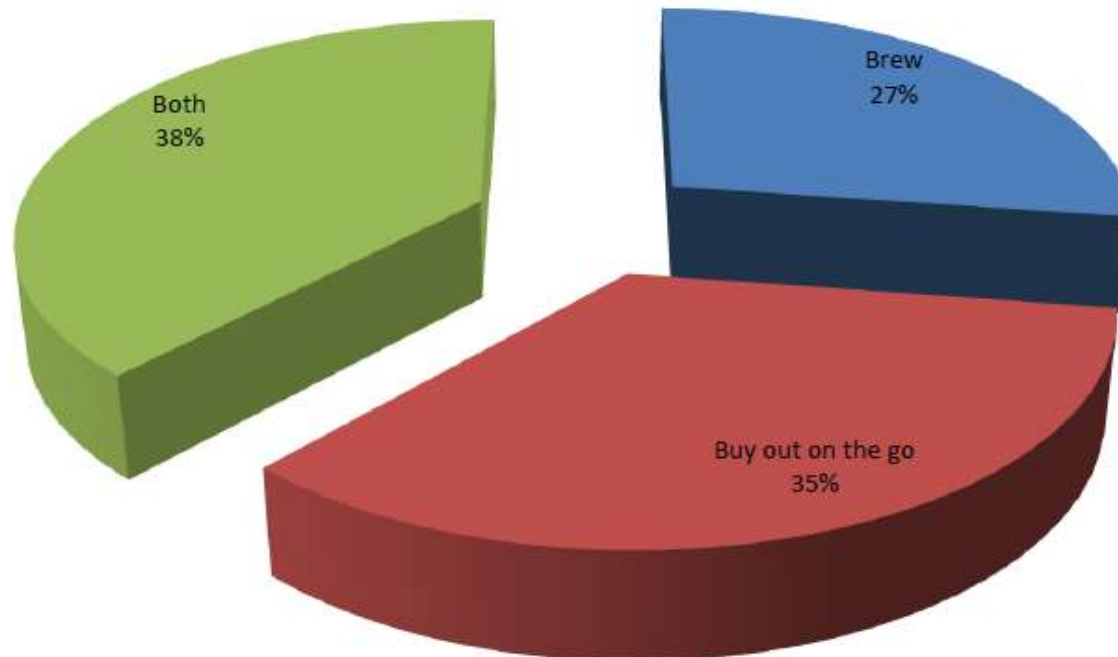
73% of consumers consider coffee a morning beverage

■ Morning ■ Afternoon ■ Evening ■ Night



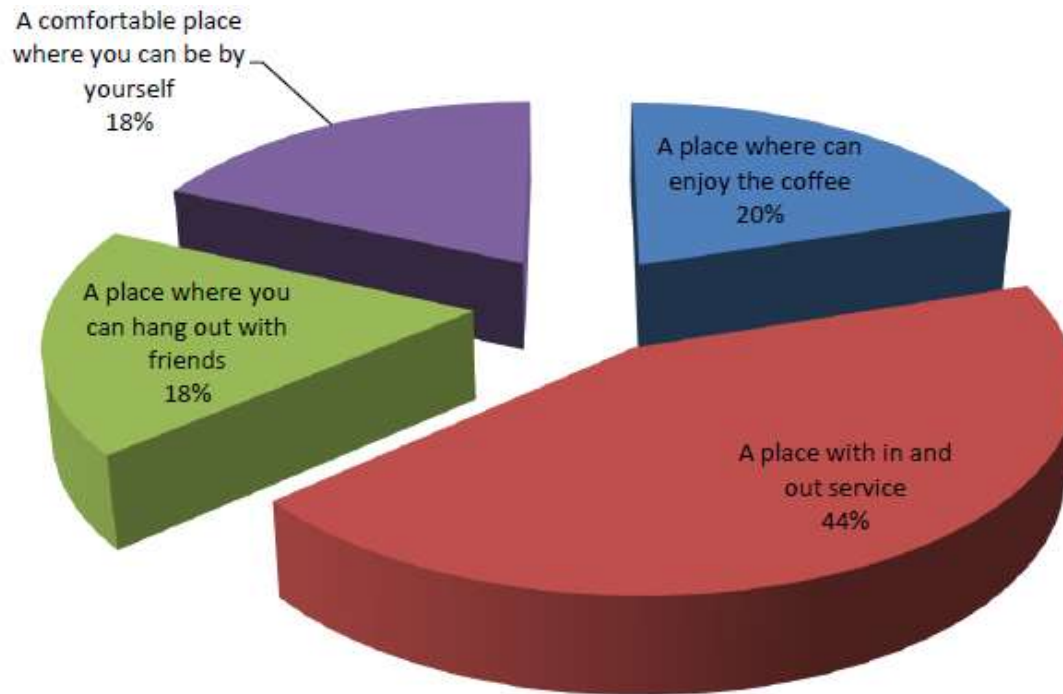


A majority of coffee drinkers both brew at home and buy pre-brewed takeaway





44% of respondents prefer a place with in-and-out service when buying pre-brewed coffee





Respondents asked to fill in the blanks:

“A world without _____ coffee is a _____
world”

- Dunkin’
Donuts
- Starbucks
- Folgers

- Sad
- Boring
- Sluggish
- Sleepy



How does your coffee decision/experience differ when you are with a group of people?

- It doesn't differ. I like to drink coffee for that extra kick to get through the day and for the flavors
- We tend to socialize at popular places like Caribou or Starbucks because of location and size environment (e.g. tables, sofas, etc.)
- Normally drink one cup of coffee in the morning... if I'm out with friends for an evening.... I might have a second cup with a dessert.
- When I'm with other coffee drinkers, I find that I drink more coffee unconsciously
- I tend to get coffee with less caffeine
- More likely to buy from a place where we can sit and have a conversation than the normal in-and-out purchase, likely to spend more to sit down and enjoy a good cup
- Adjust to the group majority (where to go)
- Experience of coffee with friends is related with fun in small pack, going alone is about being content and enjoying it in isolation



In-depth Interviews

- 11 people
- Between the ages of 24-57
- 5 males, 6 females
- Purpose was to find out what consumers valued about their coffee and the brands they favored
- Ten questions covered what brands they trust, the importance of service, how they prepare their coffee, and the time of day they drink it.



- Four out of six women said speed of service was important when choosing a coffee shop
- Four out of five men said speed of service was important when it came to choosing a coffee shop

All six women said they drink coffee other than in the morning

Two out of five men said they drink coffee other than in the morning



“If you found yourself in the middle of an intersection with McDonald's, Caribou, Starbucks and Dunkin' Donuts on your four sides”

[Graphic page shown to interviewee]

Five said Dunkin' Donuts (4 women, one man)

Three said Starbucks (Two men, one woman)

Three said Caribou (One woman, two men)

Zero said McDonald's



Conclusions

- Most people brew at home and buy pre-made in shops
- People are more price conscious than taste conscious
- Most people prefer in-and-out service, but think the value of service is higher if they wait
- Most people get food with their coffee
- Atmosphere has an influence on whether a customer stays or goes
- Group dynamics play a factor in coffee consumption and choices
- Speed of service is very important to consumers
- People usually drink more than one cup of coffee during the day



Creative Brief

What is the problem the advertising must address?

- People only associate Dunkin' Donuts as a morning beverage.

What do we want people to do as a result of the advertising?

- We want to change their behavior to consider coffee an all-day beverage.

Who are we talking to?

- “Workaholic professionals” Men & women that are always on the go during the work week. They commute by car, bus, train or carpool. They usually work overtime, eat late & multitask to meet deadlines.

What is the insight?

- People associate coffee with breakfast & the morning, but they drink it multiple times throughout the day.

What is the single most important thing we can communicate?

- Dunkin' Donuts coffee– it’s not just for breakfast anymore!

What is the support? Dunkin' Donuts coffee gives me a boost during the day, it keeps me focused.

Brand personality: fun, outgoing, lighthearted



Recommendations

Night owls: 24-hour drive thru service

Increase traffic during the afternoon and evening: When customers buy a cup of coffee in the morning, they'll receive a \$1 cup of coffee after 1 p.m.

New additives to coffee: Offer different flavored creamers

Smell factor: Have the scent of coffee throughout the coffee shop to stimulate the senses & partner with Glade for coffee scented candle & air freshener line

Event marketing: To associate Dunkin' Donuts with the "fun factor" and partner with fun events. For example, free bean samples at Taste of Chicago

Rewards program: A punch card reward incentive. Buy 6 coffees and get the 7th one free to increase loyalty

Branded video game: Share a link to a Dunkin' Donuts "Caffeine Warriors" video game online

Better franchising: Have an annual training program at Dunkin' Donuts University for all franchise owners and employees, to ensure product and service consistency

Offer group promotions: Have people to put in business cards in jar at local Dunkin' Donuts. There will be a drawing every week and the business card picked will receive free office coffee service for one week