

Frances P.  
Jersey City, N.J.  
2015



Bianca T.  
Boston  
2014



# DELIVERING A \$9

Steve S.  
Allston, Mass.  
2017



Customer  
photos from  
Yelp

Marco V.  
Maple Shade, N.J.  
2016



Danië C.  
West Orange, N.J.  
2016

DeLanie C.  
Columbus, Ohio  
2016



**BILLION**

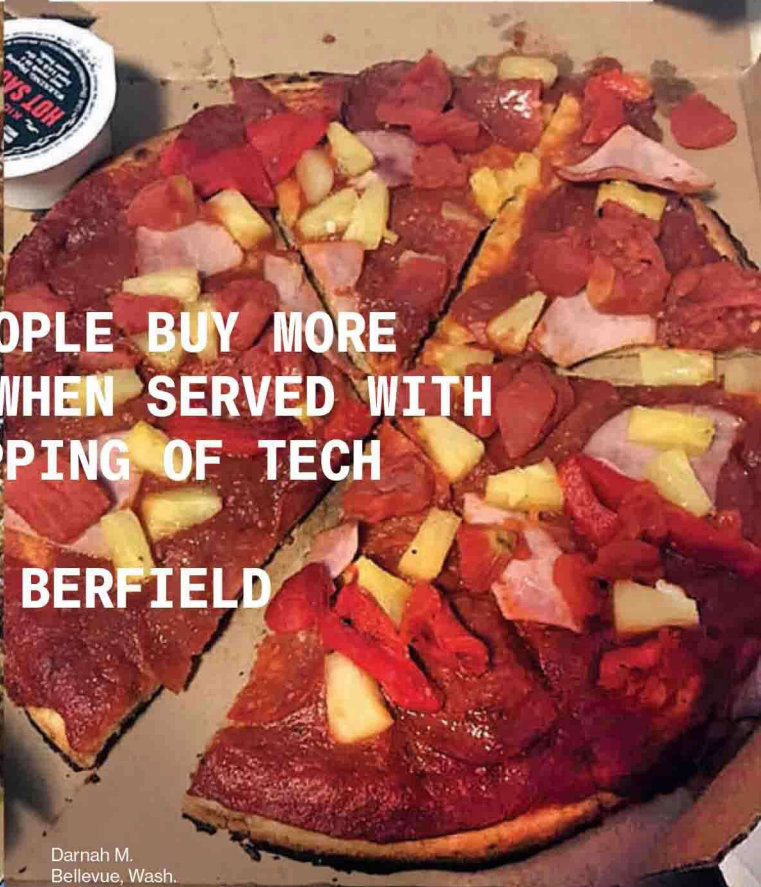
**EMPIRE**

**URNS OUT PEOPLE BUY MORE  
DOMINO'S PIZZA WHEN SERVED WITH  
AN EXTRA TOPPING OF TECH**

**BY SUSAN BERFIELD**

Kaitlyn C.  
Vancouver, Wash.  
2016

Darnah M.  
Bellevue, Wash.  
2016



**Y**ou may not be surprised to learn that pizza production at Domino's hasn't changed much in the 57 years since the company was founded. It's still essentially hands on the dough and in the cheese. There's been only one important advance: the spoodle, a ladle with a flat bottom that allows workers to spread the sauce evenly and quickly. A franchisee came up with the idea in 1985, and it's become a restaurant industry essential.

But whereas pizzamaking remains high-touch and traditional, pizza marketing is anything but. There, Domino's Pizza Inc. has decided that modern works better than authentic, and fun is best of all. For the past five years, the company has been emphasizing all the ways you can order pizza with minimal human and maximal digital contact. It's introduced more ordering methods—Facebook, Twitter, Twitter with emojis, Apple Watch, voice-activated, “zero click,” wedding registry—than new items on its menu. Customers can track their pizzas online, starting as they're being made, and in San

\$10.9 billion; revenue for Domino's itself was \$2.5 billion.

Given how the company's technological prowess and financial fortunes have improved in step, you could be fooled into believing the former is entirely responsible for the latter. But the truth is, most customers don't use a voice-activated app or emojis to order pizza, and most pizza is still delivered by humans in cars or on scooters or bikes. And although Domino's offers 27 toppings and sauces, most people still order just pepperoni. As much as tech, what buoyed Domino's was a once-in-an-industry strategy: In 2009 it admitted that its foundational product was...bad. Most chains that encounter trouble cop to some failing: Starbucks Corp. once said it built too many stores. McDonald's Corp. tried to sell healthier food. Chipotle Mexican Grill Inc. promised patrons they wouldn't get sick. But Domino's has outdone them all.

A white picket fence marks the boundary of Domino's Farms, a 270-acre spread of pastoral land outside Ann Arbor, Mich., where 800 employees and a small herd of buffalo roam. The employees work

### Online ordering

The chain offers more than a dozen ways to place an order without human contact.

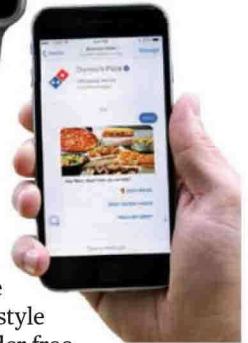
### DXP fleet

Domino's has 154 modified Chevy Sparks on the road in the U.S. Each includes a warming oven with space for 80 pizzas.



### DRU robot

A self-driving delivery bot, only in New Zealand for now, keeps drinks cold and pizza hot.



Diego (for now; likely nationwide soon) they can track their drivers. If an Australian wants to pick up her order, a GPS system can monitor her approach so the pizza is hot on arrival.

Domino's has spent millions to trick out a fleet featuring “the ultimate pizza delivery vehicle”—the DXP, a Chevrolet Spark subcompact with special side doors and warming ovens. An independent franchisee in New Zealand is testing delivery by drone and robot. In 2015, for the first time, more than half of Domino's orders were placed online, and half of those came via mobile.

As the company has built up its tech cred, its financial fortunes have been rising. Since the end of 2008, when Domino's was threatened by declining sales and distressed franchisees, its share price has increased 60-fold. The company is now worth \$9 billion. The second-biggest U.S. chain has also been stealing customers from rivals, notably from the biggest, Pizza Hut Inc. Domino's went from having a 9 percent share of the pizza restaurant market in 2009 to 15 percent in 2016, according to research firm NPD Crest. Sales at established locations in the U.S. increased every year during that time, last year rising 10.5 percent, the fastest growth rate among the top 10 quick-service chains. Customer loyalty is also the highest among pizza chains, according to consultancy Brand Keys. Domino's makes money from the royalties paid by its franchisees, who own about 97 percent of the restaurants, and from the ingredients it sells them. In 2016 global sales for the chain, including franchisees, were

in a series of almost half-mile-long, three-story red-brick buildings with blue copper tile roofs, designed in the Prairie style of Frank Lloyd Wright. The buffalo wander free.

The campus is the idiosyncratic vision of Domino's founder, Thomas Monaghan, and an inadvertent tribute to the marketing power of verisimilitude. In 1960, Monaghan began delivering pizza to college students in hopes of earning enough to attend himself. He did earn enough, but by then he'd lost interest. By 1985, Domino's was the fastest-growing pizza company in the U.S., with more than 2,800 restaurants, and it had expanded into four countries. (It now has 5,371 U.S. outlets and 8,440 more in 85 other countries.) Domino's 30-minutes-or-free guarantee set the cultural expectation of convenience and the standard for speed. In Neal Stephenson's 1992 techno-dystopian best-seller, *Snow Crash*, when the protagonist said of America, “There's only four things we do better than anyone else: music, movies, microcode (software), high-speed pizza delivery,” readers knew who he was talking about.

Monaghan, who was raised in a Catholic orphanage, enjoyed a midlife conversion to materialism. Among his purchases were the Detroit Tigers, more than 200 classic cars, and a resort on a Lake Huron island. When he tired of his possessions, Domino's included, he sold them and set out to create a Catholic community in Florida named Ave Maria. Bain Capital LP, then run by Mitt Romney, paid him more than \$1 billion for 93 percent of the pizza chain in 1998.

Bain brought in David Brandon, an executive with sales and

# “WE HAD SOMEHOW CREATED A SITUATION WHERE PEOPLE LIKED OUR PIZZA LESS IF THEY KNEW IT WAS FROM US. SO YEAH, THAT WAS A PROBLEM”

marketing experience, to run Domino's, and in 2004 it went public. Two years later the company reported its first full-year sales declines in the U.S. Domino's went down before the economy did, and it stayed there awhile. The pizza remained cheap, but the recipes and ingredients hadn't kept up with the foodie movement. And the company had abandoned a key marketing tool—its 30-minute guarantee—in the wake of several accidents, one fatal, which had led to two lawsuit verdicts that cost the company millions of dollars.

Then, in the spring of 2009, came the moment dreaded by every fast-food chain of the YouTube era: a video of workers doing something gross or illegal. Or in this case, both: A Domino's employee at a store in North Carolina filmed another putting cheese up his nose and adding snot to a sandwich. The video went viral, leading the health department to shut down the restaurant temporarily. Domino's had the two employees arrested for tampering with food (the orders

Brandon in the midst of the relaunch, making the planned transition seem like a game of hot potato. “I used to joke that if it didn't work, I would probably be the shortest-tenured CEO in the history of American business,” he says. When the spots appeared, starting in late December 2009, they were funny and Stephen Colbert-like in their knowing irony: apologies wrapped in self-deprecation, explaining everything except why it had taken so long for executives to take the problem seriously in the first place.

This is the part of the comeback story that Doyle and the four other Domino's executives I spoke with love to tell: Within a week or so, morning talk show hosts were discussing the campaign, local television anchors were conducting taste tests, and Gayle King was taking calls on her radio show from satisfied customers. Then came delicious, double-edged praise



## Apology commercial

A corporate mea culpa addressed the foundational product of the company—and helped save it.



## Food-styling commercial

After showing how fake pizza is in most ads, Domino's promised to use only pies made by employees.

never left the store and both workers received probation). J. Patrick Doyle, the president of U.S. operations, recorded a two-minute apology. That video didn't go viral.

At Domino's Farms, executives had already admitted to themselves a more persistent long-term threat: The pizza wasn't very good. “When we did consumer tests, if they knew the pizza was Domino's, they actually liked it less than if they just thought it was a random unbranded pizza,” Doyle says. “We had somehow created a situation where people liked our pizza less if they knew it was from us. So yeah, that was a problem.” Some of the more memorable comments: “The crust tastes like cardboard. The sauce tastes like ketchup.” And: “This is an imitation of pizza.”

So company chefs began experimenting. They enhanced the quality of the mozzarella and the flour, added garlic butter to the crust, and infused the marinara with flavor and sweetness. Some 18 months later, Domino's had a new and improved (and more expensive to make) pizza.

Doyle—53 years old, tall and fit, with a full head of hair and groomed for the job of chief executive officer—went back on air, this time as part of an ad campaign. “We decided we were really going to roll around in it,” he says. “We're going to make sure people understand that we heard them, we get it. The pizza wasn't good enough.” He'd taken over from

from Colbert himself: He bit into a slice on air and said, “Is that pizza, or did an angel just give birth in my mouth?”

By February, Domino's was selling so much pizza it was three days away from running out of pepperoni. Same-store sales rose more than 14 percent in the first three months of 2010—and the number would have been higher had restaurants been equipped to handle the rush. Most orders still came in by phone, so when workers were slammed, they just didn't pick up. Over the next two years, Domino's revamped about 85 percent of its menu: The chicken wings became tastier, the cheesy bread got cheesier, and “artisan” pizzas were added (and dropped after they didn't catch on).

Russell Weiner, who'd come from PepsiCo Inc. in 2008 to be Domino's chief marketing officer and is now president of U.S. operations, picks up the story from there. Wiry from losing 50 pounds on the Pritikin diet, he talks fast and keeps a giant bowl of clementines in his office. Flush with success from their first honesty offensive, Weiner and his team started discussing fresh ways for Domino's to ridicule itself. “We asked: ‘What else in our industry isn't transparent?’” he says. One obvious answer: the photos used for menus and marketing. “During the shoots, they put extra melted cheese in the cracks after cutting the pizza and blow it dry,” he says. “We call it cheese porn.” The company's next TV spot showed what really happens on a photo shoot, along with Domino's promise, henceforth, to

use only photos of pizza that its employees had actually made.

As part of the campaign, Domino's solicited photos from its customers. The company received almost 40,000, some lovely and appetizing, others a hot mess. "We deliver a million pizzas a day, so there's always going to be some problems," Weiner says. At a franchisee meeting, Doyle showed a photo of a particularly mangled pizza that had been delivered to a guy in Minnesota named Bryce. Executives in attendance from Domino's ad agency, Crispin Porter + Bogusky LLC, had found their next ad.

Then came the digital ordering and tricked-out DXP (Delivery Experts) cars. As the initiatives proceeded, Weiner realized that Domino's didn't need new food to entice customers, as most chains do. It could advertise products that were mostly virtual or unconsumable. "We've launched very few new items in the past year," he says. Just two, in fact: salads and cookie brownies, and only the salads were featured in an ad campaign. "We put the car on TV instead," he says. "We ran a spot for four months for a car that 90 percent of the country won't see," he says, referring to the limited number, 154, that are on the road. "The cars don't need to be everywhere. Customers give us credit for trying."

"We kind of like it when we don't get something right," says Kelly Garcia,

**Reindeer delivery in Japan**  
A brief experiment ended as you would expect.



loudspeaker-computer gadget. "I'm still enamored," he says. "But it's not for everybody." (Domino's also lets customers buy pizza from Google Home, the main competitor to Alexa, but that's not for everybody, either.) At some point, Maloney and Garcia say, customers should be able to give their order to a device as normally as they would to a person, with all the pauses, ums, contractions, and accents. "We're working really hard to re-create the original experience," Maloney says. Or, as Jimmy Fallon joked in a bit about the voice-activated app: "You speak your order into the phone, or, as that's called now, ordering a pizza!"

"We're coming full circle," Garcia says. "We want it to be as if you were there—without having to be there." Domino's has always understood the importance of not having to go anywhere. Although you can still walk into a restaurant if you must, there are at least a dozen ways to order a Domino's pizza in absentia. Some are self-explanatory: mobile apps, Apple Watch, Facebook Messenger. Others need some explanation. To order via Twitter, you must create an online account, save a pizza as your favorite (known as your Easy Order), and connect it to your Twitter account. Then tweet a pizza emoji to @dominos. "We'll know who you are, what pizza you want, your default location and payment," Maloney says. "We send a 'Sounds awesome, are you sure?' You send a thumbs up." But if you want to order something other than your favorite, you're out of luck.

Maloney clears away the remains of our lunch (Pacific Veggie, thin crust) to show me option 12 on his phone: zero-click ordering. "This will freak you out," he says. "What's the easiest way to order? When you



**Hatsune Miku augmented-reality app**  
Ever try *Pokémon GO*? This was sort of like that, but in Japan only and with pizza.

**"WE WANT IT TO BE AS IF YOU WERE THERE—WITHOUT HAVING TO BE THERE," GARCIA SAYS. DOMINO'S HAS ALWAYS UNDERSTOOD THE IMPORTANCE OF NOT HAVING TO GO ANYWHERE**

who's in charge of e-commerce at Domino's. "We went out with our voice-ordering system, Dom, in beta." That was in June 2014, when Dom would have been the first such assistant capable of helping with a purchase. A CNBC reporter tested the beta on air, on the floor of the New York Stock Exchange, but it didn't work because of the surrounding noise. "That was one of our most public learnings," Garcia says. Across the table from him in a conference room at Domino's Farms is Dennis Maloney, the company's chief digital officer. "With voice, it was 50-50 that we could even get it working," he says.

Maloney and Garcia oversee parts of a tech team that numbers about 400, the biggest division at headquarters. When I meet them in mid-January, they've just returned from CES, the electronics show in Las Vegas. They seem giddy with the commercial possibilities of artificial intelligence. Maloney recounts with delight standing in his living room recently and ordering pizza with Alexa, Amazon.com Inc.'s voice-controlled

don't have to do anything." One day Maloney and Garcia were in the car with their ad guys, dreaming of how to one-up Amazon's one-click ordering. Three months later they had their zero-click app, which does require one click to start. "Tap the Domino's icon to open it and find my Easy Order," Maloney says. That's it. "I have 10 seconds before it automatically places the order." A big countdown clock appears on Maloney's screen. If he does nothing, his Easy Order, a 12-inch hand-tossed pizza, will be on its way to his home.

My *Bloomberg Businessweek* colleagues and I tried out Domino's various ordering methods. The smartphone and Apple Watch apps were easy. Facebook Messenger and Twitter required first placing an Easy Order with the basic app, which took a few minutes to figure out. Our zero-click tester didn't know where to find the app, but that could have been just him. As for Dom, that app had a hard time understanding that I wanted two large veggie pizzas, even though the newsroom

wasn't very loud. Ordering the old-fashioned way—by phone—still works well.

Maloney and Garcia are more careful when talking about the flip side of pizza ordering: delivery. It's a sensitive topic. Of the 260,000 people working in the Domino's system globally, more than half are drivers. Technological advances have improved the accuracy of the orders and increased business, but they haven't diminished the need for drivers—yet. A Domino's "master franchisee" in Australia that owns some 2,000 restaurants around the world is using drones to deliver pizza from a store in the New Zealand town of Whangaparaoa. They can travel about a mile from the store, and the customers need a backyard so they can land safely. When I ask about testing drone delivery in the U.S., Garcia replies, "There's a lot of regulations. But never say never." Last June the Federal Aviation Administration said drones have to remain within the operator's line of sight at all times, dashing hopes for the time being of a drone fleet landing on far-off lawns and sidewalks.

Maloney is just as guarded about the potential for Domino's robots developed in Australia and tested in New Zealand. Local reports describe difficulties navigating

it's when," Garcia says. "We're thinking about the disruption of a nearly 60-year-old business model." If another company were to get out ahead of Domino's by providing quick, reliable delivery without having to manage a staff of drivers and coordinate routes, Domino's would lose some of its competitive advantage. "We're delivery experts," Maloney says. "If everyone becomes an expert, we'd have to figure out other ways to differentiate ourselves."

Other on-demand delivery services pose a threat, too. "When you look at UberEATS or GrubHub, pizza has the most to lose," says Darren Tristano, president of research firm Technomic Inc. "If you can order pizza and wings and burgers and salads, then people who are looking for better quality and don't mind paying more will use those services. Delivery straight from a restaurant will be for the lower- and middle-income customers."

Domino's figured out mobile ordering before Starbucks and delivery before McDonald's. So it seems fair to ask, with the company faring so well: Isn't this the part where complacency sets in and some avoidable decline begins? Maybe it starts where Domino's began, with high-speed delivery. Technology helped save the company, and it's possible technology may one day undercut it.

In late February, I visited a new Domino's in the Bronx, designed so

### Extremely niche marketing

Publicity stunt. Domino's targeted "pizza holdouts" who hadn't tried the new pizza; it jokingly created ads aimed solely at them.

### Canoe delivery

In Maidstone, an English river town, residents for a time could get their pizza by land or by sea.



### Pizza engagement ring

Designed for Valentine's Day, a 22-karat gold ring with pepperoni-shaped diamonds is given to one randomly selected customer in the U.K.



uneven sidewalks (robots aren't allowed on roads). "It's a great start," Maloney says. "It was great for the brand globally." So are robots coming to America soon? "I'm not saying yes or no."

"But there won't be any reindeer," says Jenny Fouracre-Petko, the public-relations executive who's having lunch with us. She's referring to a delivery-experiment-slash-stunt conducted by a master franchisee in Japan this past winter. It ended predictably: The reindeer balked, the pizzas were crushed, and animal-rights activists complained.

"We're not copying Japan on the reindeer," Garcia says. "We're all agreed on that."

"That was crazy," Fouracre-Petko says. (No one in Japan answered an email request for comment.)

The company also won't be expanding its DXP fleet. Since Domino's originally built the vehicles, spending five years and millions of dollars to get them on the road, Chevy has lengthened the wheelbase and lowered the roof of the Spark, which means Domino's would have to re-adapt its original modifications. Executives decided 154 of them was enough for now, in part because autonomous vehicles are coming. "It's not if,

customers can see their pizza being made, then eat it in a clean, bright seating area. It's a marked contrast from the company's traditional restaurants—dim, inhospitable places where customers came and left quickly. "Now we care about ambience," says Bob Machin, the head of corporate operations in New York and a former driver who can make a large pepperoni pizza in 45 seconds. Employees are expected to make one in less than a minute.

In the Bronx, you can see the company's classic technique at work, so straightforward you could almost try it at home. No need for plastic gloves, since everything is cooked at a high temperature—workers touch the food with their bare hands. Start with a mound of dough. Cross your index and third fingers to "dock" the pizza, stretching the dough from the center to create a circle that seems almost the size of a large pizza. Adjust. Spread the tomato sauce, preferably with a spoodle, and sprinkle two handfuls of cheese from higher than you think wise. "Make it rain," Machin says. Then evenly place 40 pepperoni slices around the pizza so they're next to each other but not overlapping. You'll have to learn to eyeball it; counting slows down the pace.

By the end of the year, almost all Domino's will be more open and welcoming, and the carryout business, if all goes according to plan, will increase. The human touch might be worth something, after all. When I ask Machin about all the nifty ways customers can order pizza, he smiles, acknowledging that in the kitchen, the bells and whistles don't affect the product. "On the screen," he says, "all the workers see is that an order came in on the internet." **B**