

Valpak Industry Bulletin

Donut franchises are expanding

In the ever-evolving U.S. quest for a healthier lifestyle, one thing has not changed -- Americans love their donuts. While no one could call this popular confection a diet staple, it's one of America's most popular treats. Donuts are the favorite baked dessert in the U.S., second only to bread, according to USA Today. Glazed is the most highly sought-after variety, followed by chocolate.

Despite healthier eating trends, stiffer competition from convenience stores and other internal and strategic challenges, the donut franchise industry is growing rapidly. Canton, Mass.-based chain Dunkin' Donuts is undergoing an aggressive expansion, planning to move into new markets and increase store offerings in its current cities. Las Vegas, Indianapolis, Phoenix, Dallas, Austin and Houston are just a few of the areas the nation's biggest coffee-and-donut chain is targeting, according to an article in the Pittsburg Tribune-Review.

Last August, Dunkin' Donuts announced the largest development project in its nearly 60-year history — the opening of 105 stores in Southwest Pennsylvania and West Virginia over the next few years. The Canton, Mass.-based chain also recently announced partnerships with Mars, Inc., Rachel Ray,

Hess Corporation and Sara Lee Foodservice. Dunkin' Donuts has more than 7,200 restaurants in 30 countries worldwide.

Winston-Salem-based Krispy Kreme also plans to expand the brand. Selling donuts since 1937, the company became known throughout the Southeast for its original-recipe, yeast-raised glazed donuts. Today, the famous "Hot Doughnuts Now" sign is familiar across the country. The company produces 2 billion donuts annually and has 447 stores, including satellite shops in 41 U.S. states and worldwide. Krispy Kreme plans to open more stores in the U.S. and internationally.

Both franchises are freshening menus and taking some measures to appeal to the health-conscious. Stan Frankenthaler, Dunkin' Brands Executive Chef, told QSR magazine that the chain is "constantly experimenting with new flavor ideas to please our customers." Some of the newest items on the Dunkin' Donuts menu as a result of the chain's new partnership with Mars are Milky Way Hot Chocolate and an M&M's donut.

Ice cream and frozen drinks are two new categories Krispy Kreme is testing, according to Food and Drink magazine. "We compete with a lot of different concepts," says Stan Parker, Senior Vice President of



Marketing for the franchise. "In the morning, we're competing against the other doughnut and breakfast retailers, but in the evening the usage changes to more dessert or treat, and there we compete with ice cream, frozen yogurt, those types of menu items."

Both chains recently rolled out "zero grams trans fat menus."

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