



## **Full Length Research Article**

### **MAD OVER DONUTS vs. KRISPY KREME: A COMPARATIVE STUDY BASED IN THE CITY OF MUMBAI**

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#### **ARTICLE INFO**

##### **Article History:**

Received 25<sup>th</sup> April, 2016  
Received in revised form  
24<sup>th</sup> May, 2016  
Accepted 16<sup>th</sup> June, 2016  
Published online 31<sup>st</sup> July, 2016

##### **Key Words:**

Competition,  
Doughnut industry,  
Pricing, Ambience.

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#### **ABSTRACT**

The paper analyses two enterprises in the monopolistically competitive doughnut industry in Mumbai: 'Mad Over Donuts' and 'Krispy Kreme' and their operative strategies. It concludes that while Krispy Kreme may have the better product, it has a higher price, fewer locations and not enough promotional activity.

#### **INTRODUCTION**

In the city of Mumbai one relatively new example of monopolistic competition is in the doughnut industry. The large, dominant player 'Mad Over Donuts' is currently competing with the international doughnut chain 'Krispy Kreme'.

#### **MATERIALS AND METHODS**

124 people in the the age group 18 to 35 were selected of a higher disposable income level (above Rs. 2,00,000) per annum because people below this may not be able to afford such products. The age group was chosen because most respondents in this age group were more likely to have tried doughnuts than those in a higher age group. Out of all the completed forms, 100 forms which were comprehensively filled in were chosen for the analysis.

##### **Objectives of the study**

- To assess the awareness and popularity of the two brands of doughnuts in Mumbai.

- To examine the factors considered while choosing a brand of doughnuts
- to calculate willingness to travel in order to consume doughnuts
- To study enhancement of experience in a doughnut restaurant
- To compare the service in international outlets vs. the outlets in Mumbai.

##### **Analysis of Data**

First the immediate need was for data on the number of people who have consumed both Mad Over Donuts and Krispy Kreme. From the data here many observations can be drawn. It appears that 'Mad Over Donuts' is truly a dominant force in the doughnut industry. 84% of all the respondents have consumed Mad Over Donuts at least once in their lives, showing it to be a pervasive force. Krispy Kreme's late entry into the Indian market is well reflected in the number of people who have tried Krispy Kreme – only 22%. The data clearly shows that not even one of the respondents who had consumed Krispy Kreme had not consumed Mad Over Donuts. This study then attempted to gauge the awareness of both the brands.

As seen in this table the brand awareness of both Mad Over Donuts and Krispy Kreme is higher than the number of people who have tasted both. This is probably because some people have simply seen the posters and are aware of the brands as their friends/family may have visited one of the outlets.

The numbers are relatively lower for Krispy Kreme because:

- Krispy Kreme is a relatively new entrant.
- Brand loyalty to other existing food items
- Perception of high price of Krispy Kreme
- Fewer locations

People chose not to visit Krispy Kreme because of mainly a combination of many reasons; this could be due to factors unanticipated in the survey making it a limitation of the project. However, inertia and location seem to be the main reasons otherwise. This could be due to reasons like their family/friends not agreeing or not remembering to try a new place etc. However, it is established that the price does not play any role. Location does not seem to play a major role.

It is observed that while Mad Over Donuts has emerged the leader in the earlier questions Krispy Kreme seems to have the better product. 45% of the respondents chose Krispy Kreme. This could be a worrying trend for Mad Over Donuts. This also reveals that over time Krispy Kreme can over take Mad Over Donuts or at least match up to Mad Over Donuts. To find out this, it is important to know what most people look forward to in their doughnut eating experience. This is important as if most people prefer only taste, and then Krispy Kreme can theoretically emerge as a competitor to Mad Over Donuts in the long term. However, if the respondents care more about the factors like location and price then Mad Over Donuts need not worry about the competition from Krispy Kreme.

Whilst many chose not to answer this question, a majority of the respondents have chosen taste as the most important consideration. This is mixed news for Mad Over Donuts as while 54% of the people chose taste as the main factor many have chosen other factors or are unable to identify the primary factors. This shows that Krispy Kreme can effectively compete with the product of Mad Over Donuts. This shows to us that the consumer is also price conscious, which augurs well for Mad Over Donuts as their premium doughnuts are priced at Rs.59 versus Rs 69 for Krispy Kreme. Mad Over Donuts also has a locational advantage over Krispy Kreme having a much longer reach throughout Mumbai than Krispy Kreme does. Mad Over Donuts can also gain a significant first movers advantage compared to Krispy Kreme if it consolidates its lead into other areas by expanding even further. It should also look to maintain the price advantage that it displays over Krispy Kreme. To see if Krispy Kreme poses any real threat to Mad Over Donuts another question arises of how far (in terms of time) people are willing to travel to taste doughnuts. From these tables it is apparent that the people are not willing to travel longer distances if the quality in doughnuts is the same. They are only willing to put in the effort and travel longer distances if the quality in doughnuts/ experience is superior. This puts Krispy Kreme at a disadvantage because in Table 4 only 45% people preferred Krispy Kreme. This means of those 45% only a few would be willing to travel upwards of 20 minutes to get Krispy Kreme. This shows that Krispy Kreme will need to further lift the quality of their product or open outlets in more accessible locations. This shows that most people will not be willing to travel longer distances to get cheaper doughnuts. For most people while price is a factor they will not be willing to travel to get the doughnuts cheaper. They may however not choose to have doughnuts which are close by if they are significantly over priced. Also this is because doughnuts itself are not an expensive item to consume.

**Table 1. Consumption of either or both products**

	Respondents	Only Mad Over Donuts	Only Krispy Kreme	Both Mad Over Donuts and Krispy Kreme	Neither Mad Over Donuts and Krispy Kreme
Number	100	62	0	22	16
Percent	100%	62%	0%	22%	16%

**Table 2. Awareness of the two brands**

	Respondents	Only Mad Over Donuts	Only Krispy Kreme	Both Mad Over Donuts and Krispy Kreme	Neither Mad Over Donuts and Krispy Kreme
Number	100	58	0	40	1
Percent	100%	58%	0%	40%	2%

**Table 3. Reasons for not visiting Krispy Kreme**

	Respondents	Location	Price	Inertia	Other or combination of factors
Number	18	2	0	2	14
Percent	100%	11%	0%	11%	78%

**Table 4. Preference for the product**

	Respondents	Mad over Donuts	Krispy Kreme	Can't say
Number	22	8	10	4
Percent	100	36	45	19

Most people may be willing to travel across Mumbai to get a cheaper computer but they will not do that for a doughnut because a doughnut is of such low value (Rs49) that the travel costs themselves turn out to be significantly higher than that of the doughnuts (example: going by rickshaw or taxi from the station will be a minimum of Rs.21 which is almost 50% of the price of the doughnut anyways, but insignificant when buying for example a Rs.20000 laptop or TV). The survey tried to reveal if there would be any additional facilities or product offerings that would increase the service experience for the 2 companies being studied. These results would be helpful to give the companies an added advantage. The idea of being able to choose the flavors that go into making your own product really appealed to the respondents. This could be either because of the excitement that the process of customization involves or because the respondents are not entirely satisfied with the product offerings of the companies. 24% of the respondents also liked the idea of home delivery of doughnuts. This might be because of the location disadvantage suffered by Krispy Kreme.

Next we tried to analyze whether people would be interested in being served food at these doughnut outlets (example croissants, bagels, puffs, sandwiches, salads) The respondents were more or less equal in their opinion of whether they wanted food to be served along with doughnuts and beverages. 46% of the respondents wanted other food to be served as well because if they came in a group and few of their friends were not interested in doughnuts they could at least be interested in visiting the place for the food offerings. Additionally, if the respondents visited the outlets to work and spent extended hours at the outlet they needed some food to supplement the beverages and doughnuts. On the other hand 54% of the population were not interested in food offerings because they felt that it diluted what the brand stood for. Next we wanted to determine why respondents visit the doughnut restaurants. Coffee shops are frequented for not only drinking coffee and socializing but also for work meetings or conducting interviews. I wanted to analyze whether it was the same for the doughnut restaurants.

The results proved that a majority of the respondents did in fact visit the restaurants for the doughnuts and beverages. Another popular reason to visit the restaurants was to socialize with friends and family. Not many people frequent doughnut outlets for work purposes. The respondents felt that the restaurants were not large or conducive enough to work in. The outlets were pretty small and played loud music. In the case of Mad Over Donuts, most of the stores have an extremely low square footage without any room for seating and tables. Hence, here the scope of working is eliminated entirely. Thus it is safe to conclude that the product offerings were the core driving factors of the visit to the doughnut restaurants.

Very often we find people complaining about how international brands in India are too customized to the Indian pallet and do not represent international offerings. Hence the next table tabulates the answers to determine whether the domestic and international product offerings of Krispy Kreme and Mad Over Donuts was the same. 56% of the respondents claimed that the Mad over donut promotions do not excite them enough to go visit the store and purchase doughnuts. On probing further it was discovered that this was so because at the time of these extravaganzas due to the cheap price of doughnuts and doughnuts a lot of crowd is attracted at the restaurants. This reduces the service experience faced by many customers and deters them from visiting the restaurant. Very often we find people complaining about how international brands in India are too customized to the Indian pallet and do not represent international offerings. Hence the next table tabulates the answers to determine whether the domestic and international product offerings of Krispy Kreme and Mad Over Donuts was the same.

The results show that most of the respondents find the domestic outlets either equal to or better than the International outlets. Most of the people ranked the taste and quality of the doughnuts at Krispy Kreme to be of an International taste. And the ambience of some of the outlets in India was also thought of to be better than the ambience at the outlets abroad.

**Table 5. Factors considered which choosing a brand of doughnuts**

	Number	Taste	Price	Location	Variety	Ambience	Can't say
Number	100	54	16	6	4	2	18
Percent	100%	54%	16%	6%	4%	2%	18%

**Table 6. Willingness to travel to get similar quality doughnuts**

	Number	<10	<15	<20	<40	>40
Number	100	48	42	8	2	0
Percent	100%	48%	42%	8%	2%	0%

**Table 7. Willingness to travel to get higher quality doughnuts**

	Number	<10	<15	<20	<40	>40
Number	100	30	16	14	24	16
Percent	100%	30%	16%	14%	24%	16%

**Table 8. Willingness to travel if the doughnuts were significantly cheaper**

	Number	<10	<15	<20	<40	>40
Number	100	42	20	22	12	4
Percent	100%	42%	20%	18%	12%	4%

**Table 9. Enhancement of experience**

	Number	Drive Through	Home Delivery	Visit inside the kitchen	Ability to flavor your own doughnut	None satisfied with current offerings
Number	100	22	24	6	30	18
Percent	100%	22%	24%	6%	4%	18%

**Table 10. Views of respondents whether the doughnut companies to should serve food like bagels, croissants etc along with doughnuts and beverages**

	Number	Yes	No
Number	50	23	27
Percent	100%	46%	54%

**Table 11. Purpose of visiting the doughnut restaurants**

	Number	Socializing	Work	For the product offerings (doughnuts and beverages)
Number	100	44	6	50
Percent	100%	44%	6%	50%

**Table 12. Views of respondents whether Mad Over Donuts promotion days such as hi5 (a celebration of their 5 years in India) or doughnut days and festivals (annual chocolate extravaganza) increase the likeness of purchasing doughnuts**

	Number	Yes	No
Number	100	44	56
Percent	100%	44%	56%

**Table 13. Whether international outlets of Krispy Kreme please compare to the domestic outlets in terms of taste, locations, and quality of product offering****Krispy Kreme**

	Number	Equal	Domestic better	International better
Number	62	48	6	8
Percent	100%	77%	10%	13%

**Table 14. Whether international outlets of Mad Over Donuts please compare with the domestic outlets in terms of taste, locations, and quality of product offering****Mad Over Donuts**

	Number	Equal	Domestic better	International better
Number	0	0	0	0
Percent	0%	0%	0%	0%

It was not very surprising that not even one of the respondents had been to a Mad Over Donut restaurant outside of India. While this is great news for the brand that mad Over Donut managed to gain all of the popularity it enjoys today because of its superior branding, product offering and competitive pricing.

**Conclusion and Recommendations**

In conclusion, while Krispy Kreme seems to have a strong product offering it seems that in its current state Krispy Kreme will not be able to challenge the dominance of Mad Over Donuts. This is because the analysis has shown that people are not willing to travel long distances to acquire their doughnuts therefore the clientele would most likely be people from close distances. If the doughnuts are perceived as superior in quality then people may be willing to travel longer distances to acquire them.

The analysis has clearly shown that people are more likely to want to get the doughnuts in shorter spaces of time. Hence the recommendations to Krispy Kreme would be to open more outlets in other locations. This would ensure that the distances people travel is much shorter and they would be willing to try Krispy Kreme. Krispy Kreme could also instead offer home delivery all around the city or through a website where orders could be placed.

Similarly both Krispy Kreme and Mad Over Donuts can incorporate the suggestions from our study in order to improve their service offerings.

They could implement the following:

- have drive-through facilities
- introduce more variety and more flavors including seasonal fruits and Indian flavors

- improve ambiance of the outlets
- open outlets in more centralized locations.

It is also interesting to conclude that outlets of Krispy Kreme in Mumbai have lived up to its international outlets and the product offering, ambience and quality of products is at par with international standards. In terms of the 4Ps: Product, Price, Place and Promotion, this study concludes that while Krispy Kreme may have the better product, it has a higher price, fewer locations and not enough promotional activity.

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