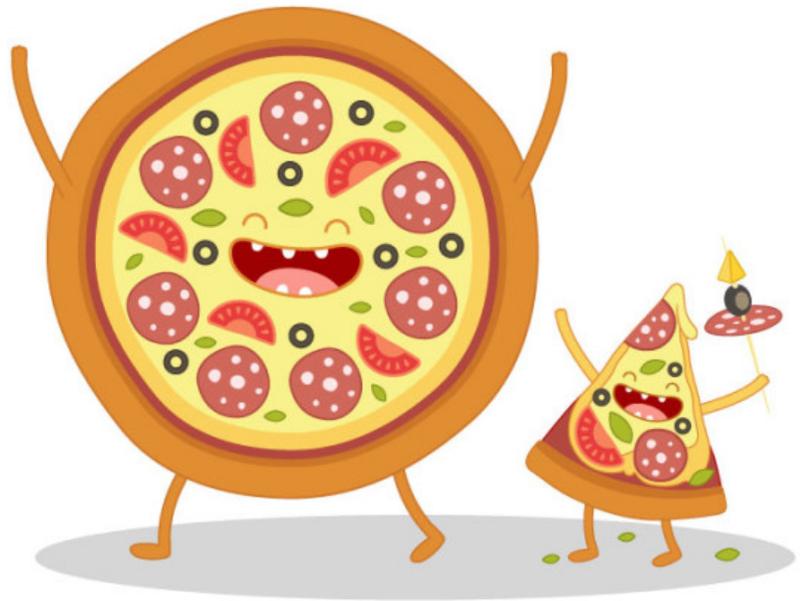


How Domino's Pizza Reinvented Itself

by Bill Taylor

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I spent the last 18 months researching and writing a book on how organizations and leaders can do extraordinary things, even if they operate in pretty ordinary fields. You don't have to be a programmer in Silicon Valley or a gene splicer in biotech to unleash exciting innovations and create huge value. Instead, you can rethink what it means to be in the retail-banking business, or the industrial-distribution business, or the office-cleaning business. Yet little did I know that some of the most extraordinary innovations I've seen would take place in the *pizza* business.

A few weeks ago, I spent a day in Detroit as part of a CEO Summit organized by Business Leaders for Michigan, an association of the state's biggest companies. The event's kickoff speaker was Patrick Doyle, CEO of Domino's Pizza, which is headquartered in nearby Ann Arbor. I wasn't sure what to expect, other than a riff on the company's most popular toppings, but what I heard were riveting and compelling lessons about making radical, deep-seated change in a traditional, slow-to-change business. Doyle's talk was titled, "How to Transform a Legacy Company into a Technology-Enabled, Nimble, Category-Disrupting Machine" – and it delivered.

The scale of the changes at Domino's are remarkable. Doyle became CEO in 2010, after some troubled years, when the company's growth was slow and its stock price was stuck, a lame \$8.76 per share. Today, Domino's is the second-largest pizza chain in the world, with more than 12,500 locations in more than 80 countries, and a share price approaching \$160. It has moved from being the butt of late-night jokes to becoming a favorite of the stock pickers on CNBC.

How have Doyle and his colleagues unleashed so much change in such a short period of time? First, by reminding themselves of the business they're in. Domino's is not just in the pizza-making business, the CEO emphasizes, but in the *pizza-delivery* business, which means it has to be in the technology business. "We are as much a tech company as we are a pizza company," he told the audience, pointing out that of the 800 people working at headquarters, fully 400 work in software and analytics. All that technology has changed how customers order (using the Domino's app, or directly via twitter, or even by texting an emoji); how they monitor the status of their order; and how Domino's manages its operations.

Second, Doyle explains, Domino's had to reinvigorate the brand. Even if delivery was the essential part of its business, the pizza mattered too—and the pizza was bad. Soon after he took over, the company launched an ad campaign that has become legendary for its boldness, sharing comments from focus groups about what people thought of the product: "worst pizza I ever had"; "the sauce tastes like ketchup"; "the crust tastes like cardboard." Doyle appeared in the ads, accepted the withering criticism, and promised to "work days, nights, and weekends" to get better.

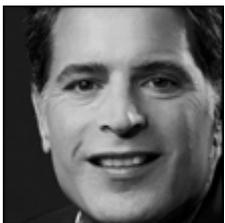
He and his colleagues worked to spice up the company's image as well as its products. Once the pizza got better, Doyle announced plans to open a Domino's in Italy—a move that was nothing if not daring. (Starbucks still doesn't have coffee shops in Italy, although there is talk of opening them in

2017.) He also worked with crowd-sourced auto designers to create a Domino's delivery car, the DXP, a colorful, cool-looking, modified Chevrolet Spark (an article called it a "cheese lover's Batmobile") with just one seat, and a warming oven with room for 80 pizzas.

"Transportation is a core part of the business," Doyle explained, so it makes sense for Domino's to create a "purpose-built pizza-delivery vehicle." (The company is also experimenting with robotic delivery, and delivery by drones.) There is substance to all of these initiatives, but it's pretty obvious they're also designed to modernize the company's image, to create a sense of style and a sense of humor to accompany the mushrooms and pepper.

I could go on about the innovations at Domino's, but Doyle's most important lessons are about the mindset required for organizations to do big things in tough fields. Two of the great ills of executive life are what he calls, borrowing from behavioral economics, "omission bias" and "loss aversion." Omission bias is the tendency to worry more about doing something than not doing something, because everyone sees the results of a move gone bad, and few see the costs of moves not made. Loss aversion describes the tendency to play not to lose rather than play to win. "The pain of loss is double the pleasure of winning," he argues, so the natural inclination is to be cautious, even in situations that demand creativity.

Leaders who want to shake things up have to be comfortable with the idea that "failure *is* an option," Doyle concludes. In a world of hyper-competition and nonstop disruption, playing it safe is the riskiest course of all. That's a recipe for reinvention that makes for good pizza and big change.



Bill Taylor is cofounder of *Fast Company* magazine. His latest book, *Simply Brilliant: How Great Organizations Do Ordinary Things in Extraordinary Ways*, was published on September 20. Learn more at williamctaylor.com.

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I believe this thinking is very applicable to the public sector space in which I operate, considering what we need to do to not just produce a service but deliver it too

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