

Domino's Pizza - Should It Open a New Ordering Channel?

Internal ID: S&F-STR-195

Topic: Business Models, Platform Strategy, Customer Strategy

Industry: Restaurants

Source: Strategy & Finance

Publication date: 5 October 2026

License: Not specified

Decision date and information cutoff: 11 July 2023

Decision scope: Whether to test a U.S. third-party food-delivery marketplace

Case convention: This is an author-created decision exercise. The decision and alternatives are hypothetical; company disclosures and operating facts are historical. No private management deliberations are represented.

The decision

Imagine you are advising Domino's Pizza, Inc. on 11 July 2023. The company has built a large digital-ordering business and a delivery-and-carryout system operated mostly by franchisees. A third-party marketplace could offer another way for customers to find and order Domino's. It could also move orders from Domino's own digital channels, add costs or operational complexity, and change who owns the customer relationship.

Your assignment is to recommend whether Domino's should keep its current direct-ordering approach or negotiate a limited U.S. marketplace test. If you recommend a test, explain how it should be governed and what evidence should determine whether to continue, change, or expand it. The alternatives below are designed for this exercise; they do not describe an actual proposal or existing U.S. agreement.

A digitally enabled franchise system

Domino's describes itself as a pizza company focused on delivery and carryout. At 1 January 2023, it operated 6,686 U.S. stores: 6,400 franchised and 286 company-owned. Those franchised stores were run by 725 independent franchisees, ranging from single-store owners to operators with dozens of locations. Franchisees control employment and pricing decisions under their agreements; Domino's says it uses advisory groups to communicate with them. Globally, about 99% of stores were franchised. [S1]

Digital ordering was already central to the business. Domino's reported that more than 80% of U.S. retail sales in 2022 were ordered digitally. In the first quarter of 2023, U.S. same-store sales increased 3.6%. The company's CEO described an evolution from a U.S. delivery business toward greater strength in both delivery and carryout. These are company-reported figures and management's stated view; they do not show whether a marketplace could bring incremental customers or improve store-level economics. [S2, S3]

Domino's competes with other pizza chains and identifies ordering and delivery aggregators among its competitors. It also says it competes for customers and delivery employees, including drivers. A marketplace could therefore be a source of customer access and a competitor for customer attention or delivery capacity. The company's filing does not quantify these effects.

[S1]

What the reported sales measures mean

Domino's uses "retail sales" and "system sales" to describe sales at company-owned and franchised stores. Those measures include transactions at franchisee stores. Domino's consolidated revenue is different: franchisee store retail sales are not reported as Domino's company revenue. System retail sales can help show activity across the network, but they are not a proxy for the parent company's revenue or profit. [S3]

The distinction matters for this decision. A marketplace could increase orders in the system while shifting transactions among channels or changing costs borne by franchisees. The public disclosures available for this case do not provide marketplace order volume, customer overlap, contract fees, incremental contribution, or franchisee views.

What restaurant-platform research suggests

Zhang, Pauwels, and Peng (2019) studied daily operating data from one Chinese fast-food chain: 35 stores in five cities, four online-to-offline service platforms, and 11,681 store-day observations from February 2013 through December 2015. Their fixed-effects panel analysis found no significant short-run sales effect after platform additions, while short-run offline and total profit fell. In the longer run, the authors reported higher offline and total sales and profit; they also found that some platform interactions were negative, suggesting that adding platforms did not always add further benefit. [S4]

The study is observational, with no non-adopting store or chain control group; stores joined nearly together, and the authors note limits including missing daily marketing and competitor activity. Its Chinese chain, period, platform mix, and operating economics differ from Domino's U.S. franchise system. The findings make both longer-run complementarity and near-term cost pressure plausible, but they are not a Domino's forecast.

Other research offers competing mechanisms. Analytical restaurant models show that platform orders may shift existing demand, interact with service capacity, or create contract incentives that affect other channels. Those models are not field estimates of Domino's demand, fees, or profitability. [S5, S6, S7]

Exhibit 1. Public operating context

Measure	Reported figure	Scope and interpretation
U.S. stores at 1 January 2023	6,686	6,400 franchised; 286 company-owned
U.S. franchise operators	725	Independent franchisees; operator size varies
U.S. retail sales ordered digitally in 2022	More than 80%	Company-reported system retail measure; not marketplace sales
U.S. same-store sales, FY2022	−0.8%	Company-reported comparable-store measure
U.S. same-store sales, Q4 2022	+0.9%	Company-reported comparable-store measure
U.S. same-store sales, Q1 2023	+3.6%	Company-reported comparable-store measure

Sources: Domino's FY2022 Form 10-K and Q4/FY2022 and Q1 2023 releases. "Retail sales" and same-store sales are operating measures and should not be read as Domino's consolidated revenue or as evidence of any marketplace effect. [S1, S2, S3]

Choices for discussion

The following choices are hypothetical, not disclosed company plans.

1. **Keep ordering direct.** Continue emphasizing Domino's own digital channels and store delivery/carryout. This protects direct customer interaction and avoids introducing unknown marketplace costs, while potentially limiting access to customers who start their search elsewhere.
2. **Test a limited marketplace channel.** Negotiate a bounded test in selected markets or stores, subject to diligence on franchise agreements, order routing, service standards, customer information, promotions, and economics. A test could generate evidence, but its results might not generalize across markets or franchisees.
3. **Defer a test while preparing.** Continue direct ordering for now while studying customer overlap, franchisee implications, platform terms, and operational readiness. This may reduce the risk of acting on incomplete information, but it could delay learning and customer access.

What is not disclosed

The available public record does not establish a U.S. marketplace contract, proposed fee, order share, customer-acquisition rate, level of channel migration, delivery-cost saving, or franchisee sentiment. It does not show whether franchise agreements would permit a particular arrangement or how participation would be decided. Students should identify the diligence required rather than fill these gaps with industry averages or invented assumptions.

Discussion questions

- What is the strongest case for and against opening a third-party ordering channel?
- How would you distinguish genuinely incremental demand from orders shifted away from Domino's direct channels?
- Who could gain or lose across the parent company, franchisees, stores, customers, and delivery workforce?
- If you recommend a test, what would you measure, how would you compare results, and what evidence would change your decision?
- What is the strongest argument against your recommendation?

Sources and conventions

- **[S1]** Domino's Pizza, Inc., FY2022 Form 10-K, filed 23 February 2023. **SEC filing:** Part I, Item 1, "Overview" (printed p.3), "Competition" (p.4), "U.S. Stores," "U.S. Franchise Profile," and "U.S. Franchise Agreements" (pp.5-6); Item 1A (printed pp.19-20).
- **[S2]** Domino's Pizza, Inc., "Domino's Pizza Announces Fourth Quarter and Fiscal 2022 Financial Results," 23 February 2023. **Investor relations release:** results and "About Domino's Pizza."
- **[S3]** Domino's Pizza, Inc., "Domino's Pizza Announces First Quarter 2023 Financial Results," 27 April 2023. **Investor relations release:** PDF pp.1-4, including U.S. sales results, fees, and measure definitions.
- **[S4]** Zhang, S., Pauwels, K., & Peng, C. (2019). "The Impact of Adding Online-to-Offline Service Platform Channels on Firms' Offline and Total Sales and Profits." *Journal of Interactive Marketing*, 47, 115-128. **Publisher-version PDF**, especially journal pp.121-126. DOI: [10.1016/j.intmar.2019.03.001](https://doi.org/10.1016/j.intmar.2019.03.001).
- **[S5]** Chen, M., Hu, M., & Wang, J. (2022). "Food Delivery Service and Restaurant: Friend or Foe?" *Management Science*, 68(9), 6539-6551. **Publisher record**.
- **[S6]** Feldman, P., Frazelle, A. E., & Swinney, R. (2023). "Managing Relationships Between Restaurants and Food Delivery Platforms: Conflict, Contracts, and Coordination." *Management Science*, 69(2), 812-823. **Publisher record**.
- **[S7]** Niu, B., Li, Q., Mu, Z., Chen, L., & Ji, P. (2021). "Platform logistics or self-logistics? Restaurants' cooperation with online food-delivery platform considering profitability and sustainability." *International Journal of Production Economics*, 234, 108064. **Publisher record**.

All case evidence is limited to information available by 11 July 2023. Company claims are attributed. No platform terms or economics are assumed.