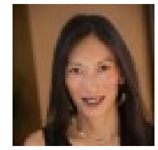
Dunkin' Donuts Should Embrace Its Differentiation

forbes.com/sites/deniselyohn/2017/08/23/dunkin-donuts-should-embrace-its-differentiation/

8/22/2017

Denise Lee Yohn , Contributor
I write about great brands and their strategies.



Dunkin' Donuts (NASDAQ:DNKN) should re-think its decision to test a new brand name and not drop "Donuts" from it. The company explained the new name is "part of our efforts to reinforce that Dunkin' Donuts is a beverage-led brand and coffee leader." But the explanation actually points to the problem with the change — the company has mistaken sales volume for brand differentiation. While the chain might sell more coffee than donuts, its brand differentiation is based on offering a combination of both. Deliberately rejecting that differentiation will weaken the brand, especially as the company expands into the new markets.

Credit: Broward Palm Beach New Times

Dunkin' Donuts should emphasize the combination of great donuts and coffee that differentiates it from most every other brand.

From a business strategy standpoint, the desire to de-emphasize donuts is understandable. They're purchased less frequently than beverages and they're less profitable too. But from a brand perspective, the company's beverages are not enough to serve as its lead attribute, much less the core of its brand differentiation.

Of course the coffee at Dunkin' Donuts is very popular. Dunkin' Donuts actually beat Starbucks on the American Consumer Satisfaction Index Restaurant Report in 2015. And its fans, particularly those in the Northeast region of the U.S., are fiercely loyal to the brand in large part to its coffee which is perceived to be milder and more mainstream in taste than Starbucks.

But as the company expands into the West Coast, it faces steep competition. According to RedFin, four of the top five cities with the most coffee shops are in Western states (San Francisco — with a whopping 1,062 coffee shops, Seattle, Portland, and Oakland). Not only does Starbucks have a strong presence in the region, chains such as Peet's and Philz are local favorites and boutique coffee brands such as Blue Bottle Coffee and Sightglass enjoy cult-like followings of fans. Dunkin' Donuts may have more mainstream appeal than these brands, but to appeal to that mainstream customer, the brand would be better served by a name that promoted a combined coffee and donut offering. Donuts are a subtle, but nonetheless strong, reminder of the brand's mainstream position.

It's true that many people already call the chain "Dunkin'" and the company itself has been using the shortened moniker in its themeline “America Runs on Dunkin’” since 2006. But there's no need to abbreviate the official brand name. "Donuts" doesn't lessen the appeal of brand -- if it did, then the company should phase out its donut offerings. But it wouldn't do that. It remains the number one retailer of donuts in the country after all. Dropping the reference to donuts in its name while continuing to sell them could even be construed by some as being inauthentic. So, the company should embrace its name and its differentiation.

It seems that Dunkin' Donuts wants to use a name change the same way Radio Shack tried to change its name to The Shack: trying to shed an association that the company felt was holding it back. But after spending $200 million on the effort, Radio Shack reverted back to its full name. Then-CMO Lee Applebaum is reported to have said, “We had alienated the very consumer that had given us that core credibility in electronics.”

With its name change, Dunkin' Donuts risks doing the same to its core customers — and at the same time failing to appeal to new ones who need a compelling reason to try the brand. Instead, the company should emphasize the combination of great donuts and coffee that differentiates it from most every other brand. Differentiation is the most important element of brand strategy in practically every category but even more so in fast food, a crowded industry that's not growing and tends toward commoditization. Without a clear point of difference, a brand doesn't give customers a reason to think of it -- much less visit it.

Comment on this story