

No Matter How You Slice It, This Is America's Favorite Pizza Brand

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There are few foods more popular in America than pizza, and few places more ubiquitous than the local pizzeria. Whether it's thin crust or thick, more sauce or less, or an all-cheese pie or one with everything on it -- but hold the anchovies! -- we have a love affair with pizza.

Market research firm Technomic say 41% of consumers eat pizza at least once a week, a big leap up from two years ago when only a little more than a quarter of those polled said they did, and some 3 billion pies are consumed every year.



Image source: Getty Images.

The industry is all too willing to help feed that appetite, seemingly giving us a pizza parlor on every corner. According to *Pizza Magazine*, there were 76,723 pizzerias operating in the U.S. generating more than \$44.4 billion in sales, or almost \$580,000 per shop on average. Most of those places are independent businesses (they make up 55% of the total), but it's the big chains that make the most money, some \$25.6 billion annually .

That translates into a lot of repeat business, which means we all have our favorite pizzeria that we love going back to again and again. How these shops develop such customer loyalty is what interests the folks at brand consultancy Brand Keys, which last year surveyed 42,792 consumers from nine U.S. Census regions about the emotional engagement companies register with their customers.

The customer is always right

Looking at 740 brands in 83 categories, of which pizza was one, the customer engagement research firm compiled its [Customer Loyalty Engagement Index](#) for 2017 to help determine how consumers view a brand, comparing that brand to other brands, and how engaging that brand is with the consumer.

There's a good reason to do that. Brand Keys says customer loyalty and emotional engagement are leading indicators of consumer behavior toward a brand, no matter the category, and those brands that best understand that "emotional connections serve as surrogates for added value," have succeeded.



Image source: Getty Images.

So knowing that brand loyalty is a meaningful driver of profits for a business, which pizzerias ranked highest?

A slice short of a pie

Six national brands rose to the top, last of which was kids arcade-and-pizza palace Chuck E. Cheese. No doubt being the birthday bash place of choice helped cement its place on the list, though it was beaten out by fifth place Little Caesar's, the third largest chain in the country, and fourth place **Yum! Brands** ([NYSE:YUM](#)) Pizza Hut, the country's largest with over 16,400 restaurants worldwide, 47% of which are here in the U.S.

That actually has to be a little disappointing for Yum! Brands, which embarked several years ago on a major turnaround effort for the chain that hasn't paid off. In its earnings conference call with analysts earlier this month, CEO Greg Creed said the U.S. division, which accounts for 10% of the company's total operating profits, produced results that "disappointed and are not acceptable." A new turnaround effort is again under way, and management admits it won't be completed this year, indicating we're not about to see Pizza Hut top the Brand Keys index next year either.

In third and second place, respectively, were **Papa John's International** ([NASDAQ:PZZA](#)) and **Papa Murphy's**, both of which focus on the idea that fresh ingredients make a better pizza.

While Papa John's stock has been soaring, it stumbled in the latest quarter despite sales and profits beating

expectations, because its repeat business came in short of what Wall Street was expecting. While sinking NFL ratings were blamed for some of the shortfall, Papa John's has a newly relaunched pan pizza that founder and CEO John Schnatter says was its "biggest product launch" yet and is being "very well received by customers." A new digital initiative is also expected to drive sales higher.

Papa Murphy's, on the other hand, has ridden the fast-casual dining wave that was epitomized by **Chipotle Mexican Grill**, but has spread to other concepts too, including burgers, Asian and Mediterranean fare, and yes, pizza. But there's a [shakeup under way](#) in the niche as the explosion of "better pizza" shops is causing many of them to fall hard. Papa Murphy's is one that's fallen hardest, though its cook-at-home concept still wins plaudits from its customers.

A loyal following

So which pizzeria did Brand Keys find generated the most loyalty among customers? Yep, **Domino's Pizza** ([NYSE:DPZ](#)), the second-largest chain behind Pizza Hut, but the one that probably still gains a lot of respect for how CEO Patrick Doyle willingly admitted the chain's pizza sucked and he was committed to changing that image.



Image source: Domino's Pizza.

That kind of self-deprecating assessment can definitely engage a customer, but bashing your own product can only go so far. At some point, you [have to deliver](#). And Domino's has. After overhauling how its pies were made, the pizzeria has simply dominated the pizza space, piling on sales growth quarter after quarter for 22 straight quarters. And analysts expect it to post a 23rd quarter of expansion when it releases its latest financial results.

The biggest contributor to Domino's dominance, other than better tasting pies, has been its ability to own the digital space for ordering, where it now generates more than 50% of its U.S. sales from mobile devices. Customers have the option of ordering via their smartphone or by sending their order via a tweet over **Twitter**.

This Domino is not falling

And if the chain keeps growing at the torrid pace it's on, Wall Street believes Domino's could surpass Pizza Hut as the top pizza shop in the country with a 16% share of the market.

While the declines experienced by the other pizza chains could have some believing Domino's will also falter, it's more likely Domino's was taking their business. Mind you, the pizzeria's gains have come amid a slump in the fast-food dining space, where price deflation at the grocery store has convinced people it's just cheaper to cook a meal at home instead of eating or dining out. That might also explain Papa Murphy's coming up short: you're ordering out, but still have to cook the pie. It's the opposite of convenience, even if what you're getting is fresh.

For Domino's, ease of ordering combined with a new customer loyalty program launched late last year means the pizzeria is taking a bigger slice of the industry pie.

The pizza chain will, of course, need to keep innovating if it wants to stay ahead of the competition, but with all of the data it's collecting from its mobile users, expect to see Domino's Pizza offer up even tastier performances in the future, to the delight of its shareholders.

Rich Duprey has no position in any stocks mentioned. The Motley Fool owns shares of and recommends Chipotle Mexican Grill and Twitter. The Motley Fool owns shares of Papa John's International. The Motley Fool is short Domino's Pizza and has the following options: short June 2017 \$140 puts on Domino's Pizza. The Motley Fool has a [disclosure policy](#).