

teaching note

Teaching Objectives

The case study can be utilized to address a number of different topics critical to strategic management and franchising. Based on the class and teaching environment the following objectives can be addressed:

1. Franchising:
 - a. Developing Franchisor/Franchisee relations
 - b. Advantages/Disadvantages of Franchisors
 - c. Advantages/Disadvantages of Franchisees
 - d. Current Franchise Issues
2. Supply Chain Management:
 - a. Effective Supply Chain Management for Franchise Growth
 - b. Communication with Franchisees
3. Strategic Management:
 - a. Modifying strategic plan based on market success
 - b. Handling market pressures when going public
 - c. Addressing Franchisee concerns during strategic plan development
4. Marketing and Strategy
 - a. Rebranding when the market shifts
 - b. Developing products and menus that appeal to the consumers
 - c. Marketing/Franchisee Balance
5. Legal aspects
 - a. Show how legal proceedings affect the business
 - b. Legal requirements relevant for protecting a brand
 - c. Franchisor/Franchisee Rights

Teaching Approach

This case study can be utilized to address one or more topic areas within franchising and strategic management at the same time. It is recommended teachers explore several topics to provide students with in-depth analysis of current business issues and an understanding of the complexities of an organization. The case study is meant to target junior and senior undergraduate business students and graduate business students. The following talking points are meant to facilitate discussion.

1. Franchising:

This case study provides a classic example of the issues that franchisors/franchisees face in ensuring success. What could Krispy

Kreme Corporate do to maintain better relationships with the franchisees? Based on the case, what advantages and disadvantages did the franchisors have? What advantages and disadvantages did the franchisees have? The case study can also be used to gain a better understanding of franchising and the issues current franchises are facing.

2. Supply Chain Management:

Teachers can use this case study to explore supply chain management and the differences distinct to franchising. How could Krispy Kreme have better developed their supply chain to ensure franchisee success? What would be the best form for Krispy Kreme to communicate changes in their supply chain? Was Krispy Kreme ethical in passing their costs from an inefficient supply chain to franchisees? Should franchisees be allowed to purchase ingredients from any supplier?

3. Strategic Management:

This case study provides a great example of how important strategic management can be to an organization. Teachers can dictate this discussion with numerous questions. Did Krispy Kreme's complacency cause the issues mentioned in this case? How does an organization deal with market pressures related to going public? How should Krispy Kreme management have modified their strategic plan to address success? How should Krispy Kreme incorporate franchisee into the strategic management planning? Should Krispy Kreme Franchisees be involved in strategic planning?

4. Marketing and Strategy:

This case study can be used to address how important it is to continuously address marketing with the ever changing market and also the importance of involving franchisees. How could Krispy Kreme have rebranded to get ahead of their competitors? What menu items should have been developed to address different consumer tastes? Should franchisees be involved in marketing decisions? Is it Krispy Kreme's responsibility to address franchisee regional marketing concerns? Are franchisees asking too much to be able to have a larger say in marketing decisions? Are franchisors more successful when they develop marketing campaigns without franchisees?

5. Legal aspects

This case study addresses some of the important legal aspects that are important to understanding the franchisor/franchisee relationship and unethical behavior. How did the lawsuits and SEC inquiry affect Krispy Kreme business? Were the franchisees right in suing Krispy Kreme although franchise agreements don't give many rights? Based on this case, what rights do franchisors have and what rights do franchisees have? Should franchisees have more rights? If so, would more rights for franchisees ensure more success for Krispy Kreme?

Teaching Strategy

This case study can be used in the following ways to maximize the learning experience for students. The different methods are provided below.

1. This case study can be used as a research tool to help students gain a better understanding of franchising. Students should read the case study, research franchising and develop a paper or report on the critical areas of franchising.
2. This case study can be used to simulate certain environments in the business world. For example you can have students pose as a Krispy Kreme corporate management or franchisees and argue whether corporate management should be held responsible for franchisee lack of success.
3. This case study can be used to stimulate further research and discussion about franchisee issues. Each class can be split up into groups and required to research and present current franchisee issues for another organization.
4. This case study can be used to help students develop strategic plans and marketing plans. After the case study, students could be held responsible for developing a sound strategic plan or marketing plan that would help Krispy Kreme be more successful.
5. This case study can be used a financial statement calculations tool. Students can utilize Figure 2 to recalculate all of Krispy Kreme's financial statements.

Discussion Questions

- As an executive, what would you have done to prevent the downward spiral at Krispy Kreme?
- Should Krispy Kreme management be held responsible for franchisee failure?
- Should franchise owners have more flexibility with store size and product to ensure a better chance of success? Should franchise owners have more rights when corporations mismanage the business?
- How could Krispy Kreme have diversified their menu to compete with competitors?
- What would you have done as a franchisee owner if corporate mismanagement caused your franchise to fail?
- What changes could Krispy Kreme have made to appeal to health conscious consumers?
- Are the unethical decisions made by Krispy Kreme management consistent with what we have seen during the economic downturn? What can be done to prevent such unethical behavior?

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