

Digital Transformation in Traditional Business Models: An Examination of The Domino Case Study

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Abstract— *The purpose of this study is to evaluate the digital transformation model that traditional businesses can use and to find out the opportunities and challenges that managers face when implementing digital transformation. Through analyzing Domino's, this paper shows how companies using traditional business models can apply digital transformation to gain a competitive advantage and create more value. Furthermore, traditional businesses can clearly understand the issues of digital transformation and prepare before implementing business strategies in the current digital age. To apply digital transformation, traditional companies may face many challenges, so focusing on changing the way of management may be the key solution to support them in ensuring consistency between building digital transformation and implementing strategies. The proposed solutions are based on the analysis of the real case of Domino's digital transformation and the review of existing studies that can be useful for conventional businesses in seeking changes that are relevant to the current market. This paper uses the secondary research method, the study can support conventional companies in adopting the digital transformation model to gain more benefits. The findings have meaningful implications for managers of conventional organizations to change their business operations in line with current development trends.*

Keywords— *Digital Transformation, Change Management, Traditional Organization.*

I. INTRODUCTION

In recent years, digital transformation has been one of the most important changes. Therefore, researchers and experts have studied this digital change closely to identify the necessary factors that can help traditional businesses gain more advantages (Vial, 2019). Businesses have implemented digital transformation to improve customer experience, reduce costs, and improve production. For traditional companies, digital transformation poses challenges for management. Moreover, change management is the top priority of all types of companies in digital transformation. Therefore, this paper will mention how can traditional models adopt digital transformation and how change management is important in this period.

II. LITERATURE REVIEW

From a management perspective, digital transformation models can be evaluated as change initiatives (Bellatunoon et al. 2021). Furthermore, Loonam et. al (2018) mentioned that change management can be evaluated as necessary to ensure effective digital transformation for conventional organizations. This section will review and evaluate the relevant literature on digital transformation and change management.

2.1 Digital Transformation

Digital transformation is a priority process that every business using a traditional business model should use to adapt to the current economic development trend. Companies are moving from product-centric business to digital transformation services to make changes in process structure, functions, and business models to provide better services and improve customer experience (Vial, 2019; Kolagar et al. 2021). From the current business perspective, digital transformation addresses technological changes

and affects all business segments (Kraus et al., 2021). According to Pereira et al. (2022), digital transformation impacts business strategy and improves organizational aspects including agility, resilience, and especially new competitiveness. Furthermore, the adoption of digital technologies (IoT, big data, and cloud computing) is at the core of digital transformation and supports a more sustainable circular economy. Digital transformation is a process that benefits businesses by improving operational processes and meeting customer expectations.

2.2. Change Management

For traditional businesses, change management must be of concern to the company if it wants to initiate digital transformation. Bellantuono et al. (2021) reported that in evaluating digital transformation models, change management can be used as a priority solution. Indeed, change management refers to a set of techniques, processes, guiding concepts, and practices used to control the digital transformation process from the current state to the desired future state (Kamdjoug, 2023).

III. AN EXAMINATION OF DOMINO CASE TUDY

Domino's is a long-standing food company founded in 1960 and started franchising in 1967. The financial crisis of 2008 brought Domino's to its worst period and almost bankrupted it. Realizing the benefits of digital transformation, Domino's took a risk when it launched its mobile application in 2009. And it quickly proved to be effective. According to Blumberg (2017), Domino's stock price beat famous technology giants such as Amazon, Facebook, and Google in the decade from 2010 to 2017. Therefore, Domino's was chosen as a real-life case study in my research to analyze the digital transformation process in traditional companies.

3.1. Domino's Past Challenges

With the economic downturn in 2008, Domino's faced challenges as sales declined and customers complained about the quality of their pizzas and delivery experiences. The impact of these challenges directly affected Domino's revenue and reputation. Customers were dissatisfied with Domino's service and quality while competitors took advantage of customer interest in Domino's to offer better options to customers. Domino's realized that conventional marketing strategies were not enough to create a competitive advantage for Domino's at that time. Therefore, the company focused on developing comprehensive digital transformation strategies to improve customer experience and operational efficiency.

3.2. Domino's Digital Transformation Solution

Domino's focuses on comprehensive digital transformation to change the way a traditional company operates to meet customer needs and especially increase competitive advantage in today's digital era. The company has applied digital transformation through technological innovation, product innovation, and organizational transformation.

Technological innovation: Due to new digital revolutions, customer behavior is always evolving (Loonam et al. 2018). Therefore, as a traditional business, Domino's invests the highest budget in researching, developing, and updating applications and services to meet customer needs. About 60% of Domino's revenue comes from digital channels. Moreover, the company spends more money to hire excellent employees who are more open to using new technologies such as statisticians and business analysts working in the digital environment.

Product Innovation: Domino's has invested heavily in digital growth such as innovation in ordering and delivery. Domino's introduced the "Pizza Tracker" technology in 2008 so that consumers can track the entire progress of their pizza orders. The company has differentiated itself from its competitors by using voice commands and one-touch technology that allows customers to order pizza easily and conveniently. Domino's advancements in digital accessibility can provide a seamless customer experience, which helps retain customers in the long run (Kraus et al. 2021).

Organizational Transformation: Pereira et al. (2022) demonstrated that digital transformation will help companies reduce labor costs by replacing human labor with robots or virtual assistants and reducing the information supply chain by using AI and blockchain. According to Domino's report, about half of the company's employees work in software and analytics at the headquarters. Additionally, increased investment in information technology along with customer data collected using machine

learning and AI-driven insights could enable Domino's to track consumer trends and predict future customer needs (Pereira et al. 2022). Domino's senior leaders have been working on new digital transformation efforts and developing an IT suite that can connect with sales and marketing to make data-driven forecasts of customer trends.

IV. DISCUSSION AND IMPLEMENTATIONS

4.1. Evaluation of Domino's digital transformation activities

Domino's is a fast food chain that pioneered the use of digital technology to transform the process-based service experience for customers. Kamdjoug (2023) demonstrated that with the support of information technology solutions, employees can better meet the requirements of the organization, contributing to the overall performance of the entire organization. Domino's digital transformation strategy is highly appreciated for its focus on technology development and convenience with a digital platform and payment ordering process that has improved the consumer experience as well as standardized the ordering process (Matzler 2018).

However, focusing only on technology and convenience without updating the business model to adapt to digital transformation can pose risks to businesses, especially traditional businesses (Kraus et al. 2022). During this phase, change management is one of the important factors, as leaders may need to change their thinking and perception to develop and integrate technology into existing businesses (Bullantuono et al. 2021). Vial (2019) assessed that changes in the structure and culture of a traditional business organization lead to employees taking on manual roles and having to change or risk being laid off. Indeed, about half of their employees work in software and analytics at the headquarters. Therefore, there is a significant disruption in the structure of the long-standing business model. To achieve a successful digital transformation, Domino's focused on rethinking change management. Bellantuono et al. (2021) stated that each transformation effort may include a specific set of actions that can be explained by change management models. As technology continues to evolve rapidly, competitors may catch up or even surpass Domino's in the digital services space, making it necessary to manage change and restructure the business model to accommodate digital transformation.

4.2. Alternative solutions

From the above assessments, decision-makers can find alternative solutions to address the digital transformation challenges faced by traditional businesses as well as Domino's. Alternative solutions or roadmaps will help companies balance technology development with factors that ensure a sustainable business model. According to Loonam et al. (2018), to achieve digital transformation, companies need to take four main actions including technology-centric, organization-centric, and strategy-centric aspects. Decision-makers can focus on leveraging technology to enhance customer experience and business efficiency while updating organizational changes and business model changes for the company in the digital era (Pereira et al. 2022). In the Domino's study, senior leaders should consider the socio-economic impact of digital transformation. The management change model should focus on the structural and policy development of the business model (Bellantuono et al. 2021). In addition, harnessing the power of data and automation can help senior leaders control the company's operations more easily and help the company reduce operating costs and improve overall efficiency. As a result, the company will have an efficient operating process based on data-driven decisions.

V. CONCLUSION

In conclusion, Domino's digital transformation study answers the question of how traditional businesses can transform to gain a competitive advantage in today's digital age. By applying automation and technology to the launch of the online ordering and tracking system "Pizza Tracker", Domino's successfully addressed the issue of declining sales and negative customer feedback regarding ordering and delivery. Domino's was very proficient in digital transformation early on and focused on customer-centric and technology-centric aspects of development. For digital transformation in traditional businesses, change management is one of the key factors that determine whether the process is successful or not. Decision-makers should prioritize the study of change management models while implementing digital transformation. However, in terms of technology, Domino's did quite well in gaining a competitive advantage in the early stages of the digital age. However due to the continuous development of technology,

customer needs change every day, so companies need to invest more in technology and have convenient alternatives in the face of socio-economic fluctuations. Alternatives for decision-makers include balancing the use of technology and people. In particular, decision-makers who need to change will apply a change management model suitable for each period.

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