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*Our mission is to provide information and strategies to business owners and managers for improvement in the effectiveness of its business management so that key objectives can be realized.*

## Krispy Kreme Doughnuts – a Performance Success Story



A Krispy Kreme doughnut — just the thought of one of their signature glazed doughnuts makes just about everyone's mouth water. A recent article in Fortune Magazine said only three types of people claim they don't like Krispy Kremes: nutritionists, Dunkin' Donuts franchisees, and compulsive liars. Founded in 1937, Krispy Kreme Doughnuts, Inc. (KKD) opened its doors in Winston-Salem, North Carolina. The doughnut shop expanded slowly in the early years. By the turn-of-the-century, it had grown to more than 100 franchise stores located mostly on the eastern seaboard.

In April 2000, KKD went through an initial public offering of common stock. Since then, they have grown to 374 stores in 44 states, Australia, Canada, Mexico and the United Kingdom. KKD has also experienced increased offsite sales and along the way, have grown their product line. From 2001 to present, top line sales have increased an average of 30% per year. Net income has grown close to 60% per year during the same period of time.

Paul Harrison, vice president of financial planning and analysis, Krispy Kreme Doughnuts, Inc., discussed the business challenges the company faced during its period of rapid expansion after going public in April 2000. According to Harrison, Krispy Kreme's existing manual, spreadsheet-based financial reporting and consolidation systems were inadequate for managing its increasingly complex and decentralized organization of manufacturing and distribution facilities, franchise and company owned satellite retail stores, factory retail stores, and commissaries. With the opening of more than 250 new stores, Krispy Kreme was forced to compile large amounts of data from disparate sources and make the information available in a concise format to key business decision makers. Harrison described the need for more powerful budgeting, forecasting and reporting capabilities and a search for "an easy-to-use, integrated open database system — capable of handling financial and non-financial data — that provides users with a single version of the truth."

An enhanced performance management solution was inevitable — one that considered both financial and non-financial performance indicators. Remember, financial performance measurements are historical in nature. Non-financial measurements allow for real time review and change. In the end, the issues they considered most

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considered most important for their performance management solution included:

- Selecting the right performance management system
- Identifying measuring, and tracking the key indicators that drive success
- Using budgeting and forecasting as tools to translate strategic objectives into action plans
- Keeping the performance measurement system flexible to meet changing demands over time

KKD selected a corporate performance management suite. It is believed that its single source, highly visual design and built-in analytical capabilities are driving better decision making abilities company-wide.

According to Harrison, the solution has already provided several benefits including improved budgeting and forecasting efficiencies, a better understanding of transactional data, improved data accuracy through integration of budgeting and forecasting systems and a common system for all of the processes. This performance management system provides tools that allow users the unprecedented ability to provide the right information to the right people at the right time.

In a news release on May 7, 2004, Mr. Scott Livengood, CEO of KKD, indicated the company was also taking aggressive measures to address several operational initiatives. The initiatives include a focus on core business and enhanced store-level productivity and profitability.

Every company can benefit from implementing some performance management initiatives. The larger the company, the more variables, yet the concepts are the same. Focus on key performance indicators and fine tune until they deliver consistently. Krispy Kreme Doughnuts is a great success story. Their performance measurement systems will allow the organization to make ongoing changes in real time. They have one other advantage as well. They simply have the best product on the market and quality almost always sells itself. In the end, excellence in all areas of performance will surely result in the “bottom line” taking care of itself.

When you are ready to ensure your bottom line takes care of itself, give us a call. We can put you on the fast track to peak performance. ■