

# Pizza Industry Franchise Report 2010

<http://www.franchisedirect.com/foodfranchises/pizzafranchises/pizzafranchiseindustryreport2010/80/275>

This report presents an overview of the U.S. Pizza franchise industry and outlines the investment, costs, and fees associated with pizza franchising. The report is based on data drawn from the Franchise Disclosure Documents (FDD) of a representative sample of 25 pizza franchises and on published industry source.

## Introduction

Pizza is very much part of the American way of life, with Americans eating approximately 100 acres of pizza each day, or 350 slices per second<sup>1</sup>. Although the pizza industry experienced a decrease in sales during the recession, the beginning of 2010 has seen an increase in sales. The development and implementation of new technology and marketing strategies has enabled the pizza industry to adapt to growing consumer demands for cheap, fast, and convenient products.

## History of the Pizza Industry in the US

Pizza arrived to the inner cities of the United States, New York and Chicago most notably, in the early 1900s, thanks to the large population of Italian immigrants. The popularity of pizza then grew with the returning of GI's to the US after being stationed in Italy during World War II. They brought home a demand for the pizza they had enjoyed in Italy and thus began the mainstreaming of pizza into American society. Between 1945 and 1960, pizzerias began opening all over the country.

At that time, pizza restaurants were individually-owned stores, but the proliferation of chains changed this. Pizza Hut started in Wichita, Kansas, in 1958 and now has over 7,500 units in the US; Little Caesars emerged in 1959 in Michigan and now has over 2,500 units. Domino's started in 1960, also in Michigan, and now has over 5,000 units in the US; Papa John's opened in 1989 in Indiana. It now has nearly 3,000 units in the US.

Today there are nearly 68,000 pizza stores in the US<sup>2</sup>.

### The Queen of Pizza

Around 1889, Italy's Queen Margherita and her husband, Umberto I were touring the country, when she saw peasants eating large, flat bread. The queen was curious and asked to try the pizza. She loved it so much, she brought chef Raffaele Esposito to the royal palace and ordered him to bake pizzas for her. To honor the queen who was so beloved by her subjects, Raffaele baked a pizza topped with tomatoes, mozzarella cheese, and basil to represent the colors of the Italian flag. This became Queen Margherita's favorite pizza and it was named in her honor, the Pizza Margherita.

# Pizza Market

## Size and Value

The pizza segment of the food industry represents 11.7% of all restaurants and accounts for more than 10% of all foodservice sales. Between June 2008 and June 2009 the US pizza industry recorded nearly \$37 billion in sales<sup>3</sup>.

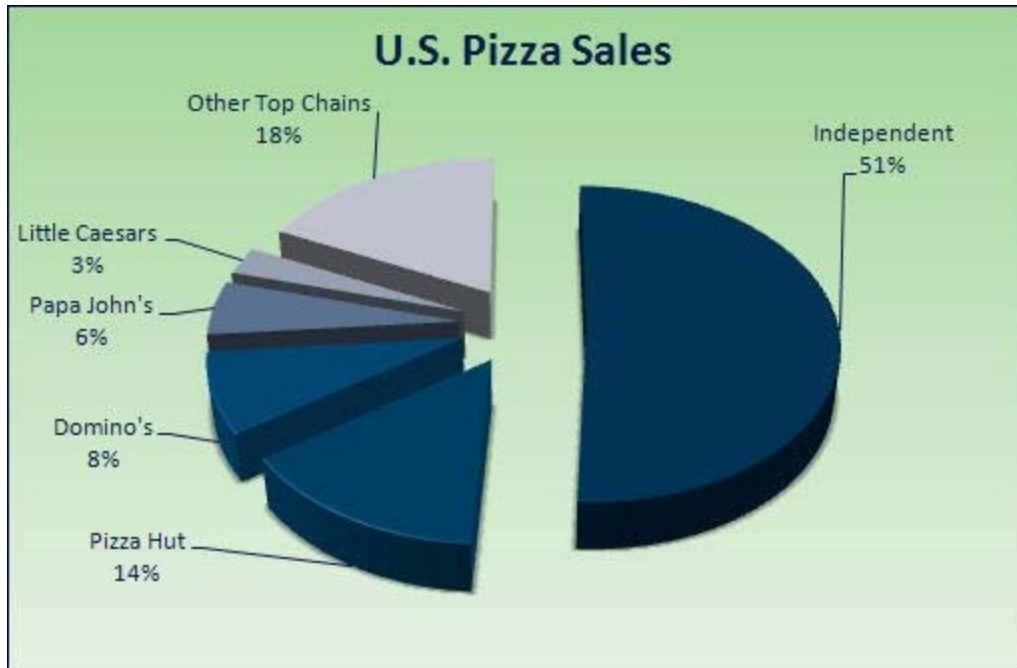
According to “Pizza Power”, PMQ magazine’s (Pizza Marketing Quarterly) Annual Industry Analysis, of the 67,554 pizza stores in the US, 59% are independently-owned and control 51% of total pizza sales. Franchises and chains account for 41% of the market and for nearly half the sales<sup>4</sup>.

The following pie charts were sourced from PMQ’s 2009 annual industry analysis and depict the breakdown of pizza stores in the US and a breakdown of US pizza sales.

**Graph 1: Breakdown of Pizza Stores<sup>5</sup>**



**Graph 2: Breakdown of U.S. Pizza Sales<sup>6</sup>**



## Market

The pizza industry experienced a loss of market share and sales during the recession as skyrocketing cheese prices and an increase in the cost of wheat and other pizza essentials drove up the cost of pizza. McDonald's and other hamburger purveyors gained market share by attracting penny-pinching consumers with value meals, some with entrees priced as low as \$1 or less.



In an effort to revive sales, pizza businesses began to offer promotions to customers through varied marketing channels such as social media sites, the internet and direct mail. For example, Pizza Hut launched a \$10 promotion at the end of 2009 in Dallas which went nationwide earlier this year and helped the country's largest pizza seller regain some of the sales it had lost to lower-priced chains. The promotion offered consumers any pizza, any crust and any toppings for \$10. This trend towards offering targeted discounts has proved a successful strategy as most pizza businesses have

reported an increase in sales for the start of 2010.

Due to the recession-driven “eating in” trend, pizza businesses have experienced an increase in take-out and delivery sales. Take-out and delivery has risen in popularity due to the fact that it is

cheaper than eating out, as there are no additional expenses like tips, drinks and gas. The increase of at-home leisure activities has also been a key growth driver. With new technology that allows for easier and faster ordering, the number of consumers ordering online or via text is forecasted to rise.

## Demographics

Pizza is enjoyed by people from all walks of life and eating out at restaurants is an essential part of the American lifestyle. According to the National Restaurant Association, 45% of adults say that restaurants are still a major part of their lifestyle and that they will continue to frequent their favorite restaurants<sup>7</sup>. According to a survey completed by Mintel<sup>8</sup>, 93% of Americans eat at least one pizza per month and 21% of 18 – 24 year olds purchase pizza more than three times per month. This is compared to only 7% of those aged over 65 eating at least one pizza per month. Pizza also proved popular with parents. About 20% of the parents surveyed said that they purchase pizza more than three times per month, compared to 12% of adults with no children.

The following link offers a [breakdown of the number of pizza stores](#) in the U.S. by state:

<sup>1</sup>*About Domino's Pizza, Fun Facts; www.Domino's.com.*

<sup>2</sup>*"Pizza Power", PMQ magazine's (Pizza Marketing Quarterly) Annual Industry Analysis.*

<sup>3</sup>*"Pizza Power", PMQ magazine's (Pizza Marketing Quarterly) Annual Industry Analysis.*

<sup>4</sup>*ibid*

<sup>5</sup>*ibid*

<sup>6</sup>*ibid*

<sup>7</sup>*National Restaurant Association, Research and Insights, www.restaurant.org*

<sup>8</sup>*Mintel, Pizza at Retail, US, January 2010 - <http://academic.mintel.com/sinatra/oxygen/display/id=482430>*