Market research

Prepared for
Banbury Cross Donuts

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Secondary research

Demographics

Banbury Cross has huge potential demographically. The current market spans the "big three" Utah counties: Davis, Salt Lake, and Utah. Here's a quick breakdown of each county:

Davis
- Average household size = 3–4
- Primarily families, average 90%
- More likely to have children, average 63%
- Average salary $125k
- 83% white, 10% Hispanic, 1% Black
- More likely to own a car
- 32% under 20, 21% 20–34, 35% 35–64

Salt Lake (east)
- Average household size = 1–2
- Less likely to be family (low 39%, high 69%)
- Less likely to have children, average 40%
- Wealthier, average $150k
- 70% white, 20% Hispanic, 5% Black
- Less likely to own a car
- Under 20 27%, 20-34 23%, 35-64 37%

Salt Lake (west)
- Average household size = 3–4
- Primarily families, average 85%
- More likely to have children, average 60%
- Average salary $80k
- West Valley: 45% white, 40% Hispanic, 2.5% Black
- West SLC: 40% white, 45% Hispanic, 4% Black
- Less likely to own a car

Utah
- Average household size = 4
- Almost all families, average 95%
- More likely to have children, average 65%
- Average salary $150k
- 80% white, 12% Hispanic, <1% Black
- More likely to own a car
- Under 20 35%, 20-34 28%, 35-64 27%

All demographic research was found at Social Explorer.

The challenge of any restaurant is that the product can appeal across the board generationally. That said, each generation will have its own motivations and reasons to believe. I'll provide this information in audience personas as part of the brand identity.

But in general, Millennials and older Gen Z are more likely to spend more of their food budget on eating out than any other age group. And Boomers have higher disposable incomes to use on eating out. Younger Gen Z is different — they will eat out less than other age groups. But with the right key insight and motivation, and the right brand positioning, we can tap into the Gen Z audience and start investing in customer relationships that will last a long time.

Consumer expenditures

On average, 45% of the immediate population regularly buys food away from home, with east Salt Lake City, Davis county, and Utah county more likely than west Salt Lake City (Social Explorer).

According to Mintel, here's how else Utahns are buying food and beverages:

Products purchased from an in-store bakery
- 52% cookies
- 48% donuts
- 45% sliced bread
- 40% cakes
- 37% buns
- 35% muffins
- 35% bagels

Products purchased for
- 76% myself
- 72% children 12–17 in the house
- 60% child under 12
- 48% another adult in the house

Beverages consumed
- 91% carbonated soft drink
- 81% water
- 68% coffee
- 67% juice
- 59% tea
- 43% sports drink

Statista adds the following:

Top national brands people buy donuts from
- 64% Dunkin' Donuts
- 46% Krispy Kreme
- 46% Store brand
- 34% Hostess
- 27% Entenmann's
- 24% Little Debbie

And **201.02 million** Americans eat donuts.

According to Square, Utah is the number 5 state in the nation in donuts consumed per capita.

The Brisan Group sheds even more light on consumer behaviors:
- 44% eat donuts at least once a week or more.
- 46% eat donuts once to 2–3 times per month or more.
- 63% of consumers eat donuts in their cars.
- 49% eat them at the office or at a party.

Where people buy donuts
- 87% national chain
- 72% bakery in town
- 71% bakery in grocery store
- 45% boxed donuts at grocery store
- 38% premium donut shop
- 31% bagged donuts at grocery store
- 12% diner or restaurant
- 8% homemade
- 2% other

Why people eat donuts
- 90% treat for myself
- 70% taste
- 57% breakfast
- 55% treat for family or friends
- 48% snack
- 39% easy to take to event or party
- 37% dessert
- 36% convenience
- 31% nostalgic
- 16% price
- 12% no mess
- 10% habit
- 1% other

Finally, Bakemag reported that in 2021, 2.1 billion servings of coffee were ordered across the country compared to 805 million servings of donuts.

My takeaways from this research essentially validate some of our assumptions: donuts are a social treat, coffee is an important product to sell (especially in Salt Lake City), and Utah is an opportunistic place to sell donuts.

Market size and share

The national market size for this industry is $7.26 billion.

Within that market size, Utah's revenue growth rate for coffee and snack shops is the highest in the country at 8.17% (IBIS World).

- It also has the highest establishments growth rate — 6.24%.
- And the highest wages growth rate — 7.93%.

IBIS World lists the following as the top factors to succeed in this industry:

- Clear market position
- Effective cost controls
- Franchise operations
- Sell at high-profile outlets
- Monitor market and consumer needs
- Tap into a multiskilled and flexible workforce.

IBIS World also notes that the largest product segment is coffee.

There some major takeaways here that Banbury Cross could explore. One is the insight that Utahns love their sweets, and they're paying big money for them. This is the perfect time to grow.

But it comes with a caveat — Banbury needs to know exactly who they are and what they want to achieve. And although franchising is out of the question, a careful expansion plan with a similar strategy will pay big dividends. And as we've discussed, exploring an expansion of coffee offerings may prove to be highly beneficial.

Competition

IBIS World's forecast for this industry is that the competition is high and increasing. That's certainly true in Utah.

Direct competitors

Direct competitors occupy the same space and sell similar products within the larger dessert market, and they have locations within the same demographics and locations.

- Chubby Baker
- Donut Star Cafe
- Daylight Donuts
- The Dough Miner
- The Donut Run
- Duck Donuts
- Dunford Bakers
- Hello Sugar
- Fresh Donut & Deli
- Krispy Kreme
- Mochinut
- Starbucks

Indirect competitors

Indirect competitors sell different products (cookies, soda, etc.) but occupy the same dessert market and pull customers away to their own products.

- Chip Cookies
- Crave Cookies
- Crumbl Cookies
- Dirty Dough
- Quench It Soda
- Swig
- Thirst Drinks
- Twisted Sugar

These competitors are active in the advertising space, especially in out-of-home and social channels. In the plan I'm creating, I will suggest that Banbury Cross leverage many of the same channels to ensure our voice is being heard and the brand is being recognized alongside its competitors.

From a price point perspective, Banbury has done a phenomenal job keeping prices right at competitor pricing, combatting the inflation and providing customers the same — or similar — prices as usual.

Psychographics and behavior

Here's additional information from Mintel that paints a picture of customer behavior when it comes to buying donuts.

In-store shopping behaviors
- 43% important that the bakery is sanitary
- 41% purchase private label / store brands from the in-store bakery
- 41% usually planned purchases
- 36% usually impulsive purchases
- 34% purchase national / name brands from in-store bakery

Why people eat
- 42% energy boost
- 40% healthfulness
- 39% break/relaxation
- 30% gather with family
- 29% indulgence or treat

Why people snack
- 54% indulgence or treat
- 48% break/relaxation
- 42% energy boost
- 21% healthfulness

Sources for snacks
- 81% fresh food
- 68% shelf stable food
- 62% leftovers
- 53% frozen food
- 49% food from a supermarket
- 48% restaurant takeout
- 40% dine in at restaurant
- 30% restaurant delivery

Important factors for food/drink
- 63% taste
- 34% freshness
- 31% cost
- 31% healthfulness
- 27% enjoyment
- 26% ingredients
- 23% convenience
- 13% familiar brand

I have two foundational ideas here: People **eat** for energy above anything else — but people **snack** because they want to feel good and relax.

Social listening

As I scoured social media channels, I uncovered the following thoughts directly from the customer base.

Customer thoughts and quotes

- “so yummy!”
- “most delicious old fashioned donuts I have ever tasted”
- “they are terrible and greasy!”
- “not as good as salt lake location”
- “dry and stale”
- “service is top notch”
- “donuts are ridiculously good”
- “best donuts around”
- “best donuts ever
- “best donuts in town”
- “undercooked and flavorless”

FM 100.3 Facebook poll

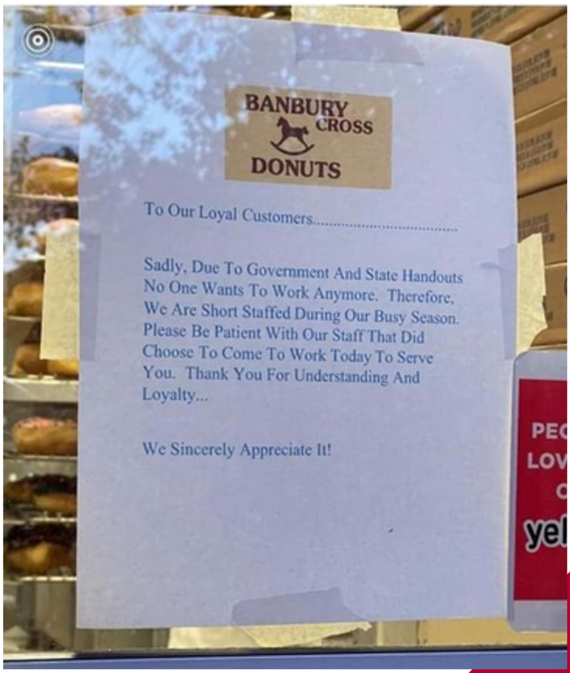
In an informal engagement post by local radio station FM 100.3, the station asked where the best donuts in Utah are. In reading through the replies, there were a lot of mentions of the following brands:

- Lehi Bakery
- Fresh Donut & Deli
- Bowman's Market in Kaysville
- Dunford Donuts

Unfortunately, the mentions of Banbury Cross were significantly lower than these brands, though it was still mentioned fairly often. This tells me that while Banbury Cross does have a strong local presence, it may not be as strong as recently perceived. That said, that just means there's still massive opportunity to carve out more market share.

Sign controversy

People are still upset about this sign that was posted at the Salt Lake City location in 2021. It came across as extremely insensitive, and it's possible that many loyal customers have left forever as a result. Even in the survey results, which I'll include in the appendices, a chunk of people mentioned their dislike of this sign.



The owner's response was good, but it may not have been widely distributed. This controversy will factor into the communications plan, as we seek to establish a clear identity of welcoming and community.

According to Answer the Public, these are the top Google searches for "banbury cross donuts..."

1. menu
2. centerville
3. controversy
4. gluten free
5. near me
6. locations
7. website
8. photos

Again, it's telling that "controversy" shows up before typically high ranking results as "near me" and "website." There's work to do to smooth all that out.

Social media info
There are currently 2 Instagram accounts for the brand, and I would strongly recommend deleting the account with fewer follows and much less engagement. Delete @banburycdonuts and keep @banburycrossdonuts.

Beyond that, there's currently not a distinct hashtag that stands out besides #banburycrossdonuts. It's a little long, but it does have good engagement. That said, part of my plan will likely include some recommendations for a new hashtag based off of the forthcoming new tagline.

Qualitative and quantitative research

Focus groups

I conducted two focus groups with distinct audiences. The first was a virtual focus group conducted online with people outside of Utah who don't know Banbury Cross and have never had any interaction with the brand. Here are a few of the main takeaways from this discussion:

- People would be interested in a donut shop with more seating, sort of like a blend between a donut shop and a coffee shop. Somewhere they could visit and meet up with friends, share a box of donuts and some coffee, and socialize for a bit. But they emphasized that the shop would need to offer more than donuts, because donuts are a quick snack, not something they would usually sit down and eat.
- Initial reactions to the logo were unfavorable, but as the conversation continued, people agreed that although they didn't understand the logo, the vibe they got was that it would be on a building that sold great donuts.
- Participants have a strong aversion to national chains, especially Dunkin' and Krispy Kreme. They do, however, have a more positive perception of packaged donuts like Entenmann's, rooted more in nostalgia than anything.
- Even though coffee is such a popular thing now, participants weren't necessarily more drawn to a shop that offered lots of donuts and lots of coffee. Instead, they emphasized that the quality of the food being served was more important than anything.

The second focus group involved a group of Utah residents at least somewhat familiar with Banbury Cross. Here are some of the takeaways from their discussion.

- Reactions to the logo were mildly negative but with a foundation of understanding. In other words, even though they didn't care much for the logo, they all agreed that it's immediately recognizable and it's ingrained with east Salt Lake City as a community. One participant, a graphic designer, said that it would be worthwhile to build out a more robust brand kit, but that any logo redesign would need to be done with an extremely light touch. Otherwise, the brand would lose a big chunk of customers.
- Participants mentioned that loyalty programs are something that draws them to other dessert brands in Utah. Something tied to a phone number or a credit card where they can earn points or "punches" that go toward a free product or discount.
- There wasn't much interest in experimental flavors, and participants overwhelmingly preferred classic flavors like raised glazed, old fashioned, and chocolate. Though they did also mention they enjoy seeing a variety of flavors and styles available.
- People agreed that the interior of the shops needs to be more inviting, and ideally, they would be a bit bigger. Even if they don't plan on staying, the nicer interior would encourage them to spend more time at the shop and maybe end up staying and making memories at the shop.

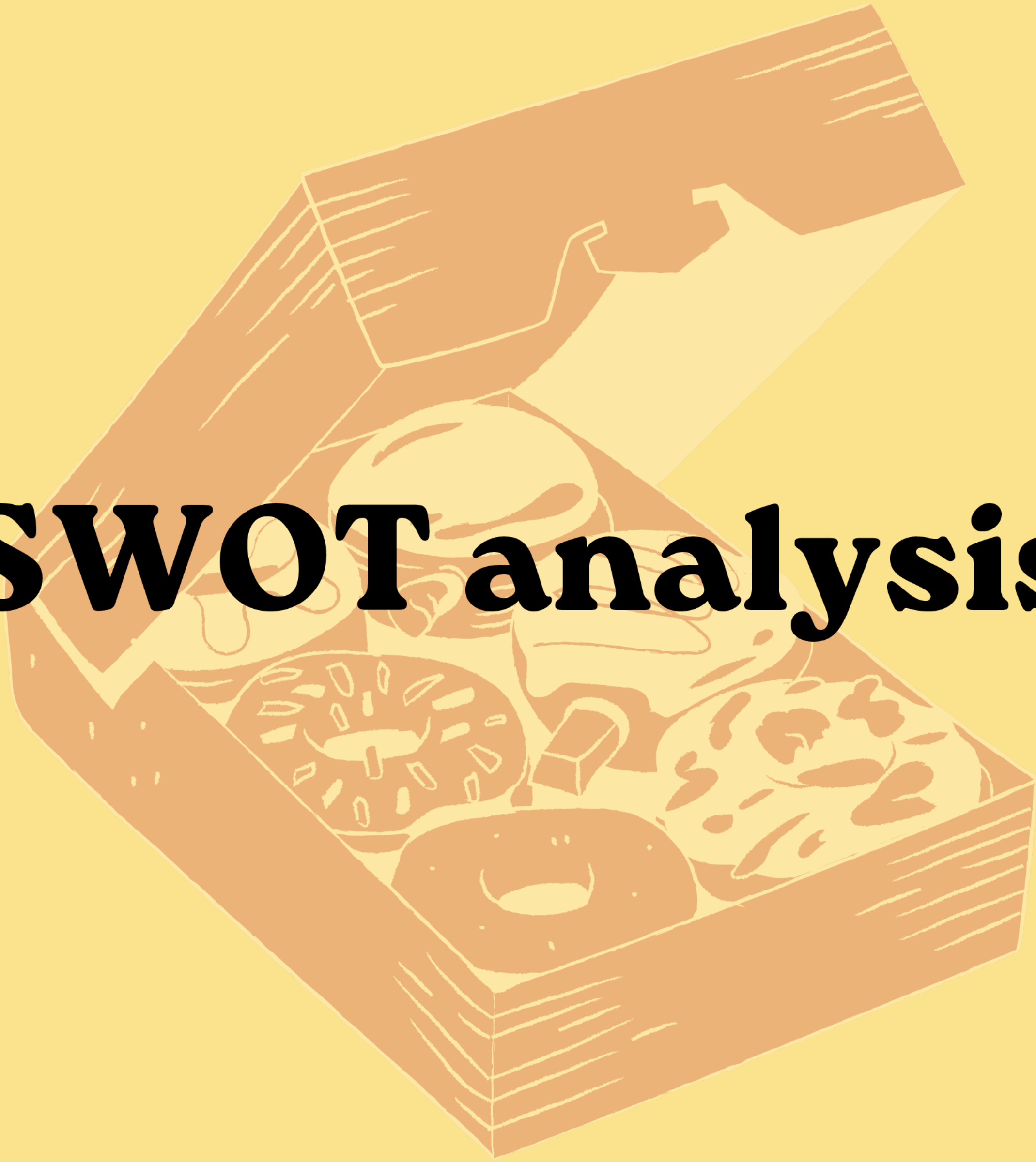
Both focus groups were incredibly informative and will help shape my communications plan. I will include the the transcripts of the conversations in the appendices of this document.

Survey

I distributed a survey that as of March 4, 2023, has 268 logged completions. I will include the full results in the appendices, but here are a few of the key takeaways:

- People are not that interested in a weekly special donut. But they are more interested in a seasonal or less frequent special donut. But what they care about most of all is that their favorites — the classics — are always available. That said, there is still a decent amount of people who are interested in a weekly donut, so maybe the happy medium is a monthly special donut that aligns with seasonal flavors.
- National brands score far lower than local brands when it comes to treats. That's an encouraging sign, showing that Utahns value local, small businesses over the convenience and price points of the big chains.
- People associate the words *classic*, *timeless*, *genuine*, *welcoming*, and *familiar* most with Banbury Cross. This will be a strong foundation for the brand identity and positioning.

SWOT analysis



Throughout my research I pulled out different findings into the following SWOT analysis.

Strengths

- Strong local presence, history that people can get behind
- Customers are loyal — once they try, they usually keep coming back
- Charming local feel
- Appears in most if not all “top 10 donut shop in Utah” lists
- Strong community presence with a history of giving back — gives unsold donuts to local homeless shelters
- Popular with the Utah Jazz and the University of Utah
- High-quality product

Weaknesses

- Damaged public perception after the sign incident in 2021 — reputation hasn't totally recovered
- Possible drop in food quality in second location based on customer reviews
- Unclear positioning within the market
- Lack of branding identity, story, and exposure
- Lack of cohesion between the original location and new location
- Lack of consistency in messaging and communications
- Small advertising budget

Opportunities

- Untapped customer and expansion potential, especially in Utah county and near local universities
- Dessert industry is booming in Utah and is the fastest-growing in the country
- Potential partnerships with brands that aren’t direct competitors (for example, sell donuts at Swig, give them a share of the profits)
- Influencer marketing (beyond Donut Critic) — partner with the top 5 Utah foodie influencers to advertise the product
- Family-heavy demographics = family events, more kids, more tired parents

Threats

- Crowded dessert market
- Lots of other donut shops with loyal customer bases
- Expensive advertising spaces and real estate
- Higher costs to produce donuts due to inflation, resulting in smaller profit margins
- Fears of recession may cause people to spend less on food that's perceived as non-essential

Appendix 1
Sources

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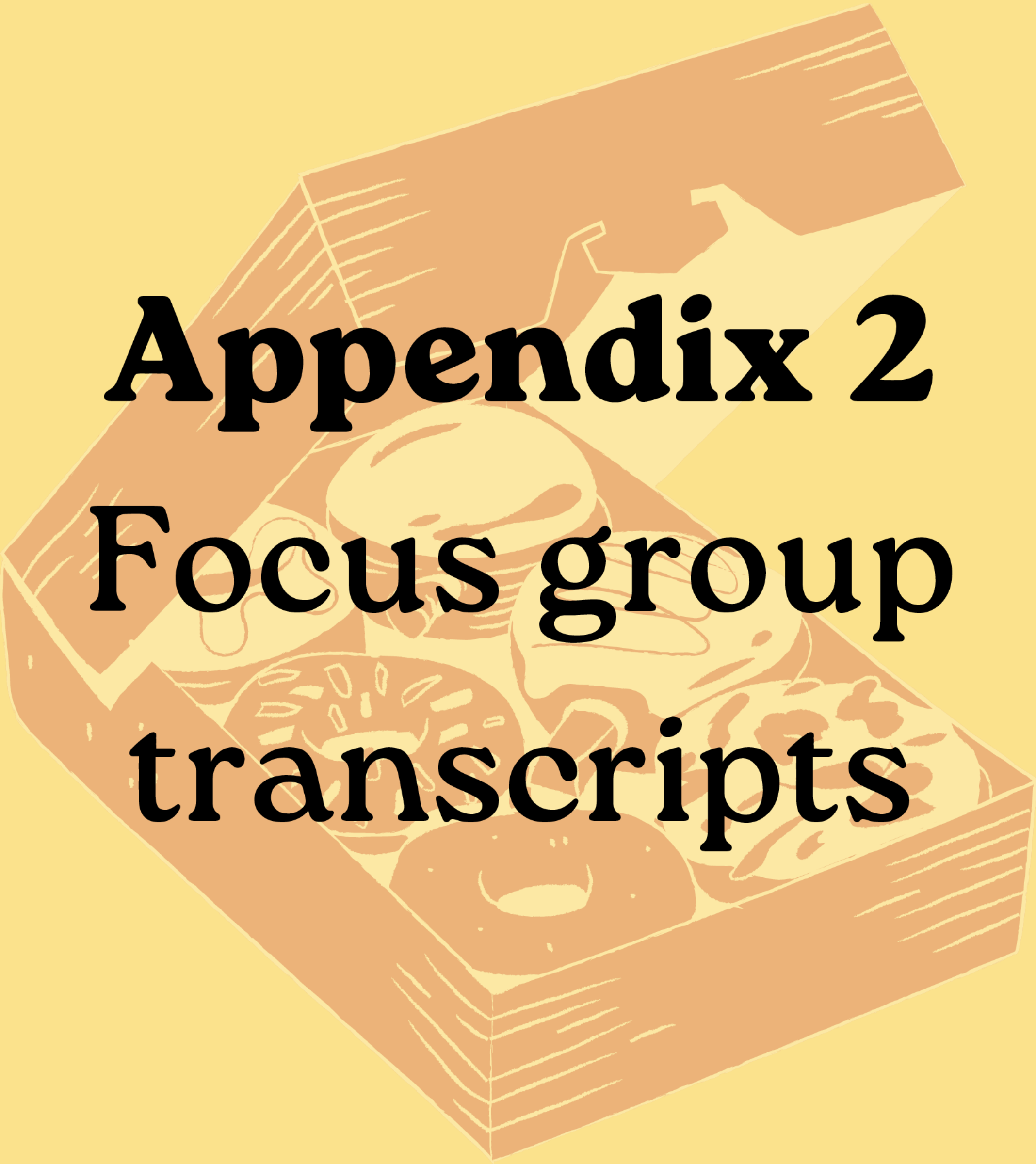

Appendix 2
Focus group transcripts

Appendix 3
Survey results