Case Study

Quality Makes the Difference for Papa John’s Pizza

About Papa John’s
Founded in 1984 by company Chairman “Papa” John Schnatter, Papa John’s International, Inc. has grown to more than 3,000 stores in the U.S. and 29 other countries. Its focus on delivering “Better Ingredients, Better Pizza” and a superior experience for customers has produced remarkable growth and high customer satisfaction. For nine consecutive years, Papa John’s has been rated number one in customer satisfaction among all national pizza chains in the American Customer Satisfaction Index (ACSI) released by the National Quality Research Center at the University of Michigan Business School. The company was also named 2007 Pizza Chain of the Year by Pizza Today magazine.

Situation
Quality is the guiding principle at Papa John’s. Fresh (never frozen) ingredients, convenient ordering, friendly, helpful staff and efficient delivery keep customers coming back. The company needed a robust and flexible network that could transmit restocking orders to Papa John’s 10 distribution centers and keep orders coming in and supplies flowing to Papa John’s restaurants. As new opportunities developed for customers to order online, by text message and through mobile devices, Papa John’s needed to add those too – and provide security to keep those functionalities available for customers.

Solution
To provide flexible and secure communications between administrative offices and supply centers that serve its corporate stores and franchisees, Papa John’s employs an advanced MPLS-based IP virtual private network. The pioneering Papa John’s website, where customers see a full menu and even place “plan ahead” orders for future delivery, is hosted in a secure AT&T Internet Data Center. Web traffic is monitored full time to defend against denial-of-service incidents and keep this essential channel open for customer orders.

Papa John’s Delivers Quality, Customer Service…and Pizza
At Papa John’s, success is all about quality. From the customer’s initial order to the delivery driver’s smile and the freshness of the pizza, Papa John’s is focused on giving customers a better experience.

This is an industry where the barriers to entry are low, and competitors – from mom-and-pops operating a single store to huge international chains – heat their ovens on every block. In spite of that competition, Papa John’s has thrived.

The company started as one of those mom-and-pops nearly 25 years ago. “Papa” John Schnatter sold his car to raise money, set up a kitchen in the back of his dad’s tavern in Jeffersonville, Indiana, and added pizza to the menu. Patrons loved it, and he soon opened his own standalone restaurant, selling superior quality traditional pizza.

Papa John’s Facts

- **Business Needs**
  Information and supply chain services to support thousands of pizza restaurants

- **Networking Solution**
  MPLS-based IP virtual private network links administrative offices with supply centers that serve restaurants nationwide; Hosted online applications are protected by web traffic monitoring

- **Business Value**
  Supply centers use sales data to re-stock fresh ingredients and keep product quality high; Internet, text and mobile ordering options provide convenience for customers and increase sales

- **Industry Focus**
  Restaurant industry, pizza delivery and carry-out

- **Size**
  Third-largest national pizza chain; over one billion dollars in annual revenue
In the quarter century since, the Papa John’s formula of “Better Ingredients, Better Pizza” hasn’t changed, but the business certainly has. The company has grown not only domestically but internationally with hundreds of stores outside the U.S. Papa John’s is now the third-largest pizza provider worldwide, and one of only 14 U.S.-based chains with more than 500 international locations. Eighty percent of outlets are operated by franchisees that run an average of four to five restaurants each.

**Keeping Close Ties with Franchisees**
The collaboration between franchisees and Papa John’s headquarters runs deep. Papa John’s supplies quality ingredients; restaurants make sure products are well prepared and delivered on time by helpful, friendly team members.

“Papa John’s brings value to a franchisee’s business by attaching our quality image and brand recognition,” said Glenn West, Papa John’s Senior Vice President, Information Services and eCommerce. “We are a world-class organization that delivers a positive ROI to our franchisees.”

New franchise operators receive help from headquarters in locating and operating their restaurants. Periodic webcasts provide training and updates and a Franchise Advisory Council meets regularly to communicate the perspectives of restaurant owners to the company.

To promote sales, Papa John’s runs national TV ads featuring its founder, while franchisees pool funds for local ads and develop relationships within their neighborhoods. “One thing that distinguishes the pizza business from other elements in food service is that our success is highly reliant on local store marketing,” West said. “The franchisee plays a huge role in that. Local promotions, couponing and sponsorships play key roles in the success of the local pizza business. We are a national chain, but we get a big return from the local market activity as we do from our national efforts.”

To ensure consistent product quality, Papa John’s supplies all U.S. restaurants through PJ Food Service, a network of Quality Control Centers (QCCs) where fresh dough, pizza ingredients and restaurant supplies are prepared, then trucked to the restaurants several times each week. This one-stop shopping simplifies life for the franchisees and frees them to focus on customer service and the vital factor of local promotions.

All U.S. restaurants report their sales and supply inventories daily through Papa John’s proprietary point-of-sale system. At headquarters in Louisville, KY, suggested orders for re-supply are prepared and sent back to restaurant managers for approval. Managers can adjust those orders when needed. Order information travels between Louisville and the QCCs over a secure MPLS-based IP virtual private network.

**Making “Better” Even Better**
While quality is of critical importance, success relies on more than great pepperoni and fresh dough. Papa John’s recipe for winning includes a secret ingredient: innovation, particularly in the way that it processes its pizza orders.

The company moved to the front of the line in 2001, when it became the first national pizza chain to offer online ordering. Online sales have grown more than 50 percent each year since, hitting $400 million in 2007 alone. Total online volume since its inception is now pegged at more than $1 billion. “The idea for online ordering actually was born in the information services department,” West said with pride. “It has worked out very well, and now many of our competitors are trying to get into this space.”

In surveys of customer satisfaction, West said, “we actually see a higher satisfaction level from the customer that orders online than on the phone. We attribute that to the visibility of the full menu as well as the fact that customers can order at their own pace.” They also place larger orders, likely because they can consider side items and beverages.

“We want Papa John’s to be the easiest, most convenient pizza to order anytime, anywhere.”
– Glenn West, Senior Vice President, Information Systems and eCommerce, Papa John’s

Customers can repeat their most recent order with a single click, save their favorite menu combinations or enjoy the ability to place online orders up to 21 days ahead of time for future delivery. The system alerts the local store manager when a future order is placed, then sends a reminder the day prior and a final notice in time to get the order prepared. Customers check one more item off their to-do list, while at the same time helping the store plan ahead.

Papa John’s marketing department monitors order volume in real-time and, if business slows, can send an email offer to customers in a specific region. There’s even an environmental benefit. The information system that monitors sales also controls the pizza ovens. “In the afternoon, if there are no orders going through, we are able to ramp the oven temperature down,” West said. “Then when orders resume, a signal is automatically sent that brings the oven back up to temperature.”

The result has been a kind of pizza revolution. “We have some markets where over half of their orders are coming in through online, up from our average of 20 percent,” West said. “You go into the restaurant and the phones aren’t ringing because the orders are just rolling in from online.”

**New Channels Offer Greater Convenience**
Papa John’s marketing team works closely with West’s eCommerce organization, and together they are pursuing new customer-contact technologies. “We want Papa John’s to be the easiest, most convenient pizza to order anytime, anywhere,” West said.

In November 2007, Papa John’s became the first national pizza company to offer SMS/text ordering for customers throughout the U.S. Customers set up their favorite orders at papajohns.com, then text their orders to 4PAPA (47272) with just a couple of easy clicks. Mobile web ordering is now available through a papajohns.com site optimized for small-screen PDA’s and mobile phones.

The company also recently launched ‘myPapaSM’, a suite of downloadable widgets that streams exclusive product discounts, personalized favorites and incentives to customers’ desktops. The suite of widgets can also be embedded on favorite personalized start pages and available where consumers log on to receive up-to-date information.
Iron-Clad Security
The growing volume of Papa John’s online business means security and business continuity top West’s agenda. Keeping the website running is vital so the primary servers that support the papajohns.com site are hosted in an AT&T Internet Data Center and AT&T Intelligent Content Distribution℠ Service supports delivery of streaming video. This allowed the company to stream an exclusive, high-definition trailer for *The Mummy: Tomb of the Dragon Emperor* on its site, without interfering with regular online ordering operations.

As online traffic continues to grow, ensuring uptime on papajohns.com is critical. AT&T monitors web traffic full time to identify hostile traffic and prevent denial-of-service cyber attacks. AT&T’s strong global presence is another plus for Papa John’s as the company continues its overseas expansion.

“We have a 20-plus year relationship between Papa John’s and AT&T that’s been very healthy for both of us,” West said. “AT&T continues to demonstrate that Papa John’s is an important customer.”

For more information contact your AT&T Representative or visit us at www.att.com/business.