

## Pizza Meets Technology

Written by Lester Detterbeck  
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What's your favorite pizza? In Chicago, I love Lou Malnati's deep-dish, in the Lowcountry, Grimaldi's Brooklyn Bridge, with ricotta and Italian sausage, is amazing. And, now, thousands of years after pizza was invented, it too is being impacted by technology. Recently, the WSJ, in their "The Future of Everything" section, focused on the impact technology is having at Domino's Pizza.

But first, let's take a look at the history of pizza. Archeologists in Sardinia have found ancient remains from the 1<sup>st</sup> millennium B.C. of flattened bread that was apparently very popular. Writings in the 6<sup>th</sup> Century B.C. mentioned soldiers baking flatbread and covering it with cheese and dates. Stone ovens are mentioned in the 3<sup>rd</sup>

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B.C. when Roman historians described “flat round of dough dressed with olive oil, herbs, and honey baked in stones.” Excavations made in Pompeii show that in the 1<sup>st</sup> Century B.C. retail shops were making and selling pizzas.

Modern pizza seems to have come from Naples in the 16<sup>th</sup> century. Tomatoes from the New World combined with bread and other products to produce the earliest form of modern pizza. The Queen of Naples in the mid-18<sup>th</sup> century had a special oven in her palace for making pizzas. Antica Pizzeria Port’Alba, the first modern pizzeria, opened in Naples in 1830. By the end of the 19<sup>th</sup> century, citizens of Naples were consuming pizza for breakfast, lunch and dinner.

In the early 1900s, the first Italian pizza in America was introduced by street peddlers who walked up and down Taylor Street in Chicago. New York City got the first pizza license in 1905. Pizzerias spread across the U.S. in the early 20<sup>th</sup> century. In 1943, Chicago’s Ike Sewell invented the deep-dish pizza. In the 1950s, celebrities of Italian origin, including Frank Sinatra and Joe DiMaggio, promoted pizza. The first frozen pizza was released in 1957. Pizza Hut started in 1958, Little Caesar’s in 1959 and Domino’s in 1967.

These days, pizza is a huge business. According to 2018 “Pizza Power” report, the worldwide pizza market was \$134 billion, with U.S. the top country, at \$45 billion annually. There are 75,000 U.S. pizzerias and the top 50 chains have average unit sales of almost \$600,000, with annual growth overall at 12%. The big winners were reported to be those who focused on consumer needs by embracing “websites, social media, online ordering and delivery technology.”

Domino’s, with 6,000 U.S. outlets is the world’s largest pizza company. Yet, their just-issued 2Q19 quarterly report showed slower growth. Their stock has gone “cold”- investors have “lost their appetite” for Domino’s Pizza. Technology has fueled new and improved competitors, delivery apps, online ordering and quality.

The growth of online ordering through companies like Grubhub and Door Dash has impacted Domino’s business. Domino’s, with its own delivery drivers, has declined to form partnerships with them. Also, food delivery companies, such as Uber Eats and Postmates, have jumped into the business aggressively with free or discounted delivery during the March NCAA tournament

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period with great success. Even though Domino's hasn't raised their prices on pizzas in over a decade, increases in same-store sales are slowing.

Ritch Allison, CEO of Domino's, was recently interviewed by the WSJ for its "The Future of Everything" section. Mr. Allison was clear that "Pizza will endure. However, almost everything about how a pizza is made and transported to the customer is undergoing a high-tech shift."

Domino's has maintained that it won't outsource delivery. Instead it will invest in operations to make delivery more efficient and better for customers. Low unemployment and rising minimum wages in some cities are pushing up labor costs and making it harder to find drivers. They're working on a driverless vehicle smaller than a golf cart, with compartments that can be heated up or chilled. They are looking at drones and even deliveries by bike and scooter riders.

Mr. Allison indicated that they are working on upgrading their "Dom" automated telephone answering service. They've been missing customer calls during busy times. Their goal is to answer every call and hopefully build bigger orders as well. They hope improved data on customers will help them produce better menus, adding and deleting items over time based on demand patterns.

For Domino's "Robots will help, but not replace human pizza makers." Robots can put dough balls on trays, but Mr. Allison wants to "keep the magic of pizza making" with humans. Domino's is currently using, in locations in Australia and New Zealand, artificially intelligent cameras to photograph and grade each pie based on different criteria. This quality audit is designed to ensure that a subpar pizza never reaches a customer's door. They hope to extend this quality method to operations worldwide.

Yes, even our beloved pizzas, that humanity has been eating for thousands of years, and hopefully for many more thousands as well, are being impacted by technology. Hopefully, that will make it easier in the future for all of us to get our perfect pizza at the perfect time.

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