

KIRK KAZANJIAN & AMY JOYNER

Making Dough

*The 12 Secret Ingredients of
Krispy Kreme's
Sweet Success*

Foreword by Dick Clark



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To all the Krispy Kreme fans around the world who helped to make this incredible story possible.

—KK

To my parents, whose loving support is the sweetest treat of all.

—AJ



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Foreword

I first came to know and love Krispy Kreme when I was in my twenties. Each summer, I went on tour with Dick Clark's Caravan of Stars. I hopped on a bus and circled the country with some of the biggest acts of the 1960s, including The Shirelles, The Supremes, Freddy Cannon, The Rip Cords, Duane Eddy, Gene Pitney, and Paul Anka, just to name a few. We'd perform nonstop to sold-out crowds for months at a time.

Although every city was great, we especially looked forward to playing in the South and, in particular, North Carolina. Why, you ask? Well, that was the home of Krispy Kreme.

The music world's top names and I would look out the window of our bus hoping—even praying—that we'd find a Krispy Kreme along the road. That was a sure sign we'd find hot doughnuts cooking inside. Once the bus pulled up, we'd run through the front door and buy boxes and boxes of the tasty treats. It was definitely an event to remember.

The smell and taste of those doughnuts was amazing. They simply melted in your mouth. It was an experience unlike any other. For me, getting the chance to bite into those Krispy Kreme doughnuts was by far one of the most memorable parts of the Caravan of Stars tour. To be honest, that delicious flavor stands out in my mind more clearly than many of the concerts we played.

Early in my career, I got involved in the fast-food industry. I have owned an Arby's franchise and ran a small chain of hamburger stands in the 1950s. Currently, I operate Dick Clark's American Bandstand Grills. But a couple of years ago, I set my sights on a new venture. After 40 years of traveling and eating those incredible doughnuts, I decided I



wanted my own Krispy Kreme franchise. I'm not sure why I didn't think of it sooner.

I got in touch with the company and expressed my strong interest in joining their team. Unfortunately, I quickly learned that the area I wanted to develop had already been taken. In fact, Krispy Kreme is no longer even accepting franchise applications in the United States because every state is spoken for. Hearing this news was a major disappointment.

Granted, I didn't need to take on another business opportunity. I'm very busy as it is, hosting a number of shows, producing many popular TV programs, and running my own existing companies and restaurants. Still, I was determined to have my own Krispy Kreme store because of my passion for the product. I kept calling the company's chairman and CEO, Scott Livengood, telling him how much I longed to become a franchisee. After bugging him for months on end, he finally realized that I was really serious. He probably also figured that I'd never stop bothering him until he somehow found a way for us to work together. I'm pretty persistent. You have to be to make it in the entertainment business.

When the company began considering international markets in 2002, Scott asked if I'd be interested in acquiring the rights to develop Krispy Kreme stores in the United Kingdom. I immediately said yes and formed a partnership with two other partners. We're now working together to build 25 stores throughout Britain over the next several years.

The restaurant and fast food business in general is very profitable. If run well, you can receive a good return on your investment. I'm convinced Krispy Kreme's best years are yet to come.

I believe that one reason Krispy Kreme is so popular is because it's a throwback to the good old days of innocence when you spoiled yourself with a treat every now and then. Visiting a Krispy Kreme store—and biting into a fresh, hot original glazed doughnut—is a mystical and nostalgic experience that's pretty hard to duplicate. As a result, I view Krispy Kreme as a truly untapped resource.

How has the company been able to build such an incredible business since founder Vernon Rudolph served his first doughnut more than 60



years ago? That's the key question Kirk Kazanjian and Amy Joyner explore in this fine book. I think it's safe to say that just about every company would love to know the secret ingredients of Krispy Kreme's sweet success. After all, it doesn't advertise, it is a revered member of the community, and it keeps growing like crazy. What an extraordinary business! Without doubt, you should pay attention to what Krispy Kreme is doing, especially if you want to prosper in today's competitive world.

When people ask me why Krispy Kreme's popularity seems to keep getting stronger, even after all of these years, I tell them that's like asking what makes someone a real star in the music business. If you knew the exact reason, you could bottle it. Or, in the case of Krispy Kreme, you could box it.

Reading *Making Dough* will no doubt bring you closer to finding the answer to this interesting question. It will help you to discover some of the reasons this company continues to shine, and I'm sure you'll find the stories along the way to be most entertaining indeed.

It's hard to believe that a company I fell in love with four decades ago is now more celebrated than ever. I expect great things from Krispy Kreme in the years to come and hope you'll stop by one of our stores the next time you're in the United Kingdom. Who knows? You may even find me behind the counter!

—Dick Clark
Producer, Entertainer, and Krispy Kreme Franchisee



Introduction

It's an overcast, but still hot and humid, July day in Old Salem, North Carolina. Hundreds are gathered around a tent where a 10-tiered birthday cake that took more than six hours and 20 volunteers to build is sheltered from both the bees and the hungry onlookers swarming around it.

Cameras snap as children and adults pose by the 2,413-pound confectionery spectacle that, to say the least, is no ordinary cake. It is made out of 14,832 glazed doughnuts, 1,000 pounds of icing, and 330 pounds of gumdrops, ice cream jimmies, mints, gummy fish, and other kinds of candy.

Volunteers keep shooing celebrants away as they try to swipe an early bite of the cake. A sultry-voiced blues diva sings in the middle of a town square near downtown Winston-Salem, while kids with painted faces run around carrying helium-filled balloons tied to their wrists with curly ribbon. All of a sudden, Congressman Mel Watt begins leading everyone in a chorus of "Happy Birthday."

An outside observer might assume that all of this hoopla is being staged for a very famous person, perhaps even the most special citizen in all of North Carolina.

That's not far from the truth.

This event, and all of the festivities taking place around the historic village square, is being held to mark an important milestone by a hometown favorite company. Today, Krispy Kreme is celebrating its sixty-fifth year of making melt-in-your-mouth doughnuts.



A COMPANY LIKE NO OTHER

Old Salem is a restored Moravian village in North Carolina's fourth-largest city. In 1937, just across the street in a rustic clapboard building on South Main Street, Vernon Rudolph fried up the first original glazed Krispy Kreme doughnut. What began as a modest wholesale business has, in a little more than six decades, grown into one of the nation's most successful specialty restaurant chains.

"I don't care where I go, I don't find no doughnuts to compare with Krispy Kreme," says party attendee Mattie DeBerry. She worked as a maid at Krispy Kreme's corporate office for 30 years before retiring in 1977. Though tiny and 90 years old, DeBerry can still eat three glazed doughnuts in a sitting.

"I think these are the best doughnuts in the world," she says with much enthusiasm.

Millions of others agree.

The hometown crowd gathered for this birthday celebration pales in comparison to the legions of fans who show up at new Krispy Kreme store openings. People with jobs, families, and presumably more important places to be often wait in line hours for a new store to open its doors.

Major celebrities are constantly fawning over the confections. Rosie O'Donnell and actor George Segal sang a love song to the glazed dessert on her former talk show. Filmmaker Nora Ephron mooned over her beloved "sugar babies" in the *New Yorker*. And southern humorist Roy Blount Jr. sermonized on the goodness of Krispy Kremes in a 1996 *New York Times Magazine* essay, shortly after the chain's first store opened in the Big Apple.

Legend also has it that the King himself, Elvis Presley, kept a dozen fresh jelly-filled Krispy Kreme doughnuts on hand at Graceland at all times. Even former president Bill Clinton is a fan. He had boxes delivered to the White House until his fitness trainers found out about it.¹

Krispy Kreme doesn't pay any celebrities to endorse its doughnuts, but it does partner with some of them. Performer Jimmy Buffett, who sings about Krispy Kreme doughnuts as well as cheeseburgers and



margaritas, owns a franchise in Palm Beach, Florida. In 2002, he merged his territory with another Krispy Kreme franchisee and now shares in a joint development agreement with the company. Hall of Fame baseball player Hank Aaron, also a successful restaurateur and business owner, owns a Krispy Kreme shop in an impoverished, mainly minority neighborhood in Atlanta. And former *American Bandstand* host Dick Clark plans to open a number of stores throughout the United Kingdom.

DOING THE RIGHT THING

In addition to being a purveyor for the famous, Krispy Kreme has built a reputation as a good corporate citizen, helping charitable groups raise tens of millions each year through doughnut fund-raising sales and donations. Such goodwill originated with founder Vernon Rudolph. Former employees describe Rudolph as a good, helpful soul who genuinely cared about improving the lives of his employees and his customers.

Mattie DeBerry, who began cleaning Krispy Kreme's offices in 1947, was often the recipient of Rudolph's kindness. "He was an angel sent from heaven," says DeBerry, who still lives in Winston-Salem. "We were one devoted family. If you had a problem, everybody at Krispy Kreme would reach out and help you out," including Rudolph.

Once, on a cold winter morning, Rudolph discovered DeBerry huddled over the office radiator.

"What's wrong, Mattie?" he asked with a voice of real concern.

"I just walked from the bus stop," DeBerry answered. "I'm trying to keep my knees and legs warm."

When he learned one of his employees was suffering just to get to work, Rudolph told the widowed DeBerry, who had always depended on her husband to take her to work, that if she got a driver's license he would give her the keys to a company car. "I never did learn to drive," DeBerry admits, but she has never forgotten Rudolph's offer or his many other acts of kindness.

Another time, Rudolph handed DeBerry a \$50 check and a voucher



for an airline ticket. He was sending her to Buffalo, New York, to be with her pregnant daughter. “Everybody in the office was just like that,” she said. “Whatever they could do for you, they would do it.”

GROWTH FROM MODEST BEGINNINGS

What began as a hole-in-the-wall has now blossomed into the world’s premier doughnut company, a global cult icon, and the world’s most intriguing brand. Krispy Kreme currently has nearly 300 retail doughnut shops across the United States and Canada, and will soon open more in Australia, New Zealand, Europe, Mexico, and other foreign markets. These stores produce more than 2 billion doughnuts each year, about three times the number needed to encircle the Earth. By comparison, archrival Dunkin’ Donuts, with more than 5,000 outlets in 40 countries, makes only slightly more doughnuts—2.3 billion per year.

This is a far cry from the company’s modest beginnings.

Founder Vernon Carver Rudolph was born on June 30, 1915, in rural Marshall County, Kentucky. Rudolph was the oldest son of mother Rethie Nimmo Rudolph and father Plumie Harrison Rudolph. He was a good student and athlete, who always had a strong work ethic. He did chores for neighbors and helped out in his father’s general store. But Vernon Rudolph found his true calling after high school when he went to work with his uncle, Ishmael Armstrong.

Armstrong owned a doughnut shop in Paducah, Kentucky, a city on the Illinois border a few counties northwest of Rudolph’s hometown. In the middle of the Great Depression, Armstrong made the deal of a lifetime with Joe LeBeau, a French chef from New Orleans. He bought LeBeau’s doughnut shop, along with the name “Krispy Kreme” and a secret recipe handwritten on a scrap of paper. That same scribbled recipe, now locked in a safe at Krispy Kreme’s headquarters in Winston-Salem, is still followed today.

In 1933, Armstrong hired his nephew, Vernon, to hawk the golden fried cakes, drenched in a glaze of sugar, door-to-door. During the Depression, people didn’t buy enough of Armstrong’s tempting, nearly addictive doughnuts to keep the business strong and profitable. So



Armstrong took his idea south to Nashville, Tennessee, and opened a doughnut shop there. He stayed in Nashville only briefly. In 1935, Armstrong sold the business to Vernon Rudolph's father and moved back to Paducah. The Rudolphs—Vernon, his father, and his brother Lewis—found success opening doughnut shops in Charleston, West Virginia, and later Atlanta, Georgia.

The family doughnut business was doing well, but it wasn't enough for ambitious young Vernon Rudolph. He had always dreamed of owning a doughnut shop of his own, but never seemed to have enough cash to get into business.

In 1937, Rudolph was finally able to borrow and save enough money to pursue his dream. He loaded up his 1936 Pontiac with two friends, some doughnut-making equipment, and \$200 and headed toward his destiny.

Company legend has it that Rudolph and his buddies didn't know exactly where they were going, only that they were bound for business success.

As they loitered one summer evening on a street corner in Peoria, Illinois, the three friends teemed with frustration, disappointed because they were nearly broke and still hadn't found the right place to build their Krispy Kreme. Rudolph fished a pack of Camel cigarettes out of his pocket and absentmindedly read the label. The cigarettes were made in a place called Winston-Salem, North Carolina, the home of R.J. Reynolds Tobacco Company.

"Why not Winston-Salem?" asked Rudolph, according to legend. "A town with a company producing a nationally advertised product has to be a good bet."²

Thus, history was made on an Illinois street corner, thanks to providence and a package of cigarettes.

By the time the four men made it to Winston-Salem, they had only \$25 remaining, just enough to rent a building on Winston-Salem's Main Street, across from Salem Academy and College. They borrowed potatoes, sugar, milk, and the other necessary ingredients from a local grocery store and cooked up their first batch of Krispy Kreme doughnuts from scratch. The doughnuts were packed into Rudolph's Pontiac



and sold to local grocery stores. In no time, the poor entrepreneurs had made enough money to repay the grocer who loaned them ingredients for the inaugural batch.³

Before long, local residents began showing up outside the modest bakery, lured by the scent of Rudolph's secret and rather unusual doughnut mix.

Rudolph was no fool. He decided that if people wanted doughnuts hot and fresh from the cooker, he would oblige them. He cut a hole in the side of his retail shop and started selling doughnuts through a walk-up window: two for five cents, one dozen for a quarter.

Within 10 years, Rudolph had built Krispy Kreme from a single restaurant into a business with doughnut shops in seven southern cities. Like the original, these shops sold doughnuts directly to retail customers and in bulk to a number of wholesale buyers, including several grocery stores. Krispy Kreme incorporated in 1947. Soon after, the mix department, laboratory, and the equipment department—important divisions that are still in operation today—were created.

KEEPING TO ITS ROOTS

Vernon Rudolph died on August 17, 1973, when Krispy Kreme was still just a southeastern chain with a little more than 60 units. About three years after his death, Beatrice Foods of Chicago bought the company.

"That was a dark day for Krispy Kreme,"⁴ said Joseph "Mac" McAleer, a major shareholder and member of the company's board of directors. The new owner fiddled with the sacred recipe to create a bigger, but certainly not better, doughnut. Beatrice, highly focused on increasing Krispy Kreme's profits, added sausage biscuits, soup, and sandwiches to the menu.

"Our soul is in the doughnut business, and Beatrice just didn't get that," current Krispy Kreme chairman and chief executive officer Scott Livengood said.⁵

In February 1982, McAleer's father, Joseph Sr., led other longtime franchisees in a \$22 million leveraged buyout of Krispy Kreme and brought the company back to its roots. Under Beatrice, Krispy Kreme



“got somewhat sidetracked,” according to Joseph McAleer Sr., who is now deceased. “We reverted to our 1967 mix formula, putting all the basic ingredients . . . back in.”⁶ The leveraged buyout saddled Krispy Kreme with hefty debt, which delayed nationwide growth for almost a decade.

Today, Krispy Kreme is run by Livengood, a tall, thin man in his early fifties. Livengood was raised in Salisbury, North Carolina, and grew up eating Krispy Kreme doughnuts. For his sixteenth birthday, he had a plateful of chocolate-covered, cream-filled Krispy Kreme doughnuts instead of a cake. “I have memories, but I can’t remember the first time [I had a Krispy Kreme],” he says. “That would be like remembering the first time you went to your grandmother’s house. It really was a part of your life. It’s really a part of your family and part of your culture growing up.”⁷

Livengood, who joined Krispy Kreme in 1977, never worked for Vernon Rudolph. But he follows a business plan of product commitment and innovation developed by the founder.

After six decades, a simple round cake of dough with a hole in the middle is still the most important thing at Krispy Kreme. The company, as it maps out an aggressive growth strategy as a public firm, has absolutely no intention of expanding its menu much beyond coffee and doughnuts.

“Commitment” is the company’s driving force, says chief operating officer John Tate. “Rather than expand into things other than doughnuts, you will see us continue to look for ways to bring the hot doughnut experience closer to our customers.”⁸

“The one thing that has not changed is that hot, original doughnut,” Livengood adds. “That really is the foundation of Krispy Kreme.”⁹

A TASTY BRAND WITH AN AMAZING BUSINESS

More than six decades after the first doughnut was handed to a customer through a tiny window, Krispy Kreme has grown into one of the world’s premier brands and most admired companies. It has even earned a place in the Smithsonian Institution’s National Museum of American History.



How has Krispy Kreme managed to build such a successful brand and business, especially since it spends almost no money on advertising? What does the future hold for this unique corporation? And what can other businesses do to emulate Krispy Kreme's amazing accomplishments?

You'll read about these issues and more in *Making Dough*. This is the first major book-length profile of this phenomenal organization. In the following chapters, you'll find exclusive insider interviews and colorful stories showing how the company has evolved through the years. Each chapter also thoroughly examines one key trait the company uses to pummel the competition.

Among Krispy Kreme's secrets: It mixes good taste with show business by creating a theatrical atmosphere where customers can watch the whole doughnut-making process up close. It's picky about its people, subjecting both potential franchisees and employees to a rigorous screening process. The company operates its stores around the clock and has turned most of them into mini-factories. By making every minute count, Krispy Kreme stores churn out thousands of doughnuts each day that are sold to retail customers and distributed to a number of wholesale accounts. It is constantly looking for ways to expand its brand—most recently with coffee—while at the same time protecting the Krispy Kreme name. The company thinks big, but is careful not to grow too fast. It's a guerrilla marketer, using low- or no-cost techniques to generate millions of dollars in free publicity. It maintains the highest standards and harnesses the power of technology in all aspects of its operations. What's more, Krispy Kreme gives back to the community, trains and treats its employees well, continually builds on its past successes, and, in turn, keeps loyal fans coming back again and again.

CHAPTER 1

*Mix Good Taste
with Show Business*



From the moment you step inside a Krispy Kreme store, be it in Las Vegas, New York, or Tuscaloosa, Alabama, you know you're not in an ordinary doughnut shop. In fact, customers are often fond of calling a visit to Krispy Kreme a “Disney-like” experience that can be had for the price of a glazed doughnut. This is no run-of-the-mill trip to the bakery or your typical fast-food restaurant. Visiting Krispy Kreme is an *event*—one that is just as exciting for adults as it is for kids.

Just ask Phil Averitt, a 36-year-old pharmacist from Greensboro, North Carolina, not far from Krispy Kreme's Winston-Salem corporate headquarters. Averitt was raised in North Carolina, where Krispy Kreme is entrenched. The company's doughnuts are sold in nearly every convenience shop and grocery store in the state. The treats are even found in some mass-merchandise stores, such as Target. Krispy Kreme's hot glazed doughnuts were a special part of Averitt's childhood and the source of many fond, fun memories. That's why, on this warm summer afternoon, Averitt has decided to take his four-year-old son, Peyton, to their local Krispy Kreme.

Averitt and Peyton hop into the car and drive down the highway hoping to come face-to-face with the famous bright red glow that brings excitement to their stomachs and a glisten of joy to their eyes.

The glow they're looking for is the round, red neon, “Hot Doughnuts Now” sign that's turned on outside of Krispy Kreme stores whenever fresh original glazed doughnuts are being made. It's a guarantee that when you walk inside, you can savor a hot treat so fresh it sticks to your fingers and melts in your mouth.

But you get much more than that. Once you step through the doors, you enter what Krispy Kreme calls its “doughnut-making theater,” the company's way of combining good taste with show business by inviting customers into the kitchen to share in the fun. For starters, kids—and adults, if they wish—get paper Krispy Kreme chef's hats to wear in the store and to take home as a souvenir. Then, instead of



having its doughnut makers work in a closed kitchen, Krispy Kreme has built glass walls around the preparation area so customers can see exactly what's going on behind the scenes. That means customers are able to watch as the doughnuts are made and then sent down an assembly line for the final touches of glaze.

OFFER A MULTISENSORY EXPERIENCE

Krispy Kreme strives to create a multi-sensory experience for its customers by teasing and satisfying their every sense. A trip to a Krispy Kreme store guarantees to leave you not only fed but also entertained, and both elements are equally important to the company.

"They've been clever about creating something that differentiates them besides just the taste," observes Charles Moyer, former dean of the Wake Forest University Babcock Graduate School of Management in Krispy Kreme's hometown of Winston-Salem, North Carolina.

The company has created an experience out of something as ordinary as buying a doughnut. The see-through wall, an integral design feature in every store, is merely one of the ways in which Krispy Kreme, only a fraction of the size of archrival Dunkin' Donuts, has distinguished itself from the competition and built a brand of mythical proportions.

For young Peyton Averitt, the whole show is too awesome for words. Through the large, clean glass, he watches as dozens of golden doughnuts chug their way down a conveyor belt, like a train without a caboose. There are so many of the tasty confections, he can't possibly count them all. And, as is typical of almost any Krispy Kreme store, once a kitchen worker spots Peyton's freckled face staring at the factory from the other side of the glass, the child is asked if he'd like a behind-the-scenes tour.

While Peyton's dad, Phil, instantly answers, "Yes," Peyton hesitates. The conveyor belt frightens him. His child's mind envisions a cartoon-like scene in which he gets stuck on the conveyor and dunked into the hot glaze. After hearing reassurances that he won't be turned into a doughnut, Peyton follows his father and the sales clerk into the kitchen. It's a little bit like being invited backstage at a Broadway production to



see the show behind the show. While the Averitts have watched the doughnut-making process through the glass wall many times before, it's exciting to cross over to the other side and actually become part of the experience.

It all begins in a big, clean back room with an uncluttered tiled floor. Pallets of ingredients are stacked neatly along the wall. This Krispy Kreme store, like every other one in the chain, receives deliveries of fresh ingredients each week from one of the company's three distribution centers in North Carolina, Illinois, and California. The mix comes in 50-pound paper sacks labeled with all of the secret ingredients needed to make a Krispy Kreme doughnut. But even if you read the list and wrote down the ingredients, you wouldn't be able to replicate the recipe. The secret is in the proportions used and in the carefully timed preparation, claims John Underwood, a Krispy Kreme manager who compares his store to Willy Wonka's chocolate factory.

"The big secret is the way it's done. Everything's a matter of timing," Underwood insists.

Other equally large bags hold granulated sugar and what's known as 6-X powdered sugar that, in the right proportions, make up the glaze that coats Krispy Kreme's most famous doughnuts—the original glazed. Big plastic barrels, the kind that elementary school cafeteria workers recycle and use as mop buckets, line another wall. A stainless steel walk-in refrigerator, so big and cold inside that you shiver as the door opens, keeps gallons of fresh milk chilled.

When it's time to make a new batch of doughnuts, these ingredients are wheeled from the storage room into the kitchen. It takes about 70 minutes for these ingredients to become dough and, ultimately, glazed doughnuts.

Few bakeries other than Krispy Kreme will let you watch the production process this closely. There are trade secrets to protect, after all. But such things don't concern Krispy Kreme.

Peyton and his father watch the process intently. A worker dumps a bag of yeast mix into an industrial-sized mixer. A poof of flour sprays into the air. Milk is added to the dry ingredients. A button is punched, and the computerized mixer comes to life.

The glaze is made nearby. First, granulated sugar is cooked until it



becomes a boiling hot liquid. Another worker opens a faucet on the tank and warm, half-made glaze whooshes out into a container. It is then transferred to another big mixer, and the powdered sugar is folded in. The glaze rests for 10 minutes before it is poured into a hopper on the stainless steel patented Krispy Kreme doughnut fryer and glazing machine.

Averitt and his son, who, of course, is wearing a paper Krispy Kreme hat, watch as a hook lifts the raw dough into yet another machine, called an *extruder*. The air-powered tool punches out perfectly formed doughnut rings, which weigh about 1.17 ounces raw, onto trays that go in the proof box. The proofer is a tall, rectangular structure with glass windows on each side. The box contains just the right amount of heat and humidity to activate the yeast, making the dough rise, or proof. Raw doughnuts travel up and down inside the box for 30 minutes, until they're just puffy and airy enough to be Krispy Kremes.

Once the dough has completely risen, the rings fall into a bath of vegetable shortening. The doughnuts, six astride and still uncooked on top, travel through a river of oil, up a slight hill. Then, they plummet off a little cliff and land golden side up so the other side can cook, too. The oil is hot, about 360 degrees Fahrenheit. And the doughnuts cook quickly, browning in just over three minutes. The golden doughnuts glide under a waterfall of warm glaze, then make a brief trip through a stainless steel tunnel that allows them to cool just enough so they won't burn the tongue. Krispy Kreme employees use plastic sticks to hook hot doughnuts through their holes and serve them directly to customers or place them into cardboard boxes.

SATISFY YOUR AUDIENCE

Visitors to Krispy Kreme haven't always been treated to such an awe-inspiring show. When Krispy Kreme founder Vernon Rudolph started the company in 1937, he planned to only be a wholesaler, selling his pastries directly to local grocery stores. He was pushed into the retail business almost by accident. The residents of Winston-Salem, where the company is still based, were lured to his kitchen by the constant sweet aroma of Rudolph's secret mix of flour, yeast, shortening, potatoes, and