

## CASE STUDY: IHOP

IHOP needed to identify and profile its most profitable customers, prioritize sites and markets for strategic expansion and determine whether its existing locations were positioned correctly.



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*Rick Celio, Vice President, Franchise and Development, IHOP*

### Summary

#### Company

The IHOP family restaurant chain is a true American icon, serving a wide variety of breakfast, lunch and dinner selections for more than 45 years. Offering more than 16 types of pancakes as well as omelettes, breakfast specialties, burgers, sandwiches, chicken and steaks, IHOP’s diverse menu appeals to people of all ages. IHOP restaurants are franchised and operated by Glendale, California-based IHOP Corp. There are more than 1,198 IHOP restaurants in 48 states and Canada. IHOP serves more than 700 million pancakes per year with 2.5 million gallons of syrup to top them off. IHOP has been consistently recognized by Forbes Magazine as one of the hottest growth prospects in American business, earning recognition on its list of the 200 Best Small Companies.

#### Challenge

In 2003 IHOP shifted to a franchisee-financed development model. In the past, IHOP’s Operations and Development departments often had conflicting opinions on market development issues (sales forecasts, which sites to choose). Real estate development was often reactive, evaluating new sites/markets as they presented themselves, with development decisions based largely on intuition.

To support its new franchise driven business model, IHOP needed to change the way it made its strategic real estate decisions—it needed an objective and scientific analytical method to quantify the sales potential of sites and markets, and to identify profitable opportunities for infill or relocation/renovation of existing restaurant locations.

#### Result

Customer data is a critical component to any sales forecasting model. Each restaurant has a distinct customer demographic/lifestyle profile. MapInfo Predictive Analytics surveyed over 60,000 customers across 100 IHOP locations, assigning each customer to a PSYTE Advantage lifestyle cluster. The clusters were then indexed according to their propensity to dine at IHOP (frequency and check size). The PSYTE profiles were then incorporated into a custom predictive analytic Market Optimization model which IHOP could use to determine the sales potential of prospective sites and to evaluate whether existing restaurants are properly positioned to capture full market potential.

#### CHALLENGE

IHOP was implementing a new “franchise driven” business model and its operations and development departments needed to find an objective “scientific” method to base their strategic site and market development decisions on.

#### SOLUTION

MapInfo® Predictive Analytics helped IHOP to identify and profile their customers using the PSYTE® Advantage segmentation system and develop a scientific Market Optimization model that helped them quantify and analyze the impact of key “real world” variables that determine IHOP’s performance in a market.

The Market Optimization model provided IHOP with a way to prioritize sites and markets for expansion, as well as to identify which existing locations should be closed or renovated.

## THE MAPINFO ADVANTAGE



MapInfo® Predictive Analytics modeling solutions integrate “real world” data (customer and sales transaction data, unit sales, site surveys, eg.) with over 45 years of proven “ground truth” market knowledge and analytical experience serving the needs of the world’s most successful retailers and restaurants.

IHOP relies on MapInfo Location Intelligence solutions to provide them with answers to strategic, mission-critical questions such as:

- How many units can IHOP support within a market
- Which restaurants should IHOP close, which should it renovate
- What locations are underperforming
- Which sites and markets should be prioritized for development
- Where are the most profitable strategic in-fill opportunities in existing markets

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Be Location Intelligent™

“MapInfo Location Intelligence provides a critical component to our overall development program.”

*Rick Celio, Vice President, Franchise and Development, IHOP*

The Market Optimization model integrated a number of “real world” variables that were identified as being the key predictors of IHOP’s performance:

- Customer profiles and market demographics/psychographics
- Direct and indirect competition, including sales transfer from existing locations
- Site characteristics (visibility, parking, site layout, ingress/egress, traffic counts, size of center/drawing power, co-tenants, etc.)
- Trade area size, by type of market (settlement densities: urban, suburban, exurban)

Using Market Optimization, IHOP’s strategic planners are able to consider almost limitless deployment options to determine the optimal strategy to serve a market—“green field” deployments with no existing locations; identifying the most profitable “in-fill” opportunities in the context of existing deployment; or identifying the best new additions to a market if select locations are closed. IHOP can define study parameters that include factors such as: minimum acceptable sales volumes; maximum acceptable cannibalization rates; or minimum net new (incremental) sales thresholds resulting from new deployments.

MapInfo Location Intelligence provided IHOP with an accurate means to value markets for its franchisees and to help them quickly zero-in on the most profitable locations within a market—providing a strategic blueprint for expansion. Rick Celio, Vice President, Franchise and Development, IHOP, commented on these benefits, “MapInfo services allow us to better understand, from a market and site location-specific perspective, what our guests enjoy about IHOP and what they’d like to see from us in the future. MapInfo Location Intelligence technology also facilitates more effective evaluation of franchise sites, helping to ensure that corporate objectives for the number of locations and performance are met. MapInfo Location Intelligence provides a critical component to our overall development program.”