

CASE STUDY

Denny's

"PITNEY BOWES BUSINESS INSIGHT PROVIDES THE SOPHISTICATED PREDICTIVE ANALYTICS AND SITE MODELLING CAPABILITIES WE NEED TO MAKE SMARTER DECISIONS AND AVOID POTENTIALLY COSTLY MISTAKES."

Mark Burgess, Senior Director of Development, Denny's

PITNEY BOWES BUSINESS INSIGHT DISHES OUT POWERFUL SITE MODELING AND CUSTOMER ANALYTICS SOLUTIONS TO SUPPORT DENNY'S REFRANCHISING INITIATIVE.



Challenge

In 2007, Denny's Franchise Development group launched the Franchise Growth Initiative (FGI) to optimise its company restaurant portfolio while 'seeding' franchise growth in key markets. To help evaluate and identify which company-operated units to sell to franchisees, Denny's needed to develop a more efficient and effective method of assessing existing units.

Solution

Denny's turned to Pitney Bowes Business Insight to provide the sophisticated predictive analytics and site modelling capabilities needed to help guide its refranchising efforts. Denny's works with Pitney Bowes Business Insight as a continuous partner to help the chain re-energise its brand and navigate the turbulent waters of the restaurant industry.

SUMMARY

Based in Spartanburg, South Carolina, Denny's is the most recognised name in family dining providing good food and service for more than 50 years. With more than 1,540 franchise and corporate operated restaurants across America, system-wide sales of \$2.4 billion and approximately 21,000 employees, Denny's is one of the largest full-service family restaurant chains in the U.S.

Denny's restaurants offer a casual dining atmosphere and moderately priced meals served 24 hours a day. Denny's is best known for its breakfasts served around the clock while the lunch and dinner menu items are increasing in popularity, offering a variety of burgers, sandwiches, salads and other entrees. Denny's remains dominant for the late-night crowd with an emphasis on appetisers and desserts.

In early 2007, the Denny's Franchise Development group adopted a strategy of refranchising, which involves selling company-operated units to franchisees. At the same time, Denny's was overseeing other regional franchisee growth initiatives. The increased activity brought with it an increase in workflow that required evaluating varied and, at times, competing internal sales forecast and sales transfer estimates from operations, franchisees and real estate.

To address these challenges, Denny's needed a platform to efficiently assess development opportunities by providing objective,

analytically based unit sales forecasts and market shift estimates. Moreover, Denny's needed a partner that had the analytic depth, track record and responsiveness to assist in customer research, staff training and research plan development as the chain grew its store count and branched out into different prototypes and deployment environments.

Denny's turned to Pitney Bowes Business Insight, the leading global provider of location and communication intelligence solutions, to develop and implement an integrated research approach that included the development of Denny's Site Evaluator Model and Application, Pitney Bowes Business Insight Sales Transfer Studies and Pitney Bowes Business Insight consulting and support services.

Result

To understand the tangible sales drivers and trade area draws for Denny's restaurants, Pitney Bowes Business Insight interviewed nearly 66,000 Denny's customers and catalogued site characteristics of 100 restaurants in early 2006. The analysis of these results allowed the identification of demographic and psychographic characteristics of Denny's best customers, its direct and indirect competitors, as well as the impact that site characteristics has on individual restaurant's sales potential.

These findings were incorporated by Pitney Bowes Business Insight's custom

“THE INFORMATION PROVIDED THROUGH OUR SITE EVALUATOR MODEL ENABLES US TO MORE CONFIDENTLY GAUGE INVESTMENT DECISIONS BASED ON SOUND DATA AND ANALYSIS.”

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application developers into Denny's Site Evaluator Application, installed at Denny's corporate offices in October 2006. The Site Evaluator Application provides Denny's with not only the ability to quickly generate sales and transfer estimates for prospective development opportunities, but also enables them to run "what-if" scenarios on their current portfolio. Pitney Bowes Business Insight's Site Evaluator Model is a customised site modelling system that quantifies the inter-relationships between site, demographic, psychographic, business/employment, shopping and competitive variables, and determines how each variable contributes to existing and projected sales potential. The power of the system allows the user to test and compare multiple real estate alternatives in order to determine the most profitable option for the chain. The variables in Denny's Site Evaluator model are updated on a regular basis to ensure that Denny's system uses the most reliable and timely information available.

When a development opportunity has the potential to significantly impact a sister restaurant's sales, Denny's relies on Pitney Bowes Business Insight's Sales Transfer Estimates to quantify the level of cannibalisation. In this process, Pitney Bowes Business Insight's customer research team interviews diners in the restaurant to be impacted to determine the spatial distribution of the restaurant's sales. From these findings, Pitney Bowes Business Insight uses a tested and accurate approach to determine the amount of sales that will be cannibalised by the introduction of the new unit into a market. Based on the severity of the impact, the deal will either be permitted or denied.

To date, Denny's has sold more than 260 company-operated units to franchisees, which is 50 percent of the pre-FGI company store base. Company restaurants have been purchased by more than 49 separate franchisees. Shifting units to franchisees has helped the company reduce capital expenditures and strengthen its restaurant portfolio.

Denny's retains Pitney Bowes Business Insight's staff of analytic consultants for ad hoc projects, training, forecast reviews and system enhancements. Denny's also contracts Pitney Bowes Business Insight to carry out research for larger, individual projects as needed.

Pitney Bowes Business Insight is always looking for ways to advance and evolve its methods and techniques to support clients in their future growth efforts. For example, Denny's will soon implement a new consumer survey solution called FACES™, a combined offering through Pitney Bowes Business Insight and LandPoint Systems. FACES provides companies in the restaurant and retail sectors with real-time customer surveys to help them make more informed and timely decisions. Using an Internet hosted survey platform, restaurateurs can create on demand surveys that capture customer data directly at the point of experience and help them better understand their customer. FACES utilises standard electronic hand-held devices, such as PDAs or Smartphones, equipped with customised FACES consumer survey software and Pitney Bowes Business Insight location intelligence solutions, and helps to address the industry-wide issue of capturing consumer data by making it a more accessible, efficient and cost effective process.

THE PITNEY BOWES BUSINESS INSIGHT ADVANTAGE

As Denny's, one of the largest, full service, family-style dining chains in the U.S., expands its brand through new restaurant prototypes, new deployment environments and new markets, Pitney Bowes Business Insight supports the chain's growth efforts by providing analytic expertise in site modelling and customer research. Working with Pitney Bowes Business Insight, Denny's gains actionable insight which helps the chain make more strategic business decisions. For franchisees, Pitney Bowes Business Insight conducts sales forecasts and sales transfer studies, providing an objective third party assessment of a site's potential opportunities and challenges.

