

Denny's mounts successful franchise campaign with precise site evaluation and sales analysis

Customer profile

Denny's Restaurants

- One of the largest full-service family restaurant chains in the United States
- Second most recognized name in family dining, in operation more than 50 years
- More than 1,540 franchise- and corporate-operated restaurants across the United States
- System-wide sales of \$2.4 billion and approximately 21,000 employees



Seeking a single view of the truth

Denny's restaurants offer a casual dining atmosphere and are best known for moderately priced meals served 24 hours a day. To optimize its portfolio, the Denny's Franchise Development group adopted a strategy of 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.

Business challenge

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 to provide the capabilities needed to help guide its refranchising efforts.

"Pitney Bowes provides the sophisticated predictive analytics and site modeling capabilities we need to make smarter decisions and avoid potentially costly mistakes."

—Mark Burgess, Senior Director of Development

Technology used

- Custom Application Developers
- Sales Transfer Studies
- Sales Customer Research Team
- Consulting and Support Services

“The information provided through our site evaluator model enables us to more confidently gauge investment decisions based on sound data and analysis.”

—Mark Burgess, Senior Director of Development

Solution

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. Denny's worked with Pitney Bowes to develop and implement an integrated research approach that included the development of Denny's Site Evaluator Model and Application, Pitney Bowes Sales Transfer Studies and Pitney Bowes consulting and support services.

To understand the tangible sales drivers and trade area draws for Denny's restaurants, Pitney Bowes interviewed nearly 66,000 Denny's customers and cataloged site characteristics of 100 restaurants. The analysis of these results allowed the identification of demographic and psychographic characteristics of Denny's best customers, its direct and indirect competitors, and the impact that site characteristics have on individual restaurants' sales potential.

These findings were incorporated into a custom Site Evaluator Application, which not only provides Denny's with 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. The site modeling system quantifies the interrelationships between site, demographic, psychographic, business/employment, shopping and competitive variables. It also 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.

When a development opportunity has the potential to significantly impact a sister restaurant's sales, Denny's relies on Pitney Bowes' Sales Transfer Studies to quantify the level of cannibalization. In this process, Pitney Bowes' Customer Research Team interviews diners in the potentially impacted restaurant to determine the spatial distribution of the restaurant's sales, and predicts the amount of sales that will be cannibalized by the introduction of the new unit. Based on the severity of the impact, the deal will either be permitted or denied.

Benefits

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



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