



CASE STUDY



CUSTOMER PROFILE

- One of the largest full-service family restaurant chains in the United States
- Second most recognized name in family dining providing good food and service for 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

Executive summary

Based in Spartanburg, South Carolina, Denny's restaurants offer a casual dining atmosphere and is best known for its moderately priced meals served 24 hours a day.

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.

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 sophisticated predictive analytics and site modeling capabilities needed to help guide its refranchising efforts. 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.

In 2007, Denny's Franchise Development group launched the Franchise Growth Initiative (FGI) to optimize 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.

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 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.

“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
Denny's

Solution

These findings were incorporated by Pitney Bowes's Custom Application Developers into Denny's Site Evaluator Application which 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's Site Evaluator Model is a customized site modeling 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.

When a development opportunity has the potential to significantly impact a sister restaurant's sales, Denny's relies on Pitney Bowes's Sales Transfer Studies to quantify the level of cannibalization. In this process, Pitney Bowes's Customer Research Team interviews diners in the restaurant to be impacted to determine the spatial distribution of the restaurant's sales and determines 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.

Denny's will soon implement a new consumer survey solution called FACES™, a combined offering through Pitney Bowes and LandPoint Systems, that provides real-time customer surveys to help them make more informed and timely decisions.

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TECHNOLOGY USED

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

Results and 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.

Denny's implemented the FACES consumer survey solution utilizing standard electronic handheld devices, such as PDAs or Smartphones, equipped with customized software and Pitney Bowes location intelligence solutions, to address the industry-wide issue of capturing consumer data by making it a more accessible, efficient and cost effective process.

“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
Denny's

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