



THE ROLE OF GIS IN SUCCESSFUL FRANCHISING

HOW A MAJOR FRANCHISING BUSINESS SEES GIS AS A STRATEGIC SOLUTION TO HELP ITS BUSINESS GROW

Founded in 1984 in Wisconsin, Culver's is a growing franchise in the quick-service restaurant category

Have you ever wondered what goes into figuring out where to locate a restaurant? Certainly there are hungry people everywhere, so why is one site better than another? That question is one that Dave O'Brien, real estate manager at Culver's, a successful Wisconsin-based quick service restaurant (QSR) chain, asks himself every day.

Culver's is a growing franchising business that first opened in 1984. Founders Craig Culver and his wife, Lea, oversee more than 385 franchised restaurants in 17 states through Culver Franchising System, Inc. The restaurant specializes in frozen custard, a treat similar to soft-serve ice cream, and the ButterBurger, a juicy hamburger so named for its lightly toasted and buttered bun. Culver's has won many accolades including recognition as one of the 25 highest-performing franchises in the country by the *Wall Street Journal*. Culver's was rated the best burger chain in the United States according to the 2007 annual survey of diners conducted by *Restaurants & Institutions* magazine.

Although the success of Culver's stems a great deal from the delicious food it serves, the company also works hard to help franchisees choose great locations for their restaurants. To do this, Culver's uses GIS software. "Using GIS, we are able to easily compare and contrast new sites by analyzing the demographics of our existing restaurants and then pinpointing new areas that are similar," states O'Brien.

Culver's isn't the only QSR using GIS. "Location intelligence is the key to a successful franchise," emphasizes Mark Whittle, vice president of real estate, FOCUS Brands, Inc., in Chicago, Illinois. "It isn't just anecdotal." Whittle knows what he's talking about. He's in charge of

finding successful business locations for food franchises that FOCUS Brands owns and manages. The company owns and operates more than 2,200 restaurants, bakeries, and ice cream shops—such as Schlotzsky's, Carvel, Cinnabon, and Moe's Southwest Grill—throughout the United States and in several other countries. Using GIS, FOCUS Brands has realized between 5 and 10 percent increased sales revenue from the Schlotzsky's deli chain; significantly reduced store closures; and decreased the time it takes to create strategic plans for new franchises from weeks to mere hours.

Schlotzsky's, headquartered in Austin, Texas, has locations in 35 states and six foreign countries. The deli, known for its "funny name, serious sandwich," is popular for its fresh food including pizzas and oven-toasted sandwiches made with freshly baked bread.

With many casual dining options available to patrons today, it can be a risky business to open a restaurant. Even successful franchisors like FOCUS Brands and Culver's Franchising System, Inc., need an edge in managing their businesses smartly. GIS has proved to be a reliable tool, allowing them to do just that.

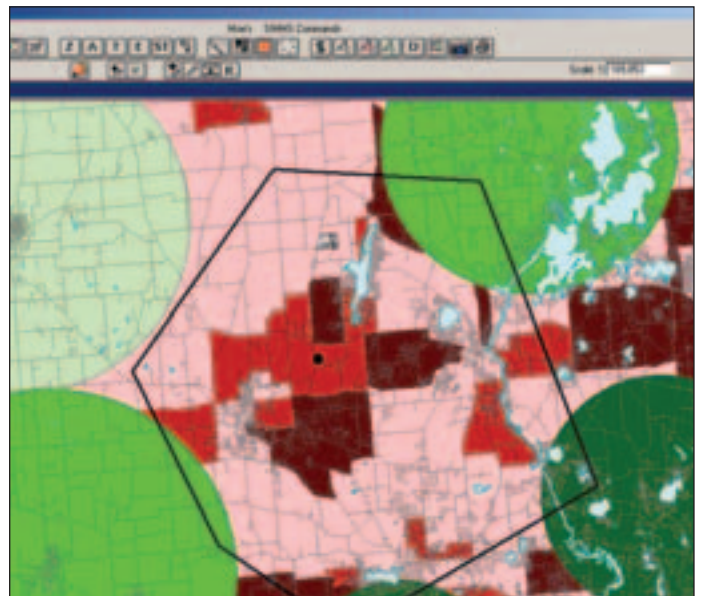
More Than Maps

"In the retail business, many CEOs mistakenly think GIS means only maps," says Paul Sill, chief executive officer of Forum Analytics, a Chicago-based consultancy that introduced GIS to FOCUS Brands. "But maps are an ancillary benefit to business decision making; our client solutions provide a numeric, financial basis for bottom-line development decisions using GIS as an enabler of market information."

The solution Forum Analytics created for FOCUS Brands - the strategic integrated mapping and modeling system (SIMMS) - incorporates ESRI's ArcView software for visualizing, managing, creating, and analyzing geographic data. The application provides all the critical decision-making information needed through only a few mouse clicks, allowing information to be delivered to real estate directors out in the city as they search for the right sites. "This is one of the most important aspects of the system," stresses Sill. "Using GIS allows every level within a company to analyze the same set of key metrics and reports at the same time." All tasks are easily performed by FOCUS Brands staff, which includes one GIS usability director, six real estate directors, and the vice president of real estate.

The real estate directors access information from the application through a Web-portal interface managed by the home office. GIS analyses are automatically generated for available real estate locations through this Web interface. This gives each director the ability to access information needed when meeting with new franchisees, instead of requesting reports from the main office.

Similarly, Culver's also uses GIS to model potential sites for

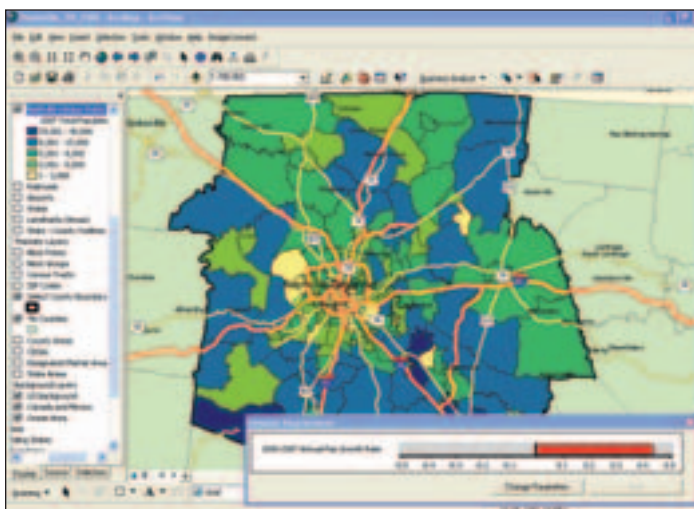


The SIMMS software saves Schlotzsky's Deli valuable time by allowing real estate directors easier access to GIS output through an intuitive menu system that gives them access to information they need when meeting with franchisees, instead of requesting reports from the main office.

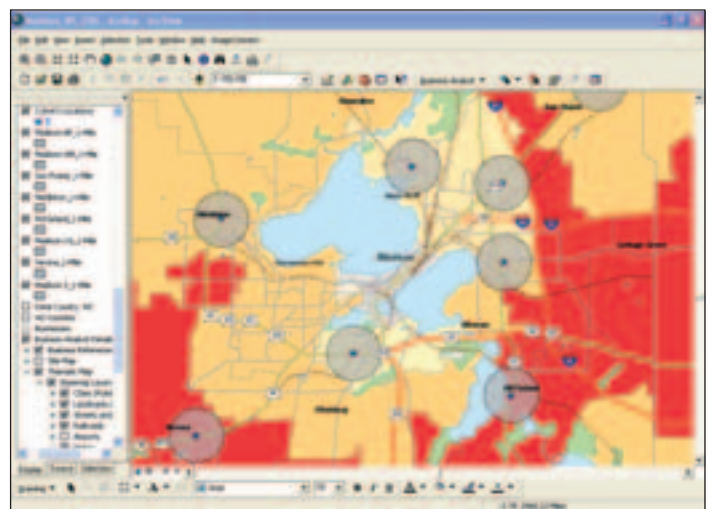
franchisees. With nearly 400 restaurants, existing franchise partners and candidates are continually looking at possible new sites. "The best way to determine a good site versus a bad site—besides understanding its access to customers, how to place signage, how good visibility is, and the location's prominence in a particular market—is almost certainly going to be comparable store analysis," says O'Brien.

Culver's real estate and franchise development team defines areas being served by existing restaurants through creating locations on a map of the company's restaurants and using tools within ArcGIS Business Analyst to determine market area boundaries around sets of customers. Next, Culver's uses the ArcGIS Business Analyst Segmentation Module to mine valuable customer-profiling information.

The segmentation module consists of Community Tapestry data, which classifies U.S. neighborhoods into 65 segments based on their socioeconomic and demographic composition. Operating on the theory that people with similar tastes, lifestyles, and behaviors seek others with the same tastes—"like seeks like"—these behaviors can be measured and predicted. Using this solution answers questions such as Where are other neighborhoods that look like neighborhoods we are



Intuitive wizards in ArcGIS Business Analyst make it easy to answer questions about market areas, in this case finding the census tracts with the highest population growth in order to decide where to open a new restaurant.



ArcGIS Business Analyst is used to define areas being serviced by existing Culver's restaurants in order to analyze the marketplace; will a new restaurant cannibalize existing franchises, hold it's own against competitors or service new customers?

currently in that tend to have higher sales volumes? What do people in those neighborhoods buy? How can I reach them? and Where can I find more like them? Using ESRI spatial analysis tools, Culver's is able to segment the demographics of a restaurant location and find new areas that have similar attributes.

Whether considered by existing franchise partners or new franchise candidates, new sites are always being scrutinized for potential. "Working with franchisees requires a lot of time; we're either on the phone discussing locations or viewing prospective sites in person," explains O'Brien. He adds that GIS helps everyone focus on trade areas that are more appealing before going out to visit prospective new restaurant locations, decreasing the time it takes to narrow down choices.

Benefits Abound

For FOCUS Brands, using GIS saves the company valuable time; previously, the task of requesting a report on a specific site for a franchise candidate could take several days. By allowing the real estate directors easier access to reports and output of the GIS, customer service has vastly improved. In addition, the GIS usability director has more time to perform other important tasks such as strategic planning analysis. "Before using SIMMS, a strategic plan would take months to complete and would require days and weeks in a specific market to learn the potential trade areas. This was very costly from a travel

expense standpoint and required almost 100 percent focus for the real estate field team for weeks," says Whittle.

SIMMS offers another benefit to FOCUS Brands: the ability to accurately predict sales for newly opened locations. "If the site model predicts \$700,000 in sales for a location, we can feel comfortable that the restaurant will be within a certain range, plus or minus, of that prediction," Whittle adds. This helps FOCUS Brands further optimize its stores' openings. Not only can the number of restaurants a new market can carry be modeled, but the opening of those restaurants can be prioritized.

Culver's sees GIS as a strategic solution that helps its franchise business grow. "GIS is a tool to help us make even better decisions as we continue to expand," says O'Brien. "GIS doesn't replace anything we have now including people. Instead, the software has become a necessary tool that complements our existing business process."

Working Hard for Franchisees

While GIS is used in the back office for analysis and planning, Culver's also uses the software to quickly and intuitively share information with corporate managers and new franchisees. The company's analysts use Business Analyst Online, a Web-based solution that applies GIS technology to demographic, consumer-spending, and business data in order to deliver on-demand analysis and presentation-ready reports and maps to board

members and potential franchisees. "We want to give our franchise partners the support they deserve," says O'Brien. "We are a family company, and this is apparent in all our daily efforts. Without franchisees—the local owners and operators in their own communities and hometowns—we would not exist. GIS gives them the ability to maximize their potential at Culver's."

Along with sales predictability and optimization, the ability to find sites quicker with GIS has given FOCUS Brands a strong resource in aiding its franchisees. "GIS has become an enabler in optimization," states Sills. "Without GIS, there is no way a business owner can efficiently sift through hundreds of ZIP Codes and associated demographics and accurately forecast sales of specific areas. Using GIS, we allow FOCUS Brands to visualize the correct spatial configuration for the maximum revenue."

FOCUS Brands sees GIS as a strong resource in aiding franchisees in their site procurement process and decisions and a necessary tool for site selection and optimization. Whittle strongly believes in the value of GIS: "You really owe it to your franchise system."

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