

## **Repositioning Denny's**

The Denny's restaurants are best known for their American diner-concept, serving dishes in all three daily meal categories, and being open 24/7 (Denny's). Denny's has found themselves in a tough competitive situation, with decreasing revenue. In 2019 Denny's corp. had a revenue of 630 million USD, the year after the corporation had a revenue of 541 million USD (MarketLine, 2021). While Denny's corps' revenue is decreasing, most of its competitors are having an increasingly larger market share - forcing Denny's corp. to review the franchise position on the all-service restaurant market.

### **Competitor audit**

Because of the tough competitive situation, it is relevant to conduct a competitor audit of the direct competitors, which are brands that are similar to Denny's (Hollensen, 2019:175). Through brand-level analysis, I can uncover the brand competitions strengths and weaknesses, and determine whether Denny's should be repositioned to differentiate from its competitors (Hollensen, 2019:319). I will do a formal CI acquisition, where I use published materials from the internet.

The evaluation of the competitors' strengths and weaknesses is based on the analytical framework, 'marketing mix' (4 p's). Product, price, promotion and place (distribution) influence the positioning of a product and consequently, whether it generates profitability (Hollensen, 2019:318). This is relevant to the evaluation of Denny's positioning, as the franchise must be defined relative to its competitor's product offerings (Hollensen, 2019: 318). A successful positioning is differentiated from the competitors (ibid.).

Similar Brands to Denny's in the full-service restaurant industry are IHOP, Cracker Barrels and Waffle House. According to Shostack's model of 'combination of service and product for different products', the product offerings of these franchises can be categorised as 'balanced entities', because they equally emphasise product and service (Hollensen, 2019: figure 11.1, p. 407). IHOP generated a revenue of 781 M USD in 2019, while they in 2020 generated 910 M USD. IHOP promotes themselves as a family-friendly restaurant chain, that provides an '[...] affordable, everyday dining experience with warm and friendly service'. The products IHOP exchanges are pancakes and

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breakfast, lunch and dinner meals (IHOP). Because IHOP targets a differentiated market segment, which is families, it can attract customers in groups. This means that the customers buy in larger quantities. On the other hand, the family focus can prohibit profitability, as the brand attracts children, that does not earn money. The focus on children is especially seen through the brand's promotion on social media, where they do value play, value creation and value sharing (Instagram A). Their promotion targets the interest of the children, but not the wallet of the parents. Because the product offering includes intangible services, it is difficult to calculate the financial costs of the offering. The discussion of the price will instead be based on pricing strategy and customer perceived value. IHOP's pricing strategy includes price bundling. IHOP's bundle offers, called 'Family Feast', targets the family segment by giving them segment-specific promotion deals. Through the bundling strategy the customers obtain greater value, as they get more product for less money. The competitors are B2C-based. B2C relationships are ideal in the full-service restaurant industry, as B2C sales are driven by emotion (Hollensen, 2019:127). Fast-food restaurants cater to emotion. When a customer is hungry, it is in need of food, and fast-food is a fast way of ending the emotion of hunger.

Cracker Barrels is owned by Cracker Barrel Old Country Store Inc., that had a revenue of 3,072 million USD in 2020, while the revenue for 2019 was 3,030 million USD. According to Cracker Barrels, they provide their customers with quality homestyle southern foods and warm friendly service (Cracker Barrels). Cracker Barrels targets a concentrated market segment (niche marketing) based on the sociodemographic variable: food culture. By niche targeting, the franchise can avoid direct competition with companies like Waffle House, because they pursue larger segments (Hollensen, 2019:317). Cracker Barrels restaurants are located near highway exits. This creates associations with driving, incorporating the Cracker Barrel into the daily lives of the Americans. Cracker Barrels promotes value creation on their social media channels. The home-away-from-home, serving family meals with the southern country vibe is expressed through Cracker Barrels Instagram, where they promote family dinners in country-like settings (Instagram (B)).

In 2019, Waffle house had annual revenue of 1,3 billion USD (Sorvino, 2020). The revenue of 2020 has not yet been published. Waffle House promotes themselves as serving good food fast with an emphasis on human connection, friendly service and educating their staff (Waffle House). The chain specializes in waffles but serves meals in all three daily meal categories. The restaurants are open 24/7 and are located on City streets and interstate highways, which as mentioned before, is a

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competitive strength, as it draws associations to daily actions (Waffle House.). A strength of Waffle House is found in its promotion: the chain does not promote a specific product (except for the Waffle in its name) or concept. Its social media profiles promote a variety of products, waffles house restaurants and signs etc., making WH likeable to all people and needs (Instagram (C)). From the chain's description and promotion strategies, it seems to target an undifferentiated market, with an emphasis on its main product-offering: waffles and breakfast foods.

If the competition should be placed in Chen's model of 'resource- and market commonality', there would not be good possibilities of cooperation between the competitors, because the competition is too tough (Hollensen, 2019: figure 5.4, p.184). The tough competitiveness is firstly due to a high degree of product similarity between the competitors' products. The product offerings share the same focus, which is fast food, in particular, breakfast. Lots of the same meal items are on different menus. E.g. every competitor menu has a version of Denny's 'Super Slam' menu. Secondly, there is only a small variation in the average prices. Waffle House' average price is 4,25 USD, IHOP has an average price of 6,21 USD, Cracker Barrels is 5,39 USD and Denny's has an average price of 4,03 USD (Menu Prices (A), (B), (C) & (D)). Secondly, there is a high market similarity between competitors. Even though they target different segment markets (niche, differentiated and undifferentiated) promotion wise, it is still the same products within the same price range being offered to the same fast-food consumers. The competition does not give Denny's good opportunities to reposition in the all-service restaurant industry.

### **Where is Denny's?**

Denny's and competitors positioning can be found through a brand positioning map (Hollensen, 2019: 319). From the analysis above, the 'best in breed' of the competitors is Waffle House, as they have generated the largest revenue. Waffle house differs from the competitors by having an undifferentiated market segment, and by not promoting any specific product or values. Undifferentiated mass marketing focuses on products that appeal to most and can have success if they keep prices low - exactly what waffle house has done (Hollensen, 2019:317-318). The least worrying competitor is IHOP, that has a differentiated market segment (families) and a specifically promoted value proposition (pancakes). Since the customer perceived value is hard to define with intangible services, the positioning map will be based on differentiation and price. If possible, the ideal situation would have been to base customer perceived value on speed instead of differentiation, as it is fast-

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food restaurants, I am positioning. IHOP has a more varied menu than Waffle House. On the basis of this differentiation, the map is divided by two axes: a horizontal axis that showcase the complexity (numbers of menu items) of the different menus, measuring from simple to complex, and a vertical axis displaying the average price of the restaurant, from low to high. Waffle house with its average price of 4,25 USD and 119 menu items, place the restaurant chain with a simple menu and low cost. The same applies to Denny's, that has an average price of 4,03 USD and 115 menu items. Cracker Barrel has a high cost of an average price of 5,39 USD with a simple menu (121 items). IHOP has a high cost with an average price of 6,21 USD and a complex menu, consisting of 146 menu items (Menu Prices (A), (B), (C) & (D)). Denny's is open 24/7, has cheap prices and a simple menu but differs in success from Waffle House. Mass market targeting can often only be successful if there are no competitive alternatives, this situation applies to Denny's competitive situation with Waffle House. Another variable that could contribute to Denny's failure is its emphasis on the sociodemographic segment variable: race and ethnicity. On Denny's website the focus is not on the food, but diversity, which makes Denny's product offering hard to evaluate. The same applies to their value creation on Instagram, where they use humour in combination with the products, making it look more like a meme-page than a full-service restaurant chain (Instagram (D)).

If Denny's should take advantage of the positioning opportunities, the franchise should focus on higher prices and a simpler menu. Higher prices require the positioning of higher quality in the minds of the consumers. To achieve this, a relevant growth strategy, suggested by the Ansoff product-market matrix, would be product development strategies (Hollensen, 2019: figure 7.4, p.267). These strategies include product line improvements and new products, which are necessary for the adjustment of Denny's product offering for the positioning gap (Hollensen, 2019: 268). Why I have excluded the product-line extension strategy, is because Denny's is moving into a position with fewer items and more quality.

### **The repositioning of Denny's**

For Denny's to produce sales in its new position, the corporation must take several important marketing actions. The product offering continues to consist of a balanced 'entity'. As mentioned earlier, a necessary pricing strategy for Denny's new positioning will require higher prices. Being in the fast-food industry a low-price strategy should still be the pricing aim, but prices in Denny's new position are required to be higher - but relative to the competitors. The prices should be value-based,

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as the product offerings are made from the customers perceived value, that further derives from the quality of the food and services, as well as the brand image (Hollensen, 2019:465).

Recommendations for Denny's promotion mix are advertising, sales promotion, direct marketing and public relation. The main objective of Denny's advertising would be to obtain new customers and bring awareness of Denny's new positioning. Because Denny's is product-differentiating from its competitors, an important emphasis should be placed on *message decision* (Hollensen, 2019:538). Denny's are looking to promote the unique selling proposition of high-end quality, revolutionized, fast-food. The selling proposition should be mass market, ideally with both a high frequency and extensive reach. The combination of the two criteria provides Denny's with the reach of a new product and an increasing awareness of image change. To modify Denny's image, from a cheap and sleazy fast-food provider to the opposite, requires public relations, as PR can help change the perception of a corporate image (Hollensen, 2019: 541). Another marketing action Denny's could make use of, are sales promotions. A survey report performed by Publisher Clearing House, concludes that customers of quick-serve restaurants value promotions, such as coupons and other saving methods (Publisher Clearing House, 2018: 3). Regarding direct marketing, Denny's could adopt a more Waffle House-approach, as its mass-market targeting was successful for revenue. Denny's can use value share to bring awareness on platforms like Instagram and Facebook. Through value creation, Denny's can engage with current and potential consumers, through e.g., blog reviews of their food or Reddit threads. According to the social media funnel, suggested by Sven Hollensen, these different marketing actions should provide Denny's with new customers, and potentially customer loyalty (Hollensen, 2019: figure 14.15, p.567). Denny's communication objectives cannot be done more effectively by face-to-face communication, why *personal selling* is left out of the promotion mix. Regarding placement, Denny's should continue to distribute B2C, with specified placement of their restaurants, just as Waffle House and Cracker Barrels. The two competitors are already competing for the highway exit customers, why I recommend that Denny's is placed near shopping markets, where hunger is an easily triggered emotion.

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