

## Atlanta-Based FOCUS Brands, Inc., Lauds Location Intelligence

### GIS Helps Find Profitable Locations for Schlotzsky's Deli

By Karen Richardson, ESRI Writer

"Location intelligence is the key to a successful franchise," says Mark Whittle, vice president of real estate, FOCUS Brands, Inc., in Atlanta, Georgia. "It isn't just anecdotal."

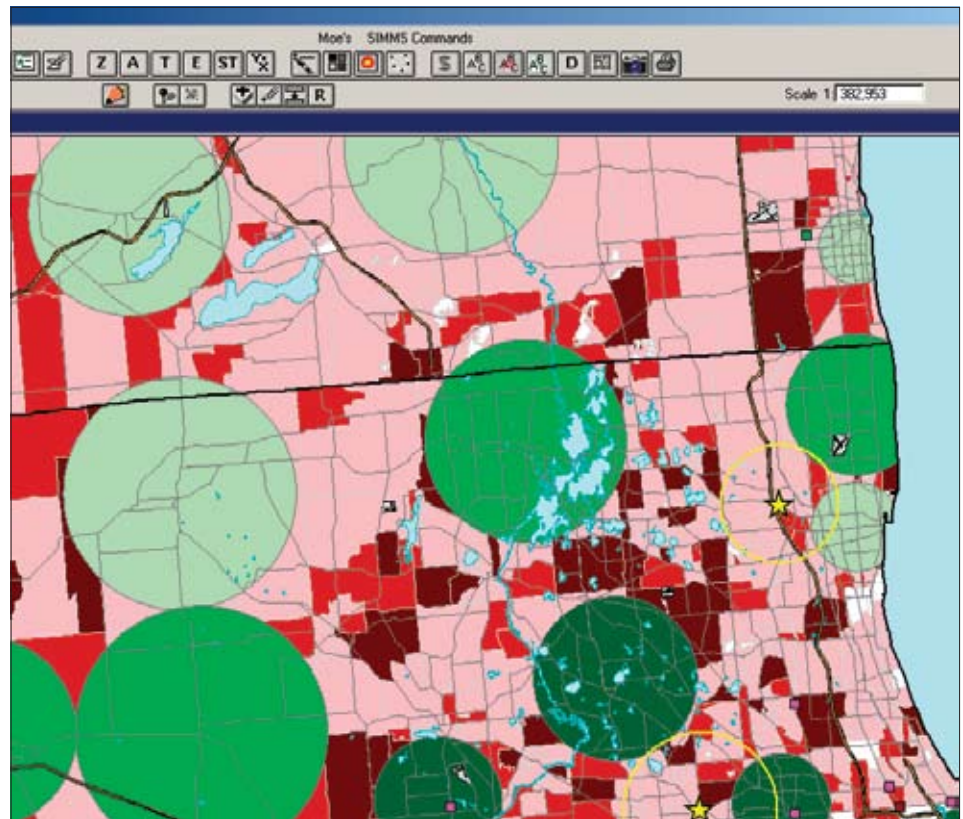
Whittle knows what he's talking about. He's in charge of finding successful business locations for food franchises that FOCUS Brands owns and manages.

The company operates more than 2,200 restaurants, bakeries, and ice cream shops in the United States and several other countries including Schlotzsky's Deli, Carvel, Cinnabon, and Moe's Southwest Grill.

Schlotzsky's Deli, headquartered in Austin, Texas, is an international franchise restaurant chain with locations in 35 states and six foreign countries. The deli with the motto, "Funny Name. Serious Sandwich" is popular for its fresh food including pizzas and oven-toasted sandwiches made with freshly baked bread. This restaurant in particular has had significant growth, piquing FOCUS Brands' interest in finding profitable spots for new Schlotzsky's Deli franchises. With so many casual dining options available to patrons today, it is a risky business to open a restaurant. Even successful franchisors like FOCUS Brands need an edge. For FOCUS Brands, the magic bullet was geographic information system (GIS) software—ESRI's ArcView—and the insight the software gives to clients who use it for modeling and spatial analysis. Using ArcView helped FOCUS Brands realize a 5 to 10 percent increase in sales revenue from the Schlotzsky's Deli chain and reduce the time it takes to create strategic plans for new market areas for new franchises from weeks to mere hours. Most importantly for a successful franchisor, using ArcView has significantly reduced the rate of store closures because the modeling used is so accurate.

#### More than Maps

"In the retail business, many CEOs mistakenly think GIS means only maps," says Paul Sill, chief



*Modeling and forecasting retail sales*

executive officer of Forum Analytics, LLC, a Chicago-based consultant and ESRI business partner 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 ArcView for visualizing, managing, creating, and analyzing geographic data.

The SIMMS application provides critical decision-making information including customized datasets such as

- Schlotzsky's competitors geocoded to specific street addresses
- The Directory of Major Malls (DMM) Shopping Center database, which includes information on leasable area and anchor tenants
- Block group and ZIP Code demographics and a variety of sophisticated spatial analysis models like linear regression and probability forecasting models

By using a few mouse clicks, this information is delivered to FOCUS Brands' employees, who decide where new franchises will open. "Having all the data and models available in one place is one of the most important aspects of the system,"

stresses Sill. "Using SIMMS 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.

A strong testimonial to the power of using GIS for franchising is the track record of the last 12 Schlotzsky's Delis the company opened. Eleven of the stores were opened based on a SIMMS analysis that showed that the chances of success were high. All those stores have exceeded sales expectations, according to Whittle. The twelfth store, opened in an area requested by a franchisee, didn't perform as well. When the deli location was run through SIMMS, the application predicted sales wouldn't warrant opening the store.

"If we were able to make a decision about that store based solely on the information provided to us by SIMMS, we wouldn't have agreed to open it," said Whittle. "This really shows how useful and accurate the system is."

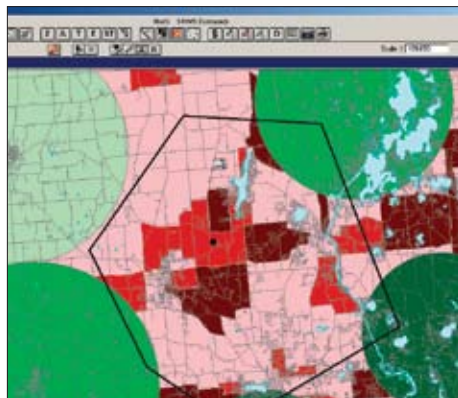
The SIMMS application is fully customized each time it is delivered to a client.

## Solution Makes Choosing Store Locations Easier

ArcView coupled with SIMMS makes the complex task of selecting sites for new Schlotzsky's Delis easier. The six real estate directors, located in major metropolitan areas throughout the country, access information from the application through a Web portal interface managed by the home office. SIMMS analyses are automatically generated for available real estate locations through this Web interface. This gives each director the ability to quickly access information needed when meeting with new franchisees instead of requesting reports from the main office. Using GIS for this task saves

Franchise Site Evaluation Form	
Name:	
City:	
Type of Site:	
Franchise Status:	
Real Estate Availability:	
Accessibility:	
Utilities:	
Other:	

Real world data capture enhances the site modeling done in GIS.



### Site analysis and market potential

the company valuable time; before, it could take several days to get back to a franchisee once a report is requested. By allowing the real estate directors easier access to the reports and output of SIMMS, customer service has vastly improved. Another benefit is that the GIS usability director has more time to spend on other aspects of the business such as strategic planning analysis.

"A lot of time has opened up for our manager to focus on strategic projects and database management for all the brands in terms of unit and site tracking versus just running demographic analyses every day," says Whittle.

FOCUS Brands greatly benefits from integrating GIS into its real estate department including the ability to do fast strategic planning. "Before using ArcView and 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 and months," says Whittle. With the software it is possible to create a nationwide plan in just a couple of weeks.

SIMMS helps FOCUS Brands in another way: It has 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 says. "To date, the modeling and forecasting has achieved very strong predictability and is something we feel very comfortable relying on when making final site decisions."

This helps FOCUS Brands further optimize their store openings. Not only can the company

model how many new restaurants a certain market can carry, but they can prioritize new location openings based on predicted revenues. "If I have a choice between opening two locations—one that has predicted annual sales of \$800,000 and another with \$1 million—I'm going to open the site with the bigger potential," Whittle says.

Sill agrees. "GIS has become an enabler in optimization. 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."

Using GIS, FOCUS Brands is able to give franchisees a better chance at finding a successful location. Using the system to predict sales and optimize store locations in each market, the company expects to see a 5 to 10 percent increase in sales revenue and a significant decrease in restaurant closures.

Whittle strongly believes GIS is needed for site selection and optimization. "You really owe it to your franchise system."

For more information, contact Paul Sill from Forum Analytics at [psill@forumanalytics.com](mailto:psill@forumanalytics.com) or 773-252-2235 or Mark Whittle, FOCUS Brands, Inc., at [mwhittle@focusbrands.com](mailto:mwhittle@focusbrands.com) or 404-257-7040.



**ESRI**  
380 New York Street  
Redlands, California  
92373-8100 USA

## Contact ESRI

1-800-GIS-XPRT (1-800-447-9778)

Phone: 909-793-2853

Fax: 909-793-5953

[info@esri.com](mailto:info@esri.com)

[www.esri.com](http://www.esri.com)

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