



## BrandScore Brief

BrandScore Brief, brought to you by TheRetailPlanet.com applies BrandScore to analyze specific retail situations throughout the US and the world.

### Which are the best choice of competitors for Wendy's to purchase?

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First of all, to our knowledge, this is not about to happen! And we offer our sincere apologies to the executives in any of the chains mentioned in this report if you saw this report and had a bad case of indigestion. This is simply a hypothetical example to illustrate how BrandScore for Retailers from TheRetailPlanet.com can be used by a retail chain to quickly evaluate the potential of a second chain *if* it was being considered for acquisition. Having done a dozen acquisition models in the past --- a time intensive exercise that often takes several months --- we wanted to illustrate the power of BrandScore to help solve this type of problem more quickly and efficiently than ever before possible.

Let's take a look at the factors that make one retail brand a good candidate for acquisition by a second brand based strictly on location factors (and ignoring the "small problem" of whether this makes sense from an economic perspective). These factors include:

1. **Geographic coverage of current locations:** to what degree does the brand being acquired have locations that are unique and not part of the current trade areas of the acquiring brand?
2. **High BrandScores for the current locations:** to what degree do fast food retailers or other competitor locations score high for Wendy's? High scores mean that the locations are more likely to meet Wendy's criteria for success and that the households in the retailer's trade areas are more likely to contain customers who also like Wendy's.
3. **Strong Commercial Activity:** to what degree do the locations have a healthy mix of daytime activity such as shoppers, employees and commuters in the trade area? This is a very important factor for fast food.
4. **Healthy Competitive Environment:** to what degree is there a healthy ratio of demand for fast food to the current supply of fast food restaurants? Our model attempts to avoid areas which are already saturated relative to demand.

Note that Factors 3 and 4 above are also part of the total BrandScore Index. We decided to list them separately because of their importance in the decision process for this particular scenario.

AND THE ANSWER IS:

There are several great acquisition candidates! Being a national chain, there are relatively few markets that don't already have a Wendy's. However, we do see some key competitors with locations in the markets where Wendy's is currently not located that also have a strong fit for Wendy's customer profile and retail location profile. What this means is that by simply changing the sign on the door to Wendy's these locations are likely to do well.

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What are the brands? We won't keep you in suspense any longer. In this BrandScore Brief Part 1 we will begin with a 50,000 ft view where we examine the entire the set of Fast Food retailers (including Burger, Chicken, Pizza, Sandwiches etc) for their potential value to Wendy's. The below table provides a snapshot of that analysis.

Overall Statistics					Potential New Markets		
Name	Total Locations	Wendy's BrandScore for Retailer's Existing Stores	% of Retailer's Locations with Above Average Wendy's BrandScore	Average Daytime Index for Retailer	% Stores in Markets with NO Wendys	Wendy's BrandScore for Retailer's Existing Locations	Average Daytime Index for Retailer
<b>Pizza Ranch</b>	150	166	77%	182	28	163	203
<b>Taco Mayo</b>	80	152	64%	171	22	167	216
<b>Chicken Express</b>	150	147	56%	136	13	166	217
<b>Taco John's</b>	400	171	85%	242	12	189	263
<b>Taco Tico</b>	50	160	72%	226	7	206	296
<b>Simple Simon's Pizza</b>	200	116	33%	67	18	115	69
<b>Roy Rogers</b>	40	129	50%	148	3	95	31

To help interpret this table, look first at the 3rd column, "Wendy's BrandScore for Retailer's Existing Stores." A high number here (anything over 140) means that the current locations for this retailer would also work well for Wendy's. Pizza Ranch, Taco Mayo, Chicken Express, Taco John's and Taco Tico all score high. Simple Simon's and Roy Rogers (as well as many other concepts not shown in this table) scored much lower, indicating that their locations would not be ideal for Wendy's.

Now, look at the column titled, "% Stores in Markets with NO Wendy's." This provides the number of the locations in markets where Wendy's is not present. The larger the number in this column, the greater the potential gain for Wendy's in markets where they are currently not located. Any of the top four candidates here could potentially add a healthy mix of new markets for Wendy's. Simple Simon's adds new markets but the scores for its current locations indicate the fit for Wendy's is not strong.

As mentioned in the beginning of this brief, this is the view from 50,000 feet. And, the answer to our question is, "Yes, there are strong candidates for acquisition." We can see that Pizza Ranch for example has locations that would work for Wendy's and also is in many untapped markets. However, this is only half of the answer to our problem. 28% or 42 Pizza Ranch locations are in new markets but, what about the 108 locations in current markets? How many of these are also good locations for Wendy's because there is not a Wendy's located in the trade area? As you can see, the best brands for acquisition add both new markets and high quality locations in existing markets.

Not only do we want to look at similar chains that would be good acquisition candidates but it is also important to eliminate those that make no sense to consider due to lack of locations that would work for Wendy's location quality strategy. This is just the starting point for further analysis by the acquiring chain. Once tentative selections are made on the possible candidates, BrandScore can help with problems like relocation strategy for specific markets by identifying which stores can be closed or re-



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branded. The level of investment in existing store relocation analysis due to overlap and cannibalization of existing locations can act as another input to deciding whether a chain is worth investing time in an acquisition decision.

Stay Tuned for the next episode: Part 2 of this Brief examines two of the above retailers in more detail to determine how much they can help Wendy's in current markets.

This analysis is made possible due to the pre-calculation and storage of more than two trillion points of data in the BrandScore database which is available for any retail brand online at [www.TheRetailPlanet.com](http://www.TheRetailPlanet.com). If you would like to see more detail in relation to the above example or examples for your retail brand - please [contact us](#).

