



Denny's Benchmark Report

Executive Summary

Denny's is the only national chain positioned as a system of local diners serving classic American comfort food at a fair price around the clock. The brand seeks to move its positioning beyond breakfast all-day towards an unpretentious diner with trusted burgers, salads, etc. (i.e. more credibility with the other dayparts). The chain's brand revitalization, which is in middle innings, includes store remodels (almost complete) and improvements in food quality & service (still a work in progress). Denny's menu positioning largely reflects the idea that consumers want to indulge when they dine out because they can stay at home for something plain & simple and its core menu equity reflects: 24/7 availability; everyday value; LTO innovation; and warm, friendly "come as you are" atmosphere. Everyday value comes in the form of its \$2 \$4 \$6 \$8 menu platform (particularly its \$4 Value Slam LTO), senior discounts and kids eat free deals. Access benefits from progress in on-demand & delivery and Denny's 24/7 operating model allows Millennials a unique opportunity to order breakfast for late-night off-premise occasions. While comps have been positive for the last 7 calendar years and outperformed the segment average over the last 4 years, full-year 2018 comp guidance of 0% to +2% reflects a competitive operating environment, requiring an even greater value emphasis which is difficult given ongoing labor cost pressures. The chain's challenge remains to drive repeat business beyond an occasional breakfast and to grow other dayparts without diminishing the brand's very important breakfast business. Also, the reality is that this is a 60 year old system which includes older, underperforming stores. **In conclusion, we expect Denny's to continue gaining traction in a difficult operating environment as it focuses on making "America's Diner" ever more relevant.**

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