



3 Revolutionary Things That Will Change Eating Out (and Your Portfolio) Forever

Description

With many of the traditional restaurant chains struggling, there will soon be all sorts of motivation for restaurant giants to change the way we eat.

McDonald's Corporation ([NYSE:MCD](#)) is a terrific example. Faced with the challenge of overcoming slipping comparable store sales, new CEO Steve Easterbrook knows that the company must make some drastic changes to keep up. The company is working on some things, including a service that allows customers to customize their burgers and opt for a more traditional sit-down experience.

With respect to the folks in charge of McDonald's — who have likely forgotten more about the fast food business than I'll ever know — I'm skeptical this idea will ever take off. McDonald's execs think they can just tweak the formula and it'll stop the sales declines, but it's much more complicated than that. There's just too much fresh competition in the sector for the old stuff to continue to work.

For investors with money in the fast food or fast casual restaurant sectors, I believe one overwhelming factor is going to determine how well each individual stock performs over the next decade. Sure, all the traditional stuff will be important too, but restaurants have that pretty much under control.

Technology will be the most important issue, by far. Here are three ways that restaurants can differentiate themselves from the rest with new technology, with some chains that are already on the bandwagon.

More efficient ordering

The first thing I'd do if I was in charge of McDonald's is get serious about setting up touch screens folks can use to order their own food.

North Americans usually don't realize this, but in other parts of the world these are commonplace. Many McDonald's outlets in European countries have replaced front counter staff with machines, thanks to the EU's expensive minimum wage. I'd even take it a step further and make it easy for my customers to order through an app.

In Canada, there's already a fast food company that does this. **Pizza Pizza Royalty Corp** ([TSX:PZA](#)) started out routing calls through a centralized call center, before coming out with a smartphone app which easily lets folks order and customize their pizza.

Needless to say, it's been a hit. In the 2014 annual report, the company disclosed that more than 90% of orders placed at Pizza 73 — its Alberta-based subsidiary with approximately 100 locations — were either through the app or the centralized call center.

Pizza is just the first step. Soon, we'll be ordering all sorts of food through our smartphones.

Making the food

Each day, the average Tim Hortons franchisee will make hundreds of pots of coffee, serving thousands of cups of joe to thirsty Canadians.

But what if the parent company, **Restaurant Brands International Inc.** ([TSX:QSR](#))([NYSE:QSR](#)), really invested in new technology that made the coffee-making process faster? Imagine a machine where coffee is easily made with just the right amount of creme and sugar added automatically, responding to orders that come in direct from smartphones.

This technology might be closer than you think. In 2014 a company called Momentum Machines made a robot that was capable of making 360 hamburgers per hour, including the ability to customize orders. The next model will offer even more in customization, including the ability to mix types of meat in the burger patty.

Drone delivery

Imagine ordering a hamburger on an app from the comfort of your couch. A few minutes later, the food arrives, with a corresponding notification on your phone, delivered by a drone.

It sounds like something from a sci-fi movie, but it's not that far off. Currently, in San Francisco, a startup Mexican food company currently offers the option to get tacos delivered by drones. **Domino's Pizza Inc.** ([NYSE:DPZ](#)) is also working on a similar system to deliver pizzas.

In today's world, the fast food company that invests in new technology will likely end up doing well. It has the potential to bring costs down, plus there's a cool factor as well. People will want to go to the chains that offer quicker and better service. That's why I'd be very concerned with how well the fast food providers in my portfolio are preparing for upcoming technological advances.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:DPZ (Domino's Pizza)
2. NYSE:MCD (McDonald's Corporation)
3. NYSE:QSR (Restaurant Brands International Inc.)
4. TSX:PZA (Pizza Pizza Royalty Corp.)

5. TSX:QSR (Restaurant Brands International Inc.)

Category

1. Investing

Date

2025/08/26

Date Created

2015/06/12

Author

nelsonpsmith

default watermark

default watermark