Tim Hortons: A Case Study in Wealth Inequality

Description

The hordes of Tim Hortons' customers who have participated in upwards of 50 protests over the past two weeks have certainly made their voice heard by nearly every Canadian media outlet. Outrage over the decision of Tim Hortons' franchisees to cut back on employee hours and benefits following the sudden minimum wage increase from $11.60 per hour to $14 per hour in Ontario has many customers steaming, understandably.

Many of us have had to work at a Tim Hortons-type job. The employees who are being affected by this increase range from university students, single parents, those lacking a university education, those near the end of their careers trying to supplement their retirement, and many others. These people certainly deserve better treatment by both Tim Hortons' franchisees and parent company **Restaurant Brands International Inc.** (TSX:QSR)(NYSE:QSR).

I would offer one thesis for investors and Foolish readers to consider: the underlying anger with respect to these decisions, which have been made to cut back on employee hours and benefits, is not necessarily with Tim Hortons' franchisees or with Restaurant Brands per se, but with the very strong undercurrent of wealth inequality that has impacted Canada and other countries worldwide — even more so in recent years.

The feeling that ballooning corporate profits have been made on the backs of the vulnerable employees that support iconic businesses such as Tim Hortons is understandable. Any time a large multinational corporation offers little in the way of support for its franchisees — and therefore its employee base — Canadians get upset.

Fellow Fool contributor Joey Frenette has suggested that this PR nightmare could have easily been avoided by Restaurant Brands through improved communication and small but meaningful price increases on products. I agree wholeheartedly with the comments made by Mr. Frenette and would suggest that readers contemplate how Restaurant Brands is likely to move forward.

Bottom line

I anticipate that this public pressure will ultimately result in Restaurant Brands agreeing to raise prices, despite my previously stated concerns about Tim Hortons' position as a price leader in the coffee space. With Restaurant Brands now in a media storm, how the company chooses to weather these headwinds will be an indication of how well (or poorly) the company is able to empathize with its customer base and bring everyone together once again.

I am confident that Restaurant Brands will do whatever is necessary in order to restore confidence in its brands and move forward. As with any macroeconomic shock, this will take time to sort out, although I expect those double-doubles to continue to flow in the meantime.

At its current levels, I believe Restaurant Brands remains a steal for investors looking to pick up shares at a 14% discount to QSR's 52-week high.

Stay Foolish, my friends.

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