Tim Hortons Franchisees Are Furious Yet Again

Description

It seems there's no way to please the Great White North Franchisee Association (GWNFA), as there will always be something to complain about or take legal action on. A new management team pushing for change is the perfect opportunity to get every single potential concern out on the table in the form of blames and lawsuits. In the fast-food world, the relationship between franchisees and upper management is seldom peachy, but I believe GWNFA has crossed the line with its most recent threats for legal action against **Restaurant Brands International Inc.** (TSX:QSR)(NYSE:QSR).

The franchisees just want to make money, and they're not afraid to sue to get what they believe is fair. But really, what's fair for everyone? Have we come to a point where Tim Hortons franchisees are overusing (perhaps abusing) the power that the GWNFA gives them? They're willing to use extreme measures to get what they want, whether it's through squeezing the management above them or the employees working under them. It's a tough situation for many, but one thing is certain: a tonne of new work for lawyers is being created!

More recently, Tim Hortons franchisees are threatening to take legal action (yet again) on Restaurant Brands management. This time, it's because of a computer virus that has rendered several point-of-sale cash registers useless, resulting in longer lineups, lost sales, and, in some cases, complete store closures. A lawyer representing Restaurant Brands produced a letter which states that Restaurant Brands "must compensate franchisees for lost sales, spoiled food, and labour costs associated with lower productivity."

It's been a tough week at Tim Hortons, and many customers are likely just as furious about the long lineups to get their double-doubles at a number of affected locations. As an investor, I wouldn't worry too much about lost loyalty, as such incidents happen and are unlikely to lose a customer's business forever, especially in Canada, where Tim Hortons is arguably the top national brand. The lost sales are a drop in the bucket for Restaurant Brands shareholders and should do nothing to shares over the short term.

Running a business comes with risks. But for Tim Hortons franchisees, with the GWNFA at their side, they can just file a lawsuit rather than take the financial hit on the chin. It's understandable. Minimum wage hikes, supply hikes, or cyber-attacks … it really doesn't matter. There will always be something to complain about.

Bottom line

For investors, the recent virus impact and threats of legal action are nothing to worry about. Restaurant Brands is a capital-light earnings-growth king that will reward shareholders handsomely over the long term. Lawsuit or no lawsuit, that won't change the fact that Restaurant Brands shares are among the best of growth stocks trading on the TSX.

Usually, it's common for the general public to point the finger at the parent company, but this time, I think it's completely unwarranted. I've purchased shares on the recent dip and would welcome further short-term, noise-induced declines, as they're incredible opportunities for investors to get a discount on shares of a high-quality company.

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