



These 2 Stocks Have Had PR Nightmares: 1 Is Set to Take Off

Description

Getting entangled in any sort of public relations scandal is most certainly not in the playbook of any large corporation; for two demonstrable firms, this past year or so has been one to forget, with consumer backlash already hitting the bottom line of both companies.

I'm going to dive a bit deeper into the PR nightmares of **Restaurant Brands International Inc.** ([TSX:QSR](#))([NYSE:QSR](#)) and **Loblaw Companies Ltd.** ([TSX:L](#)).

Restaurant Brands

Headquartered in Canada, most Canadians are familiar with Restaurant Brands as the parent company of beloved Tim Hortons — a franchise which stands for Canadian values and is available in most small towns with often little else available in the way of coffee shops or public meeting places.

The Restaurant Brands acquisition of Tim Hortons has, for the most part, turned out to be extremely profitable for the parent company. This profitable growth within the Tim Hortons segment has certainly taken a left turn, as franchisees have turned against the parent company in a “mutiny” of sorts, in which the franchisees have accused Restaurant Brands’s management team of being inflexible to the needs of franchise owners to raise prices to cover cost increases.

Some of these cost increases have come from Restaurant Brands in the form of hikes in the prices of supplies, and others have been mandated by Provincial governments looking to raise the minimum wage; Foolish readers can read more about the debacle [here](#), outlined by fellow Fool contributor Will Ashworth, who has taken this dispute personally, as have many Canadians.

Loblaw

Earlier this year, Loblaw announced its involvement in a price-fixing scheme for bread, in which the company admitted that it had unfairly charged Canadians more for their bread for a period of approximately 14 years than what the market price would have been had a few big players decided not to collude in this category. Bread being a core staple for every Canadian household out there, this announcement certainly hit close to home for many who have struggled to make ends meet.

Estimates of how much households may have paid over this time frame have varied, but some believe the number could be as high as \$400 per household; the [\\$25 gift certificate](#) offered by Loblaw in response to this scandal was, in my opinion, an excellent token of remuneration for households impacted, as it certainly provided a short-term blip felt in the company's earnings release (something every management team wants to avoid).

Bottom line

I think it's safe to say here that Loblaw's carefully crafted response to the issue at hand won the day in terms of how to handle such a scenario from a PR perspective. In that sense, Restaurant Brands could certainly take a page out of Loblaw's book here next time it hits a crossroads and is leaning toward the "no comment" option with respect to a dispute.

The fundamentals of Restaurant Brands's underlying business is, as I have pointed out previously, very attractive currently, especially when contrasted against the ultra-competitive price environment Loblaw's business operates in. I believe the PR backlash (which was warranted) has clearly taken the focus away from the other key drivers of the company's business to a greater degree than Loblaw at this point in time.

I would recommend investors consider picking up shares of Restaurant Brands today before they breach the \$100 level in short order.

Stay Foolish, my friends.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:QSR (Restaurant Brands International Inc.)
2. TSX:L (Loblaw Companies Limited)
3. TSX:QSR (Restaurant Brands International Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred

3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Tags

1. Editor's Choice

Date

2025/08/01

Date Created

2018/07/05

Author

chrismacdonald

default watermark

default watermark