



Value Stocks: 1 Restaurant Stock Set to Outperform

Description

From the company's first restaurant in Edmonton in 1964, **Boston Pizza** ([TSX:BPF.UN](#)) has grown to become Canada's number one [casual dining brand](#). With approximately 385 restaurants stretching from Victoria to St. John's, Boston Pizza has more locations and serves more customers annually than any other casual dining concept in Canada.

The firm is a franchise-driven restaurant company and operates only five Boston Pizza Restaurants as corporate restaurants. Two of these corporate restaurants also serve as franchisee training centres and allow the company to test-market new menu items and programs before launching them throughout Boston Pizza's franchise system. The company's strategic focus on the development of successful franchise operations has underpinned the success of the Boston Pizza franchise system over the past 55 years.

Low food costs and menu variety

The Boston Pizza menu features pizza and pasta which has been designed with focus on [high-performing customer favourites](#). The balance of low-cost, high-return signature food items like pizza and pasta and high-cost items such as steak, seafood, or poultry affords Boston Pizza Restaurants a lower-than-average overall food cost while providing guests with tremendous menu variety.

Broad demographic appeal

Boston Pizza restaurants operate within three distinct channels of the full-service restaurant segment, including as a casual dining restaurant, as a sports bar, and in the takeout and delivery channel. The breadth of the Boston Pizza concept means that the typical Boston Pizza Restaurant has broader demographic appeal, primarily targeting young families as restaurant guests as well as young adults with no children as sports bar customers. The availability of a wide array of menu items through the take-out and delivery channel satisfies the growing demand for restaurant food at home.

Ability to target multiple segments

The Boston Pizza concept provides a franchisee with the flexibility necessary to target four distinct segments, including lunch, dinner, and late-night, as well as the takeout and delivery segment. Typically, other casual dining concepts are not as well developed in the late night and takeout and delivery segments.

Franchise system focus

Unlike many competitors in the casual dining segment, Boston Pizza's business is focused on franchisee operations rather than owning and operating restaurants corporately. The company owns and operates only five Boston Pizza Restaurants. Two of these also serve as testing facilities and training centres for franchisees. The focus of Boston Pizza's operations is on the success of the company's franchised restaurants.

Market flexibility

With the company's menu diversity, average cheque advantage, and profitability potential for a franchisee, the Boston Pizza concept has enjoyed success in a wide range of markets, including smaller markets. Some very successful franchises operate in trade areas with populations under 20,000 people. The profitability of the Boston Pizza concept allows for expansion into markets which the company believes would be unable to support other competing casual dining concepts.

Overall, Boston Pizza delivers a top-quality eating experience with a lower average guest cheque relative to many other casual dining restaurants. This translates into a significant advantage for franchisees and should lead to higher shareholder returns.

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