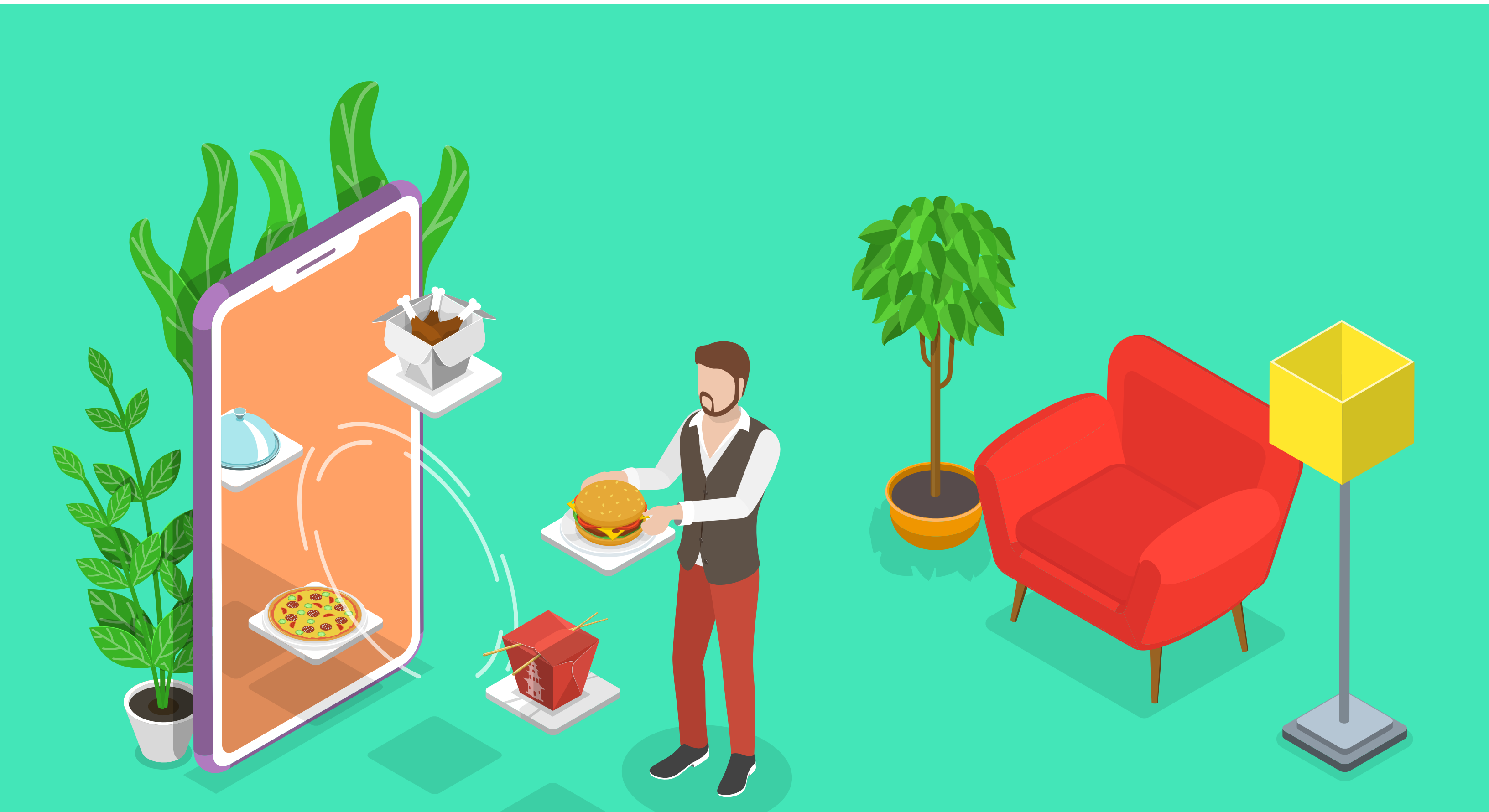

Digital Disruption

What the franchise industry can take away from the food delivery app wars

BY VICTOR HINOJOSA

In 2018, Netflix spent $13 billion on content. Its subscribers got access to 82 feature films. In comparison, Warner Brothers screened 23 films and Disney just 10. If these numbers are not daunting enough, they produced 700 televisions shows. If we overlay other streaming services, such as Amazon Prime Video, HBO, or Hulu, the number of movies and shows available to consumers is truly staggering. In today's world this is called disruption. Netflix and its competitors have changed the way we consume movies and television, and it's to our advantage. Essentially, we're in the middle of "the streaming wars".

In a similar fashion, we're also in the middle of "the food wars", the food delivery wars to be exact. Food delivery companies - Uber Eats, DoorDash, GrubHub, and others - have allowed us to have a multitude of choice when it comes to any food we want delivered. Just as technology has changed the way we consume movie and television content, it has disrupted how we interact with the restaurant industry.

Canada has the second-largest franchise industry in the world, representing over $100 billion in annual sales. The industry continues to grow and is led only by the United States. In the restaurant industry, 35 per cent of all sales come from franchise operations. Disruption of the restaurant industry has franchise restaurants scrambling to get customers through the proverbial door, as sales in the United States are being driven by price hikes, not droves of customers. In Canada, a similar situation is playing out with menu prices for Canadian restaurants increasing on an average of 2.5 per cent annually due to unpredictable food prices and increasing labour costs over the past few years, according to Restaurants Canada.

The future of the online customer ordering experience

It has become paramount that all Quick Service Restaurants (QSRs), not just franchise QSRs, invest in front-end and back-end solutions for food delivery services. Just as Netflix changed the way we consume movies and television, Uber Eats has changed the way meals are consumed. In their report, "Is the Kitchen Dead?" investment firm UBS predicts that global food delivery sales will grow from $35 billion to $365 billion by 2030. Whether we think this growth number is too low or too high is irrelevant. The reality of this truth is that food delivery services have made it easier for consumers to eat from their favourite restaurants at any time they want and from (mostly) anywhere they want. Not to mention the proliferation of pre-made meal delivery services and online grocery delivery services that have provided the average household with new options to stay at home and dine in.

QSR and fast-casual franchise restaurants understand the rising customer demand for a seamless food delivery experience, but third-party delivery partners can often kill margins in an industry with razor-tight margins to begin with. While restaurants have begun to explore alternatives to third-party vendors, another way for franchise restaurants to retain a larger share of their profits may come from looking elsewhere for cost-cutting measures in the digital age.

Managing the bottom line in the digital age

Delivery disruption in the restaurant space is here to stay. Even though it has its advantages, there is a cost to doing business that organizations will have to adjust to in order to ensure that partnering with food delivery services does not eat into their margins. They must ensure that food delivery costs do not fall into the cost of doing business in the same way that foreign exchange often falls into this category in the franchise industry.

Organizations that have international suppliers in their supply chain should reflect on how these costs are being managed. There are solutions that can be implemented in the (international) supply chain that have the potential to reduce costs to individual franchise owners in the thousands of dollars. These funds can be used to offset the inherent costs of food delivery service.

Food delivery services will help you to retain and grow

This is often a considered cost of doing business, but franchisors can see a significant return by investing in more efficient back-end processes to save costs in the long run when it comes to foreign exchange exposure.

While I was writing this article, Starbucks announced a partnership with Uber Eats. The partnership means that individuals will be able to order drinks or snacks from 2,000 stores across the United States, which represents a quarter of the Starbucks footprint. This is another prime example that food delivery apps, like streaming services, have disrupted the way consumers dine at their favourite restaurants. Just as I enjoyed my "Swanson TV Dinner" with the family many years ago around our favourite TV show, I am now in the position to order most any food, from most any restaurant and watch any TV show or movie whenever I want to. The food delivery and streaming "wars" are here to stay!

ABOUT THE AUTHOR

Victor Hinojosa is the Vice President, Digital Solutions & Partnerships of AscendantFX, and is working very closely with some of the world's most recognizable franchise brand names. AscendantFX marries the world of technology and international payment delivery to provide award-winning, technology-based payment solutions for businesses. Victor can be contacted at victor.hinojosa@ascendantfx.com or 647-727-0981. To learn more about AscendantFX, visit www.ascendantfx.com.