Franchising in the Tech Era

"Alexa, I Want a Burger and Fries"

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“Alexa, I Want a Burger and Fries”

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In the near future, fast food ordering will sound like this: “Alexa, I want a burger and fries.” So says Gary Vaynerchuk, chairman of VaynerX, a modern-day media and communications holding company. He gave this prediction at the International Franchise Association convention. Lawyers need to know this, because when Alexa fulfills this order, you want your favorite brand to be offered by Alexa. If you don’t envision this future today, then how will you develop plans for your clients in the future? It is not limited to fast food, as it could just as easily be the way contractors order nails and cement.

This future is not far away. We can envision that Alexa will have a contract for delivery with Grubhub or Uber Eats. But who will supply the burger? It could be McDonalds, Burger King, Wendy’s, Carl’s Jr, BurgerFi, White Castle or another quick service restaurant (QSR). Or it could be a yet-to-be-branded ”Amazon Burger” or “Ali Baba Burger.” The determinative factor is likely to be how strong the brand is. When we order vocally, minds are lazy and remember only the brand and its signature sandwiches. Those with the strongest connection with the consumers will win the battle of the brands for internet ordering.

Will this burger be Black Angus, low fat sirloin or buffalo? Will it be organic or non-GMO? The branding will probably dictate the truncated list of selections. We cannot expect too much variety at first, because the delivery systems have to be perfected. But brands that have more plant based offerings will be high on the list.

Healthy lifestyles are now the rage as the boomers age. According to March 2019, issue of the Restaurant Finance Monitor, the NPD Group reports that today a fourth of consumers in the United States indicate they eat plant-based protein as well as animal-based protein, and many of these people do not identify as vegetarian or vegan. People are eating more nuts, berries, soy products, fish. The NPD Group says “Burgers represent the largest plant-based food service category with exceptionally strong growth … and it is plant-based burgers that are showing up the most on restaurant menus.”

The consumers driving the demand for plant-based protein are exactly those who are the heaviest users of the internet. According to the NPD Group survey the consumers tend to be:

- Educated professional women, age 45 and up, without children at home.
- Have a food allergy, or a medical condition where diet makes a difference.
- Check labels to find natural options including organic and non-GMO.
- It is trending with GenZ and millennials.

The brands which are now featuring menu items which are "beyond meat burgers," are White Castle, Carl's Jr., TGI Friday's, In-N-Out Burger and Chili's. In order to stay on top, increased marketing initiatives will be needed, up to date websites and menus are essential, and for brick and mortar sales, and additional point of sale information must be displayed. Staff will need to be trained to accurately answer customer inquiries. As has already started in India, the menu board and take-out boxes will contain plant-based indicators to raise awareness and assure quality control.

In the past, plant-based options were unpopular. They were expensive, did not taste good, seemed unnecessary, and not seen as a treat like the juicy fattier options. But demand is rising, and so is the realization that these options must not only be on the menu, and attractively priced, but that they must be advertised in order that the brand will be reinforced. People need to know where to go for healthy options.

So how will the restaurants pay for this? Labor costs keep escalating and the minimum wage will keep rising. Technology may reduce some labor costs, but all of the technological intermediaries that enable ordering and delivery will soon be eliminating the thin margins now in place. Franchise restaurants may need the franchisor to reduce its fees. Reducing royalties is an anathema to franchisors and their financiers. These royalty streams are etched in stone and may not be flexible. But franchisors do have more flexibility with the costs they charge for opening new outlets, the initial franchise fees for each unit that a multiunit operator pays. Restaurant industry analyst Roger Lipton goes further to suggest that franchisors should absorb more of the technology upgrades that franchise systems need to improve. This would be particularly acute in the Alexa world where technology is king.

As consumers become more dependent on technology, branding will be the key to gaining customers. Branding for the new consumer needs to start now.

In the future, we can expect labor costs to rise. We can expect the internet fulfillment to extract greater portions of the available margin.