FAT Brands Co-Branding

Is it the right move?

According to an article published on October 13, 2022 in Restaurant Dive, FAT Brands is leading the charge of co-branding restaurant locations with an aim to diversify clientele and boost sales. At the time of publication of the article, 20 locations have been cobranded and plans over the next 5 years aim the company at having 1,000 locations with as many as 50% under this co-branding concept.

Originally, the project sought to bundle two quasi-related brands under one location. Brands like Great American Cookies and Marble Slab Creameries have successfully operated under this model. Now they are seeking to co-brand their casual dining brands like Fat Burger and Hot Dog on a Stick. Their latest attempt, according to the article, will be at co-branding Johnny Rocket's with Hurricane Wings and adding Fat Burger to Round Table Pizza.

On November 29, FAT Brands announced on a press release the opening of its first tri-branded restaurant in California, bundling together Fat Burger, Buffalo Express and Hot Dog on a Stick. Most recently, on December 6, the company launched it's 200th location, with a co-branded location in Paris, France, combining Buffalo Express and Fat Burger.

Their latest announcement was their entry into the Louisiana and North Texas markets with their premium italian restaurant brand, Fazzioli's.

This aggressive expansion comes parallel to their recent withdrawal of public stock offering on November 7 due to, according to the press release, "market conditions".

Giving this seemingly contradictory scenario, and the fact that over the past year, FAT Brand's has lost close to 50% of it's value, opening 2022 at $10.90 and currently at $6.08[1], it is important to stop and assess before deciding to invest or not in this company. Some key questions are needed:

1. Given that the co-branding strategy is geared strictly to make money, according to CEO Wiederhorn: ***"We're a global franchising company first and foremost and we want those franchisees to do everything they can to make money, and so we can give them additional brands to sell out of those locations where they already pay rent," Wiederhorn said.,*** is this sustainable from a franchise operator standpoint?
2. Are they eroding brand equity by making their restaurants generic "food joints"? What type of brand experience are they trying to convey to consumers? While conveniente and pragmatic, is this the best way to build brand value and differentiation?
3. What additional costs are franchisees incurring?

[1] 12/8/2022 at 9:14am CET

    a. Inventory
    b. Branding
    c. Menus
    d. Employee training
    e. Sourcing
    f. Franchise fees
4. Does it make sense to open such aggressively American food offerings in a co-branded format in a very particular culinary market as France?
5. Is co-branding a strategy to inflate Share of Market numbers through multiple locations, albeit co-branded, and thus, allow them to show "better" numbers?

From a marketing and IP standpoint, it seems this is only a short-term, tactical move from the company to sell franchises quickly without caring for the long-term value of the brand portfolio they manage and thus, the long term sustainability of their franchisee's investments.

It is not advisable to continue to invest in FAT Brands if it continues with this course of action.