

# tim hortons essay sample

[Business](#), [Company](#)



Tim Hortons Inc. is planning a big expansion, some of it in smaller spaces. It said on Tuesday it will open 800 restaurants in North America – 500 of those in Canada – and 220 in the Middle East as it targets compound annual profit-per-share growth of 11 to 13 per cent in the next five years. Some of the growth will come from non-traditional kiosks and smaller stores in places such as hospitals, offices and sporting venues. The company is aiming to have a 50-50 mix of standard and “ non-standard” restaurants by 2018. Tims is also aiming to change customers’ ordering habits, looking for ways to get them to buy more than just coffee, by offering new and healthier offerings and speedier service. “ We’re going to be bold; we’re going to be different; we’re going to be daring,” Tim Hortons chief executive officer Marc Caira told an investor conference on Tuesday. “ We’re going to set the agenda.” The expansion strategy is crucial for Tim Hortons to get right as it grapples with a slow-growth industry and intense competition. The sizable number of new stores set to open will add to a market already well served with quick-service options. In the United States – a “ must-win battle” where Tim Hortons has struggled to make gains – the chain has struck licensing agreements for almost 100 stores over the next five years in Youngstown, Ohio, Fort Wayne, Ind., Fargo and Minot, N. D., and St. Louis. It is counting on these types of contracts with seasoned U. S. franchisers to provide it with a more “ capital light” way of operating south of the border, shifting the costs to the local operators in Youngstown, Ohio, Fort Wayne, Ind., Fargo and Minot, N. D., and St. Louis.

The company plans to introduce 500 restaurants in Canada and 300 in the United States by 2018. It currently operates nearly 3, 600 in Canada and

more than 850 south of the border. It plans to open 220 stores in the Middle East, where it has 38, and isn't ruling out further international expansion.

The company has targeted \$50-million in U. S. operating profit by 2018. But while half of its Canadian growth in the past decade came from adding stores, Oakville, Ont.-based Tim Hortons will have to find new ways to generate growth over the next 10 years, Mr. Cairra said. "We've come to the end of building new restaurants as we've known it in the past," he said. "... I'm just trying to instill perhaps a little more urgency, that we get it done and get it done now." Tim Hortons' executives unveiled a five-year strategy that focuses on narrowing the gap between what customers spend at its cafés compared with rivals McDonald's Corp. and Starbucks Corp. The average Tims bill is between 23 and 45 per cent lower than its rivals, the company said. "We have the lowest average check in the market," Mr. Cairra said. "This is not about increasing prices." Rather, it's about enticing customers with new items and getting them to buy one or two more products. In June, for example, the chain will introduce frozen green tea, said Bill Moir, chief brand and marketing officer. The chain needs to introduce new flavours, he said.

In November, it launched a jalapeno biscuit breakfast sandwich, and in August it had success with an "extreme Italian" sandwich, (ham capicollo, genoa salami, and pepperoni topped with mozzarella and a sundried tomato sauce in a Parmesan and herbed-topped bun), he said. It is now testing dark roast coffee. Also key is getting the 60 per cent of its customers in Canada who buy a single item, such as a coffee, to buy more – it wants 5 to 10 per cent of them to order one more product, said Roland Walton, president of

Tim Hortons Canada. And it wants to convert 15 to 20 per cent of its customers who now order two items to start ordering three, he said. Mr. Walton said Tims has opportunity to increase its share of lunch and supper business by almost \$10-billion. The company said it plans to reduce its total capital spending as its plan progresses, expecting to see improved returns on assets and total return to shareholders. It is targeting cumulative free cash flow of about \$2-billion. Tims reiterated its 2014 financial outlook, including same-store sales growth of 1 to 3 per cent in Canada and 2 to 4 per cent in the United States, which is down from its target last year of 2 to 4 per cent in Canada and 3 to 5 per cent in the United States, which it failed to achieve. It expects 2014 diluted earnings per share to be between \$3. 17 and \$3. 27.