

# [The expansion of tim hortons](https://assignbuster.com/the-expansion-of-tim-hortons/)

This report is retrieved by extensive research on the Tim Hortons company. This report consists of all the facts and figures related to the expansion of Tim Horton’s. The main focus is on the progress of the Tim Horton’s, its objectives, its mission and conclusion. This case by analyzing process that Tim Horton’s has flourished all the way worldwide especially in urban markets hence, this company can achieve more progress and is going towards the right path of success.

Introduction

Tim Horton’s is a fast food doughnuts chain originally from Canada. There are other baked items, coffee and doughnuts. Tim Horton’s offers good variety of taste by offering premium coffee, cappuccinos, and freshly mowed sandwiches. Tim Horton’s is one of the leading coffee houses on birthday times. Tim Horton’s offer many varieties. They are specialized in coffee products, baked items and also have some good varieties of home-style lunches. Initially Tim Horton’s only offered two types of varieties coffee and donuts. Tim Horton’s now offers many varieties like muffins, cakes, pies, croissants, cookies, and soups. For breakfast they also offer sandwiches, sausages and chicken salad soups. They have also come up with new yoghurt berries and Cirebon rolls, Tim Horton’s is basically well known for its bagels. Tim Horton’s has set a new trend of coffee place to relax. Tim Horton’s is located in many places apart from their new regular stand alone restaurant. It is also found in shopping malls, highway outlets, they also offers 24 hours drive through service.

Company background

In 1964 Tim Horton’s was founded in Hamilton, Ontario, Canada. It is originally a part of the TDC groups Especially in Canada and the United States.

Originally Tim Horton’s was in partnership with Tim and Ron Joyce. Later in 1974 Feb, after the tragic death of Tim, Ron Joyce became the sole owner.

From the time of its opening until now Tim Horton’s has been through the amazing journey. They started from a small restaurant and today they are successful restaurants chain spread over the world.

The First Tim Horton’s was opened in Hamilton in Canada in 1964.

Later it covered major parts of Canada and in 1985 the 1st U. S restaurant was opened in America, New York.

Tim Horton’s received great response from U. S so from one restaurant the business flourished too many restaurants.

Today Tim Horton’s have thousands of restaurants covering major parts of US and Canada. It was announced as a separate public condition company in March 2006

Recently, Tim Horton’s has signed a master license agreement with the apparel groups to open around 120 restaurants and stand alone in the U. A. E

This journey started from 1964 and by 2011 Tim Horton’s has been recognized as a separate identity.

Today Tim Horton’s have more than 4000 restaurants worldwide.

Literature review

Corporate strategy – is a linking process between the organization and its environment which focuses particularly on value added and sustainable competitive advantages of the organization and the need to be innovative. Adding value is of particular importance to most organizations, though for non-profit and government organizations this is not necessarily the case. (Lynch, 2006)

Three core areas of corporate strategy – strategic analysis, strategic development and strategy implementation. There are two basic routes regarding how corporate strategy can be developed. First is the prescriptive model approach and second is emergent model approach. The two approaches have some common elements in the early stages: analysis and the development of a mission for the organization. Beyond this, they go their separate ways and lead two different models for the corporate strategy process. Although the three areas are often presented as being strictly sequential, they will be simultaneous in some circumstances. (Lynch, 2006)

Prescriptive approach model – takes the view that three core areas are linked together sequentially. Its objective has been defined in advance and whose main elements have been developed before the strategy commences. It involves a structured strategic planning system and governed by a set of rules, fully formulated and ready to implement. In this model it is necessary to identify objects, analyze the environment and the resources of the organization, develop strategy options and select among them. The selected process is then implemented. (Lynch, 2006)

Emergent approach model – regards the three core areas as being interrelated. It is an emerging and changing strategy that survives by adapting as the environment itself changes. It is a strategy whose final objective is unclear and whose elements are developed during the course of its life, as the strategy proceeds. It does not identify a final objective with specific strategies. It relies on developing strategies whose final outcome may not be known. Managers will rely more on trial and error and experimentation to achieve optimal process. (Lynch, 2006)

PESTEL analysis – explores political, economic, socio-cultural, technological, environmental and legal influences on the organization. It is important to develop a short list of only the most important items when undertaking such kind of analysis. In developing scenarios, it should be recognized that they provide a different view of conceivable future events, rather than predict the future. (Lynch, 2006)

Five forces analysis – involves an examination of buyers, suppliers, new entrants, substitutes and the competition in the industry. The aim of this concept is to analyze the balance of power between each force and the organization in the industry. (Lynch, 2006)

Four links analysis – includes a study of the competitors, networks and legal links that the organization has with its environment. The purpose is to analyze the relative strengths of such links and their ability to enhance the competitive advantages of the organization. (Lynch, 2006)

Review of macro and micro environment

Mission

“ Our guiding mission is to deliver superior quality and services for guests and communities, leadership, innovation and partnership.”

“ Our main aim is to derive high quality products and services to our guests and customers through leadership, performance and partnership. We want to be a leader in the food industry achieving superior quality maintaining our value and delivering hygienic and healthy food.”

Vision

“ Our vision is to be the quality leader in everything we do”

“ The main focus is to excel in the food industry and get innovative products and to enhance the existing services. We constantly strive to be the best through determination and passion.”

Objectives

“ The main objective is to ensure the quality deserved. Maintain the image and standards of Tim Horton’s.”

“ Produce new superior quality products and services with immense efforts and dedication.”

“ Achieve the high standards of success and excellence through providing constant services to the delight of the customers.”

Strategy

Tim Horton’s strategy is all about gaining a position of advantage over adversaries or best exploiting emerging possibilities. Since there is always an element of uncertainty about future to prepare a strategy is more about a set of options. The strategy of Tim Horton’s is based mainly on:

Increase the same store sales through marketing.

Invest to construct brand in new and existing markets.

Grow in different ways we have not grown yet.

Improve the business strength and franchise system.

Implementation of drive the activities.

Enhancing the interior and exterior designs, increase the menu items.

New designs to respond to customers in both urban and rural areas.

Economic Performance

As per the recent studies the economic situation of Tim Horton’s in Canada and US for the year of 2010-2012 (Second Quarter) is as follow. The sales growth of Tim Horton’s of 2012 is 40% in Canada and 6. 3% in USA. The operating income has increase to $ 569. 5 million. Per share price is $2035. The total revenue was 2. 9 billion in 2011. Tim Horton’s has a good history of producing good financial results.

Research and development

The research, consumer and innovation play an integral role in the launch of new products and services in Tim Horton’s restaurants. One research and development team contributes a lot to produce innovative products and enhance the existing products. The main responsibility of research and development team is to work closely the operations and marketing teams. The employees are specialized in their departments for quality assurance.

Marketing

The marketing sector works together with all the other departments to uphold the characteristics of the brand. They work diligently to keep up the pace of the growing opportunities. They do new national advertising company campaign, Sponsorship programs. Tim Horton’s has been one of the best brands in Canadian marketplace. They have been awarded the best managed brand by the Canadian business magazine.

Organizational structure

The head office of Tim Horton’s is located in Cairo’s Golden Horse shoe in Oakville. Head office building includes corporate restaurants, the innovation centre and Tim Horton’s University.

There are many regional offices of Tim Horton’s all over Canada and US. There are around more than 1800 employees in many areas. All the various departments, Marketing, HRM, operation, Research all work together as one team. The regional offices are located in Calgary, Hangley BC, Debert NS, Kingston, Dublin OH and Brighton MI. The Tim Horton’s distribution team also acts as a primary factor responsible for the success of Tim Horton’s.

Tim Horton’s commitment to excellence and focus of teamwork cannot be matched in the industry. Tim Horton’s University organizes constant training program of seven weeks for the employees. This training facility is to ensure that Tim Horton’s describe the best customer service. Tim Horton’s University consists of Labs, Classroom and operational Tim Horton’s.

Finance

The Tim Horton’s Finance team is mainly responsible for the fiscal responsibility and business growth. As of January 1, 212 Tim Horton’s had 4014 system wide restaurants, including 3295 in Canada, 714 in the USA and 5 in the Gulf.

SWOT Analysis

This SWOT analysis for Tim Horton’s is mainly based on their opening of more than 120 new stores across the Arab Gulf.

Strength:

They have most affordable prices.

Tim Horton’s is rich in terms of location. It covers all major areas of Canada, USA, and now Middle East. They have more than 3700 stores across the world.

They have one of the best menu, items. The menu mainly covers all the types of sandwiches, coffee and donuts.

Weakness:

Inspire of the expansion of Tim Horton’s they lack customer services.

The employees are less in comparison to the number of branches.

More employees training programs should be implemented.

Opportunities:

Since the Tim Horton’s is expanding. There are more employments opportunities.

Employment in International level will definitely increase the economy.

More expansion can promote profitability in Asia and Middle East.

Threats:

The major threat is to compete with the existing famous coffee houses as star bucks.

Increase the cost of labor and production can get adverse affect on the revenue of Tim Horton’s.

Competitive analysis

In our opinion competition within this particular market is based on factors such as product quality and price, convenient and easy accessible locations, speed of service and atmosphere inside the stores. Other important factors which add value to the brand might be the number of stores, attractiveness of facilities and general brand acceptance.

Tim Horton’s in other hand is facing a very tough competition in this region since this market itself is very attractive for the companies which operate in similar segment of services. They consist of a wide variety of restaurants including quick service restaurants and fast food restaurants focused on beverages and pastries, as well as petrol stations and other convenience locations that sell snacks and beverages. These competitors include several numbers of brands, both international (Starbucks, Dunkin’ Donuts, Costa, Cinnabon, Gloria Jean’s, Second Cup) and locally based ones (Caribou, La Gaufrette, Paul Café, The Coffee Bean & Tea Leaf). But for the analyzing purpose we have taken two most challenging ones.

Critical analysis of the strategies from viability aspect

Tim Horton’s strategic plans regarding financial outlook and long term targets are based on successful implementation and execution of them. These strategic plans also targeted into improving the results of business operations and driving the long term strategic plans. But it cannot be guaranteed that they will be able to implement all their strategic plans and such plans will bring the expected results, unless they over exceed the local competitors. Otherwise it could cause shortage of achievement of financial objectives and long term plans.

Tim Horton’s growth strategy on large scale basically depends on their ability to increase the number of their stores through internal growth, local acquisitions, joint ventures and maybe alternative business models, such as self serve kiosks inside shopping malls and petrol stations. But growth strategies in other hand cannot be guaranteed to be successful either, because new stores may not be profitable, strategic initiatives may not be successful and expose to various risks. To overtake it Tim Horton’s should heavily rely on the market analysis and thinks twice before acquiring any local stores or go for joint ventures.

Findings and conclusion

The segment of the food service industry where Tim Horton’s operates is quite competitive. It has to compete with various international, regional, and even local organizations which operate in same segment. Primarily this competition is done through product variety, its quality and value of these products. Other competitive factors are the number, location of restaurants, quality of service, attractiveness of facilities, effectiveness of advertising, marketing, promotions, price, trends and consumer preferences.

So if Tim Horton’s is unable to maintain its competitive position, it can experience low demand for its products, downward pressure on prices, reduced margins. Also it won’t be able to take advantage out of business opportunities, will lose the market share and won’t attract qualified restaurant owners in the future.

Tim Horton’s financial performance is highly dependent on its Canadian operations, which is approximately 93. 9% of its revenues and 97. 6% of its operating income in 2011. Any substantial failure in their Canadian operations will affect its financial performance immediately.

Tim Horton’s financial performance and ability to maintain its competing position depends upon the ability to effectively point the direction of market trends and successfully identify, develop, manufacture, market and sell new or improved products in response to such trends. So in other words Tim Horton’s should rely on emerging strategic planning approach rather than on prescriptive way of it.

Coming to the GCC region, Tim Horton’s have granted a master license to Apparel Free Zone Company, so called branch in this region and it is expected to develop up to 120 stores in the markets of UAE, Oman, Bahrain, Qatar and Kuwait. The master license agreement with Apparel Free Zone Company is a royalty based business model and it also includes an upfront license fee. Apparel is responsible for capital spending and real estate development to open restaurants, along with local operations and marketing.

In 2011 Apparel Free Zone Company developed 5 Tim Horton’s stores. So far Tim Horton’s has 12 stores across UAE. Advantage of that arrangement is that it minimizes Tim Horton’s capital requirements and allows to pursuit international growth opportunities.