
Pre-release Material

Tim Hortons

Tim Hortons is a highly successful Canadian fast food company operating in Canada and parts of the USA. It offers coffee, doughnuts, pastries and sandwiches, positioning itself between the cheapest fast food operators and the premium price coffee shops. The company operates both traditional coffee shops and 'drive-through' outlets.

As part of its annual review the company researches new markets and ways it could improve.

Recently it investigated:

- current company technology systems
- the 'Tim Card'
- expanding into England

Technology systems

The company review looked at current technology systems used in Tim Hortons' coffee shops and the option of either improving or replacing them.

'Tim Card'

The company used to operate a gift voucher scheme but in recent years this has been replaced with a prepaid 'Tim Card'. The review considered ways in which the 'Tim Card' could be developed to collect customer data and how this could be used to improve customer relationships.

Tim Hortons in England

Tim Hortons already has experience of European operations through its branches in Ireland. The company is now considering opening coffee shops in England serving the full range of Tim Hortons' products.

The company has commissioned an analysis of the English fast food industry and the Tim Hortons' brand. The findings will enable Tim Hortons to look at the strengths and weaknesses of moving into this new market.

There has also been some preparatory work on how sales and stock data will be processed in the English coffee shops. The following extracts give some indication of what is being considered.



Extract from proposed processing of 'drive-through' customer orders (England)

'Drive-through' customers will place their order over the intercom at the start of the 'drive-through' lane. This order will be sent through from the 'drive-through' order terminal to the kitchen where it will appear on a terminal screen and be assembled by kitchen staff. At the same time details of the order will be stored on the orders database. Once the order is made up the kitchen staff will notify the terminal at the dispatch window that the order is ready. Staff at the dispatch window terminal will then be able to retrieve the order from the orders database, collect the customer's payment, issue a receipt and dispense the order. Once the order is completed the store's finance database and stock database will automatically be updated.

Extract from proposed coffee shop ordering from central distribution (England)

Each week there will be a delivery from central distribution to restock each coffee shop.

Information from customer orders including the payment and items sold will be stored on the coffee shop's databases. At the end of each day a report on the day's trading will automatically be prepared for the coffee shop manager. The manager will use the information from the daily reports to create the coffee shop's weekly restocking order.

It would be possible to automate this reordering process if required.

Tim Hortons in statistics

Number of outlets opened each year in Canada and USA*

2003	200
2004	220
2005	230
2006	210
2007	200
2008	250 (estimated)

Profitability ratios**

Operating margin	22.9%
Net profit margin	14.7%

Management effectiveness**

Return on equity	28.1%
Return on capital	19.9%
Return on assets	17.1%

* Source: Tim Hortons Investor Presentation Q2 2008

** Source: Tim Hortons Fact Sheet Q2 2008



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Answer ALL the questions. Write your answers in the spaces provided.

1. Tim Hortons will operate in England as a public limited company.

(a) Describe **two** characteristics of a public limited company.

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(4)

(b) Describe **one** disadvantage of being a public limited company.

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(2)

Tim Hortons has a board of full time directors.

(c) State **two** responsibilities of the IT director.

1

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2

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(2)

Q1

(Total 8 marks)



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2. Tim Hortons' marketing department has been tasked with investigating the feasibility of opening coffee shops in England.

(a) Describe **three** methods the marketing department could use to conduct this research.

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(6)

The information gathered from the market research will be stored electronically. The information will include personal information about potential customers.

(b) Identify **three** implications that arise from storing customer data.

1

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3

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(3)

Q2

(Total 9 marks)



3. Tim Hortons has commissioned an analysis of the English fast food industry and the Tim Hortons' brand. These are the key findings:

- (1) Fast food is a popular purchase amongst all age groups
 - (2) Many small independent fast food retailers are likely to go out of business in a recession
 - (3) Coffee shops are well established and competition is fierce
 - (4) Tim Hortons will have the lowest price in the quality coffee market
 - (5) The quality of coffee served in budget fast food restaurants is very poor
 - (6) Tim Hortons is an unknown brand in England
 - (7) There are plenty of potential sites for 'drive-through' coffee outlets
 - (8) Tim Hortons already has experience of European operations through its branches in Ireland
- (a) Carry out a SWOT analysis on the key findings.

Use this grid for your analysis.

Strengths	Opportunities
Weaknesses	Threats

(8)



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Tim Hortons is proposing to install a new technology system suited to the English operation.

The IT department have considered the implications of integrating the new system with their existing technology systems. There are concerns that differing IT protocols may cause problems.

(b) (i) Explain what is meant by the term 'protocol'.

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(2)

(ii) Identify, using an example, a possible protocol problem that may arise when integrating two technology systems.

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(2)

(Total 12 marks)

Q3



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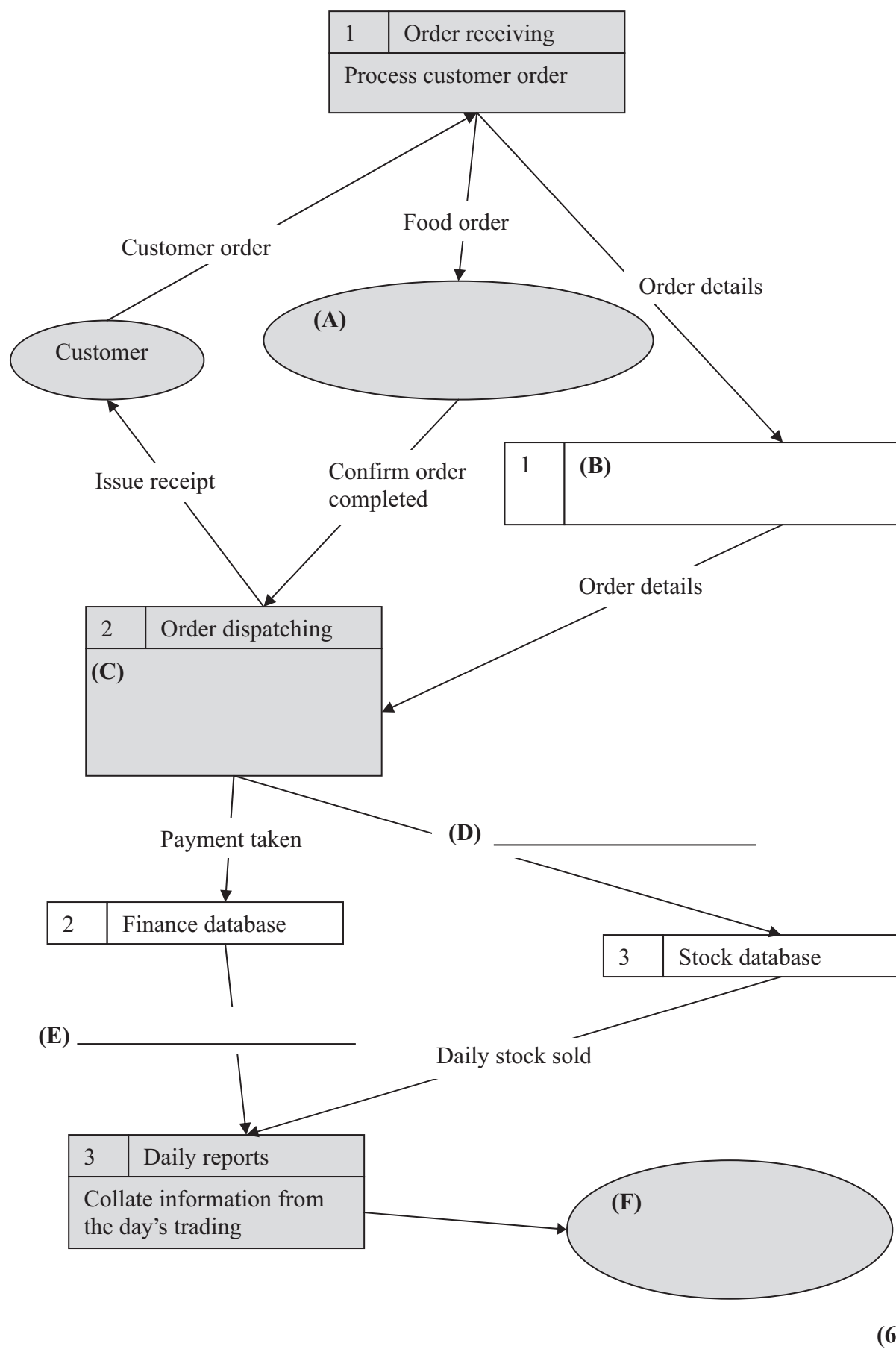
4. A data flow diagram has been created to show one of the data processing possibilities in the proposed coffee shops in England.

The diagram has been based on the information provided in the pre-release materials under the heading 'Tim Hortons in England'.

- (a) On the data flow diagram on the next page complete the labels A, B, C, D, E, F to create an appropriate data flow diagram.



Data flow diagram for 'drive-through' customer paying in cash.



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The proposed weekly order from the coffee shop to central distribution would need the coffee shop manager to create an order manually. It has been decided to change this process so that the weekly order is created and sent automatically.

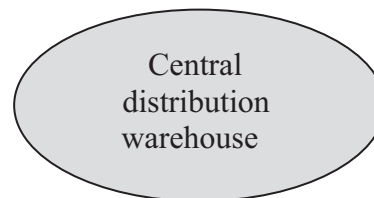
This will be done by:

- accessing the 'stock database' to find data on the current stock levels
- processing the stock level data to create a weekly order
- sending the weekly order to the central distribution warehouse

(b) Create a suitable dataflow diagram to show the automation of the weekly order from a coffee shop.

You should use appropriate data flow diagram symbols and conventions.

3	Stock Database
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(4)

Q3

(Total 10 marks)



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5. Profitability is an important success indicator for Tim Hortons.

(a) Explain what is meant by the term 'profitability'.

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(2)

In the second quarter of 2008 (April, May, June) Tim Hortons had a profitability ratio based on net profit of 14.7% and a profitability ratio on operations of 22.9%.

(b) Explain the two different figures for profitability.

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(2)

A proposed new stock control system for the existing coffee shops shows a predicted net present value of £5000 after four years.

(c) Explain what is meant by 'net present value'.

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(3)



6. Currently the Tim Hortons' 'Tim Card' is a prepayment card.

(a) Identify **two** advantages of a **prepayment** card to Tim Hortons.

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(2)

(b) Identify **one** limitation for a customer of a **prepayment** card.

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(1)

(c) Describe and explain **two** ways the data on a **prepayment** card could be kept secure from fraudulent use.

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(4)



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