**Marketing Plan: Tim Hortons Pre-Packaged Salads**

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**To:** Tim Hortons Marketing and Advertising Executive Team and Professor O’leary

# Executive Summary

The quick-service restaurant is a highly competitive market, in which Tim Hortons leads the market in Canada. Tim Hortons has maintained a leadership position in the breakfas daypart and late night snacking market, but has been experiencing less than desirable sales in regards to their lunch time daypart menu, falling second to their key competitor, McDonalds. Tim Hortons has developed a new lunch time product, pre-packaged salads, which is meant to meet the demands of the health conscious psychographics and gain a competitive advantage in the lunchtime market. By doing this, Tim Hortons will lead in each of the four dayparts. In order for Tim Hortons to achieve this goal, small and large pre-packaged salads will be available at all locations across Canada. The in store pre-packaged salads will bebe located next to the cashier, in a clearly visible refrigerated display unit. Further, in order to continue differentiating from competitors, a lower price-point of $5.99, to coincide with Tim Hortons position will be implemented. In addition to this, to promote this new product, a marketing mix that will be implemented over the next year including, print advertising (Globe and Mail), outdoor advertising (Billboards and Drive-thru screens), viral videos and a national television commercial. This will cost approximately $13M over a one years span. All of the strategies will be implemented throughout the year with a heavy emphasis on the first six months of the launch. Further, the market will be targeted using a market penetration strategy in order to steal customers from McDonalds and further increase market share in the lunch daypart segment. Through analysis of the competition and analyzing the current and potential customers, Tim Hortons can succeed achieve their overall objective to increase market share by 10%.

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# Introduction

Throughout this report, a marketing plan will be developed for the implementation of a new Tim Hortons lunchtime product, pre-packaged salads. This plan will be based on analysis prepared in regards to all influential components affecting the success of the marketing plan. This includes an internal and external analysis, analysis of the industry Tim Hortons is in, the Quick Serve Restaurant industry, a review of competitors, and an analysis of current and potential consumers.

# Situation Analysis - Internal

## Company Analysis:

Tim Hortons has several organizational challenges they are faced with, including maintaining their dominant presence in the Canadian market, competition in the QSR market, and the challenges associated with expansion into the US. Tim Hortons will focus on growing their lunchtime daypart share, expand into new markets, and provide new products for potential, and current customers. With the combination of the growing trends, Tim Hortons can effectively maintain their dominant presence, and brand recognition in Canada, while continuing to use their strong brand name to become a leading competitor in the American market. The historical operating performance of the leading quick-service restaurant, Tim Hortons, shows that from 2009 to 2010 revenue increased from $2,438.9million to $2,536.5m with a total net revenue increase of 4.0%. [[1]](#footnote-1)From 2010 to 2011 the revenue increased to $2,835.0million[[2]](#footnote-2) This shows that although there is current global economic instability, Tim Hortons has been able to maintain a growing profit, and market share. Refer to exhibit 1 in the appendix for further details.

## Company Objectives and Marketing Objectives:

Tim Hortons overall mission and vision is to be a leader in everything they do. This includes providing superior quality, products, and services to all of their stakeholders, including consumers, communities, partners, and employees[[3]](#footnote-3). Tim Hortons corporate goals moving in the near future include attacking the daypart segment, investing to grow the brand in new and existing markets, and leveraging core business strengths[[4]](#footnote-4). They currently use a growth objective in that they are always looking to be leaders in the market, and thus are always looking to grow their market share.

## Company Resources:

Tim Hortons can be broken down into several functioning departments that contribute to the success: construction and restaurant design; distribution; finance and taxation; information technology; legal; marketing and corporate, public and Government affairs; operations; real estate and research and development. The combined efforts of the individual departments allows Tim Hortons to continuously increase their revenue and maintain their highly recognized brand. Tim Hortons has integrated “Tim Hortons University” to train all staff, and owners about the business. Tim Hortons University is a seven-week intensive program that includes subjects on how to properly and efficiently manage a franchise location.

## Present Target Market:

Tim Hortons mass markets across all demographics, psychographics, and geographic locations across Canada. They do this because of the low price, convenient products they offer. To be more specific, however, their demographics can be broken down per percentage of sales. This includes 18% ages 25-34, 20% ages 35-44 and 18% 45-54. Further, studies have found that Generation Y and Generation X demographics tend to spend more money per meal at quick-serve restaurants. [[5]](#footnote-5)The target psychographic are from a smaller household and empty nesters, as When an individual they will typically spend more money per visit than those from a larger household. Another psychographic characteristic used to define their demographic is being a worker, or being short on time. This is because of the convenience factor that Tim Hortons is known for, and provides. The geographic target market is nation-wide and spans across cities of all sizes. [[6]](#footnote-6)

## Current Marketing Mix:

**Price**

The average cheque size of a Tim Hortons order in Canada and the U.S.A is between $2.75 to $3.50, with no 2-hour period of any day accounting for more than 20% of total daily sales1. Tim Hortons provides an every-day value pricing strategy, which means their prices fall below the average price offered from main competitors, McDonald’s, and Starbucks2. This pricing strategy provides Tim Hortons the opportunity to maximize customer satisfaction by providing an equal quality product, in comparison to competitors, for a lower price. Further, by attracting customers covering all demographics, based on the price and quality offered, they are able to maximize profits maintain loyalty.

**Promotion**

Tim Hortons uses a promotion strategy that result in an increase in brand loyalty, and repeat purchases. Tim Horton’s achieves this by implementing promotions that focus on advertising specific products, combinations, or by offering free products at next purchase. Further, the central theme behind their promotion strategy is also their differentiating aspects, an organization that offers high quality products, at reasonable prices. With the integrated use of radio, television, online advertising, and event sponsorship, as well as highly visible community care programs, Tim’s is able to build their brand image, and market their promotions effectively. Tim Hortons spends approximately 3.5% of Canadian restaurant sales on their advertising budget[[7]](#footnote-7). One of their biggest expenditures is roll-up-the-Rim, in which Tim’s makes around 285,000,000 cups, distributed evenly through all Canadian provinces and territories, and 13 States, starting in February, and ending in March[[8]](#footnote-8). The prizes that are available in this promotion require repeat purchases, such as a free coffee, or donut upon next order. On top of singular promotions, Tim Hortons also schedules their promotion strategy within certain seasons or major events, such as using Sidney Crosby as an endorsement during the winter Olympics.

**Product**

Tim Hortons menu consists of a variety of products including premium coffee, hot and cold beverages, breakfast sandwiches, value snacks, and home-style soups, sandwiches, and wraps. Each restaurant contains a standardized menu, which includes a broad range of products for various times throughout the day in order to appeal to customers all day long. In order to remind customer’s of the variety, and freshness of their products, Tim Hortons has recently undergone a layout transformation in which their bagels, and donuts moved from the behind the cashier, to the front, beside, the cashier. All product packages contain the Tim Hortons logo, and slogan, which is “Always Fresh” to further remind customers of their quality products. In addition, the packaging they use for their products are easy and convenient, which supplements the position they want to hold in their customers mind, a high-quality, reasonably priced store, that offers convenience and fast, efficient, service. In 2012, Tim Hortons Canadian advertising fund will invest up to $100 million to expand the use of digital menu boards, and drive-through rotating menu boards, in order to display the value the products provide, and the variety of products provided.[[9]](#footnote-9)

**Place**

Tim Hortons distributes their products to their customers through three channels: Standard, non-standard, and co-branded restaurants. Standard restaurants represent approximately 72% of Tim Hortons restaurants across Canada and are the stand-alone Tim Hortons restaurants majority of consumers picture when they think imagine Tim Hortons. Non-standard restaurants include small full service restaurants, and/or, self-serve kiosks, and drive-thru restaurants. Co-branded restaurants are restaurants which include a partnership, such as their new partnership with ColdStone Creamery, and their past partnership with Wendy’s. With the increasing integration of ColdStone Creamery into Tim Hortons restaurants, Tim Hortons opened 44 co-branded restaurants, while only closing 2 in Canada, in 2011.[[10]](#footnote-10) Refer to exhibit 2 to review store types in Canada per province in 2010.

Tim Hortons uses five distribution channels: two in Ontario, and one in British Columbia, Alberta, and Nova Scotia.

## Marketing Collaborators – Current and Potential Stakeholders:

There are two different types of stakeholders which Tim Hortons operations directly or indirectly affect: Market stakeholders, and non-market stakeholders. Tim Hortons market stakeholders consist of those that engage in economic transactions with the company. This includes their consumers, shareholders, employees, owners, suppliers, industry associations (human resources, Research and development, ect.), and their partner’s associated in the collaboration of their operations, such as ColdStone Creamery. Tim Hortons non-market stakeholders are those indirectly affected by Tim Hortons decisions, which consist of the communities in which they operate, the government, the environment, and the children who are able to attend Tim Hortons camps for kids.

Tim Hortons needs to take an interactive approach and maintain their stakeholder relations in order to prove that they are aware of the impact they have on each stakeholder, and not just their profitability. For the future, Tim Hortons needs to continually provide their guests with balanced menu choices as well provide them with high standard and hospitable experience. Their employee culture needs to include a positive environment, and opportunities for advancement. Further, they need to match their stakeholder’s expectations by providing, open, honest, and transparent communication. They should also continue to incorporate the communities in which they operate in, in their future plans in order to increase awareness, and perceptions held.

# Situation Analysis – External

**Economic Environment**

The Economic environment looks at the factors that affect the business within the economy’s current trends. Tim Hortons must capitalize on the ability to allocate scarce resources and flourish when the economy is growing. Individual’s living standards play a large role in their success. Currently, with the economy globally being unstable, competitive companies such as McDonalds has seen a dip in profit, which proves that no matter the price of the products being offered, if the economy is not stable, individuals will not purchase the products.Tim Hortons needs to operate based on current economic trends by offering products that customers need, at differentiated cheap prices. Tim Hortons must further adapt to the promotions that competitors are implementing in order to sustain growth during poor economic times. An example of this would be the ability to adapt to McDonalds ‘free coffee’ day. Further, the challenging economic conditions has led to an intensified competitive environment, with companies working to reinforce value positioning and increasing promotional activities. This is due to the decrease in consumer spending, and therefore smaller target market.

**Technological Environment**

The technological market is growing, with new technology to make every day life easier for individuals being invented every day. For example, smart phones have created apps to stay in touch with the quick serve restaurant of your choice, and even the ability to pay through scanning your phone. Further, with the continual growth of the Internet, less and less consumers are watching TV and in correlation, commercials, every day. Tim Hortons must continue to adapt to changing technological trends in order to assure the efficiency, and convenience that they claim to offer.

**Political/Legal Environment**

Factors affected by the political/legal environment that have a direct correlation with the way Tim Hortons operates include wage laws, and tax policies. With inflation increasing, employees must receive a larger wage in order to continue the standard of living they are used to. Further, there is a current trend towards increase in minimum wage which in turn diminishes the retained earnings Tim Hortons can make, unless they make the necessary changes to price of products or COGS, are made to maintain a net profit margin they believe qualifies them as successful.

**Cultural and Social Environment**

Trends in demographics, lifestyles, attitudes and personal values among the general population can be of some concern to Tim Hortons.[[11]](#footnote-11) The most important trend in Canada to be noted is the growing trend towards a healthier lifestyle, including increased knowledge and perceptions about the affect a healthy diet can have. It is evident that consumers, in Canada, are paying closer attention to the label of foods in order to ensure what they are eating is a healthy alternative.[[12]](#footnote-12) Currently a perception within the market is that Tim Hortons products are high in fat and sugar, and thus this trend could prove to decrease sales, and future profitability.

# Industry Analysis

## Market Analysis:

## Market Size

Globally, the QSR market has revenue of approximately $707B dollars with an annual growth between 2011 and 2012 of 2%[[13]](#footnote-13). In Canada, in 2011, the overall food service market accounted for $62.7B, with the QSR market accounting for approximately $22M in sales, and a growth of 3% from the prior year. [[14]](#footnote-14)

## Market Forecast:

The QSR market is projected to experience the greatest sales increase that they have seen in years, with projections of QSRs to capture 64% of total foot traffic, and 44% of all sales at commercial restaurants. This includes foot traffic projected to increase 1.7% annually within the next four years. As an overall market, the Canadian Food Service industry, which has a direct impact on the QSR segment, is projected to grow by 3.1% to $65.4 billion by the end of 2012.[[15]](#footnote-15)

**Market Share**

In Canada, Tim Hortons has the leading market share position in the QSR market based on sales and number of restaurants. They represent 41% of the QSR market for the 12 months ending November 2011, and 78% of the Canadian brewed coffee sector ending the same period. Within specified internal industry segments, Tim Hortons ranks 1st with 67% of morning daypart share of traffic, 2nd in lunch daypart traffic, behind McDonalds, with 17.2%, and 1st in PM snacking with 55.7% of traffic.[[16]](#footnote-16)

## Power of Suppliers:

The suppliers within the QSR industry have limited power due to the large amount of substitute supplier products that are available. The menu items within the industry are basic value food, snacks, and drinks, and thus the inputs needed are undifferentiated, therefore increasing the amount of substitutes available. Further, the supply, such as bread, meat, and coffee beans, are supplied all year long and are not limited. Refer to exhibit 3 in the appendix for further analysis.

## Power of Customers:

Customers have low to medium power in the market. Due to the low average cost per product, and the mass target that the product category attracts, including customers within all social classes, the products represent only a small portion of income. Further, because the industry offers basic products, the potential for backwards integration is limited although customers can make similar products in their own home. Refer to exhibit 3 in the appendix for further analysis.

## Existing Rivalry:

The QSR industry is an oligopoly market as only a couple of major firms dominate the overall market share. Further, the industry is in a mature state and has shown relatively constant growth, while having an overall low fixed cost needed to participate. The lack of product differentiation results in an excess of similar products within competitor restaurants and because it is a red ocean market[[17]](#footnote-17), sales of one restaurant typically comes at the expense of another. For this reason, the amount of rivalry within the market is high. Refer to exhibit 3 in the appendix for further analysis.

## Power of Substitutes:

The products that are served within the industry: coffee, sandwiches, snacks, and drinks are relatively undifferentiated and are fairly generic. For that reason, they are very price sensitive, and elastic, in that if Tim Hortons increased their prices it would result in the increase of sales in competitive firms. Further, because of the nature of the industry, customers are able to switch competitors at every meal, and thus it is hard to implement switching costs. Power of substitutes is high. Refer to exhibit 3 in the appendix for further analysis.

## Threat of New Entrants:

There is a low threat of new entrants within the market for various reasons. Although there is a small economies of scale to participate in the category due to the small fixed costs needed, other factors diminish this. The current competitors all have well-known brand names, and reputations, and therefore it is difficult for new, unknown, brands to steal customers. Due to the makeup of the industry, it costs new entrants a large capital fee in order to build a restaurant, or franchise a chain. Although switching costs within the industry are low, as noted above, the large use of repeat purchase promotions, such as roll-up-the-rim, and McDonald’s Monopoly, make repeat purchases almost obvious. Further, majority of the companies within the industry distribute their own product, and have their own supply-chain/distribution-chain for their product to get to the end user. Refer to exhibit 3 in the appendix for further analysis.

# SWOT Analysis

## Strengths:

Tim Hortons strengths revolve around the fact that they are an extremely recognizable brand name in Canada, and are strongly integrated in the Canadian culture. They currently have 4,042 restaurants globally, with 99% brand recognition. Further, Tim Hortons has a dominating market position, representing $85 billion in market capitalization[[18]](#footnote-18). Thanks to their well-known brand name and history, Tim Hortons has been able to position themselves as a leader in the QSR industry, conveniently serving high-quality fresh products, at reasonable prices. Through an extreme dedication to corporate social responsibility, Tim Hortons has built a reputation as not only an industry leader, but also a community leader in the communities they are in. Further, through a dedicated executive team, Tim Hortons has been able to receive the necessary budget to successfully implement several promotional activities including their famous “Roll Up The Rim”, which has been successful in creating customer loyalty, and encouraging repeat purchases. Thanks to these strengths, Tim Hortons has the capability to implement new products or promotions without loosing the loyal customer base that they have grown.

## Weaknesses:

Although Tim Hortons does not have many severe weaknesses preventing them from accomplishing their goals, they do have some that can be overcome. One weakness of Tim Hortons is that although they are positioned as a high quality, reasonably priced brand, they did not integrate a lunch and PM menu right away and because of this there is a large consumer base who only know Tim Hortons as a coffee and donut restaurant, preventing them from capitalizing on their overall marker potential. Further, a majority of Tim Hortons products are sugar and fat based and with the increasing trend towards a healthy lifestyle this is a weakness as it can minimize sales, and prove to assist competitors in stealing consumers. Aside from the products they offer, Tim Hortons also has a poor reputation for their service quality being inconsistent. If Tim Hortons were to implement a new healthy lunch product to their menu, taking advantage of a current external opportunity, and promote it through the correct media alternatives they could deflate several assumptions: that Tim Hortons is only a coffee and donut shop, and that they are sugar and fat based. If Tim Hortons invested more of their funds into training programs, or had higher hiring requirements, the perception of quality can be diminished.

## Opportunities:

Tim Hortons currently ranks second in Canada, to McDonalds, in terms of the amount of sales that they make throughout lunchtime hours (11:30 am – 2:00 pm).[[19]](#footnote-19) This provides them an opportunity to capitalize, and create a more lunchtime-oriented menu, and increase their position in the market. Another opportunity that falls in line with creating lunchtime-oriented menu is the increasing development and trend towards a healthier lifestyle, and the opportunity to implement a healthy lunchtime alternative to the chili and sandwiches they already offer. Outside of the opportunities for improvement to Tim Hortons menu, there is opportunity for Tim Hortons to continue to grow their brand by building new restaurants in new markets domestically. It is evident that Tim Hortons is beloved in Canada and targets all ages, and for that reason they should take advantage of this and continue to grow, or else they won’t reach their potential.

## Threats:

The QSR industry that Tim Hortons is in is extremely competitive, with a plethora of companies representing competition, and a viable threat to sales. In particular, McDonalds, Starbucks, and Country Style represent large threats and due to the undifferentiated products being offered by competitive firms, the products that are sold are very elastic. Further, because of the low prices being offered, the growth or plummet of the economy, and inflation, has an direct effect on sales. This can be seen by McDonald’s announcing profit loss in their 2012 3rd quarter reporting, which is being reported as a result of the global economic instability. Further, because Tim Hortons targets a large market, they must keep up with the changing needs of their target and always look to innovate new products. In addition, the rising labour costs have proven to have a negative impact on the QSR market.[[20]](#footnote-20) Due to the competition, Tim Hortons must make sure that they are always looking at ways in which they can build customer loyalty and retention.

## Key Success and Risk Factors:

Tim Hortons is faced with several key risk and success factors, which can have a lasting effect on their overall success. The most dictating risk factor in regards to Tim Hortons is their dependence on the Canadian QSR market performance. Because they are not fully integrated into other markets internationally, and rely on Canadian profit, if the Canadian economy went into a recession, Tim Hortons would face extreme difficulties to regain their market presence. The QSR market is highly competitive and thus if a promotion does not go as planned, it can result in the loss of customer’s. Another major risk factor is the unpredictability of the food market in terms of safety. If a Tim Hortons supplier provides a product, which has, per se, E.Coli, the consequences can be extremely severe, and can provide a large backlash on Tim Hortons operations.

Key success factors include the ability to adapt to the changing psychographics within the target market, the ability to promote similar, and new, products better than competitors, the ability to innovate in order to minimize the presence that competitors have in the market, and the ability to integrate consumers and gain long-term loyalty. If Tim Hortons is able to accomplish these factors, they will continue to experience extreme success.

# Competitor Analysis

## Identify Competitive Scope:

Because of Tim Hortons large presence in quick service market, they have many competitors. As seen within the level of competition diagram in exhibit 5 Tim Horton has five competitors who can be classified as product form competition, as they offer very similar products at similar prices: McDonalds, Starbucks, Second Cup, Dunkin Donuts (in the States), and Country Style. In terms of the overall market that Tim Hortons is in, and what most people associate Tim’s with, coffee, their product category competition includes the various coffee distribution companies located around Canada. If a consumer chooses not to purchase a coffee or a value snack/meal, which Tim’s offers, they will often go to another fast-food chain location such as Wendy’s, Harvey’s, Subway, and the other companies shown in the diagram, representing generic competition. Further, Tim Hortons must also make sure they take into account other value stores such as convenience and dollar stores as they represent competition for the same dollar a consumer would spend at Tim Hortons.

In terms of two differentiating aspects, quality and price, as shown in the perceptual map in exhibit 6 it is evident that although Tim Hortons has competition within the quick service/fast food market, their main competitors are in the “café/bistro” market, such as McDonalds, Starbucks, Timothy’s, Country Style, and Williams Fresh Café. By looking at these key competitors, and comparing them in terms of in-store variety, and the quality, it is very clear that Mcdonald’s, who offers a “McCafe” menu, similar to a Tim Hortons breakfast menu, is Tim Hortons key competitor..

## Key Competitors’ Current Marketing Objectives and Strategies:

Starbucks is known for their high quality, but high priced items as their prices are generally higher than competitors. Further, although they do not implement the greatest marketing campaign, their global income continues to grow[[21]](#footnote-21), and their objective is to harvest this. Starbucks will continue to look to grow profits now and in the future, at the expense of sales or market share.

Second cup has experiences increased sales over the past year, but an exponential increase in expenses. More particularly, they have invested $140M in innovation and research, a department which received $0 the year before[[22]](#footnote-22). This development hints at Second Cup implementing a growth objective by creating a new product to attract customers in the future, at the expense of profitability now. Refer to exhibit 4 to review second cup’s income statement.

Country Style currently does not have a dominating market share, nor do they offer differentiation in price and quality. There objective is a harvest objective in that they know they will not dominate the market, and thus will try to maintain loyalty through promotional material.

## Key Competitor Strengths and Weaknesses, Objectives, Strategies, and Future:

In relation to their strengths and weaknesses and value chain analysis, as seen in exhibit 7, Tim Hortons main competitor, McDonald’s, has a competitive advantage in terms of their global presence, brand name, and internal operations. Further, although Tim Hortons also has good promotions, McDonald’s has a competitive advantage in relation to the overall industry with the use of online media, traditional media (commercials), and sales promotion activities. Thanks to their long-history and extremely well known brand name, McDonald’s is able to attract customers with every promotion they implement. Refer to exhibit 7 and 8 in the appendix for further analysis.

McDonald’s has reported a 2012 3rd quarter sales and profit decline, to add onto an overall 2012 decline[[23]](#footnote-23). Their executives know that the prospect of this changing in the near future is slim due to the current global economy and because of this, McDonald’s will be taking a growth objective in order to build market-share at the expense of short-term profitability. In the immediate future, McDonald’s will increase their promotional sales presence, offering discounts and coupons, one of their strengths, and increase their marketing budget to attract customers from competitors, and grow their market share.[[24]](#footnote-24) Moving towards the future, McDonalds will capitalize on the consumer loyalty and market share that they are growing through promotions. Once the economy stabilizes, and McDonald’s believes that their market share is at the point where they want it to be, or where it used to be, prior to the economic drop, they will look to cut back on discounts, marketing expense, and implement a slight increase in prices. By doing this, they will have the opportunity to build their profitability in the future.

With McDonald’s executing an increased level of promotional activities including an increase in discount sales, and marketing expenditures, they will be given the opportunity to attract customers from their competition. Tim Hortons will combat this by implementing their own promotions’ or by creating a new product. Because Tim Hortons represents themselves as an everyday-value company they do not participate in coupon or discounting programs. Therefore, it is important that Tim Hortons create a new menu item to maintain/attract customers. With increasing trends towards a healthy lifestyle, Tim Hortons should implement a salad menu, helping them retain customers, attract new ones, and build loyalty.

# Consumer Analysis

## Who Buys the Product

The QSR industry markets across all demographics thanks to the low prices they offer, and variety of foods matching all psychographic, and gender variables. Although everyone can enjoy, per se, a Tim Hortons timbit, not all users influence their own decisions. In terms of parent purchases, often the purchase is influenced by kids, and family members, while the end user can be anyone in the house. Further, because of the pricing strategy employed by Tim Hortons, often a large quantity of items are purchased in one batch and then given to peers at work and at home. In addition, although Tim Hortons markets across all demographics, many children are not at the age to purchase Tim Hortons and thus their parents, or friends of the family are the purchasers while they are the end user. Therefore, although mass marketed across all demographics, the end user is not always who purchases the product.

## Benefits and How They Use It

Within the QSR industry, customers find value in the inexpensive overall price of items, and the convenience the restaurants provides in terms of efficiency and effectiveness. Further, if possible, customers also benefit from a high-quality product, and variety offered. The benefit of a value-priced menu is the opportunity to get what consumers want, and try no things. Further, it is an emotional decision which requires minimal rational, if any. Time cannot be purchased and is one of the biggest necessities in life. The benefit that the QSR market offers is the ability to reduce wait times, and allow customers to use their time on things more valuable to them, such as time with family. If possible certain QSR’s within the market, such as Tim Hortons, provides a variety of products for customers to choose from. This provides the option for customers to choose from, and an opportunity to try, various products. On top of the benefits noted, with the increasing trend towards a healthy lifestyle, many customers search for a healthy menu to benefit from. The benefits provided, quality, price, convenience, and variety, can all be viewed as possible segmenting dimensions.

## Where Consumers Buy

With the makeup of the industry being restaurants, that can provide quick and convenient service, consumers must go into stores in order to purchase products. To increase efficiency, many restaurants have includes drive-thru windows. The market is comprised of various high-status restaurants that are found across the nation, in majority of the cities, and at most city corners .

## When Consumers Buy

Consumers within the market purchase in four times throughout the day: morning daypart (5:30am – 11am), lunch daypart (11:30am – 2pm), PM snacking (2pm – 11pm), and late night daypart (11pm – 5:30am). Typically, sales during lunch time hours exceed sales during other periods of the day. [[25]](#footnote-25) In terms of seasons, consumers purchase patterns are a result of the four seasons, and the promotions that accompany those seasons. Typically, there is a decrease in sales during the winter months as consumers have a harder time leaving their homes.[[26]](#footnote-26)In order to increase sales over the winter, many restaurants offer holiday promotions to attract customers.

## How Consumers Choose

Customer’s choose based on the differentiating attributes offered by each organization: Price, quality, variety, and, convenience. With the global economy being unstable, price of products are the dominating force when choosing where to purchase products. Tim Hortons, through the use of a value price strategy, offers everyday low prices in comparison to competitors.

## Why Consumers Prefer a Product

In terms of factors effecting customers preference of a product, there are three value categories that can be looked at: The economic value, functional value, and psychological value. The economic value the products within the industry offers is slim, and undifferentiated as most products are sold at similar prices, and offer similar quality. Within the premium coffee segment, a customer might choose a Tim Hortons coffee over Starbucks as the average cheque size is over 75 cents less. [[27]](#footnote-27) That being said, the quality is greater than Starbucks coffee is greater than Tim Hortons and thus the economic value per quality offered is similar. The functional value of a product to the customer can be differentiated with the use of corporate social responsibility within communities. Majority of the restaurants provide similar product, but are able to make a name for themselves based on their contributions to the market they are in. Further, the health attributes of products within various companies can provide additional value to the function of the items. The risk within the market revolves around the potential for unsafe food ingredients. A company with a greater reputation provides a higher psychological value to the customer.

## Will They Buy it? (Again)

Typically, because the QSR market is extremely competitive with customers having the option to switch restaurants at every available meal, loyalty programs are not implemented. Although loyalty programs are not integrated into their marketing plans, restaurant reputation and promotions provide a reason for return, and for repeat purchases. The QSR industry is dominated by a couple of high-status restaurants, an oligopoly, with a large global presence, such as Tim Hortons, McDonalds, and Wendy’s. Although competition between these restaurants is high, each chain has their own devoted and loyal customers. Further, all provide personalized promotions to increase repeat purchases, and build loyalty in order to maintain their market. By including promotions, to the already cheap products, and by ensuring that quality and service is always up to expectations, customer satisfaction grows and the potential for them to purchase again rises.

# Proposed Marketing Plan

## Marketing Strategies, Objectives, Goals

The marketing objective being used is a growth objective in that the ultimate goal is to increase market share. More specifically, the objective is to grow market share in the lunchtime market, where Tim Hortons currently ranks second. In 2010, during a Tim Hortons investor conference, it was noted that McDonalds currently holds 20% of lunchtime traffic in the market, while Tim Hortons only holds 17%. [[28]](#footnote-28) One of the biggest weaknesses Tim Hortons currently experiences is the perception that they do not serve a lunchtime menu, and the items on the menu are sugar and fat based. In order to increase market share in the future, the creation of a menu item will be created, pre-packaged salads, which will come at the expense of profitability now through the implementation of a new media plan. The goal is to increase the lunch daypart market share of Tim Hortons to match that of McDonalds. The proposed budget, for a one year period, to accomplish these goals is approximately $13M, and can be viewed in exhibit 9.

## Product Strategies, Objectives, Goals

The objective behind the implementation of a healthy menu item, more specifically, pre-packaged salads, is growth in terms of lunch daypart market share. Currently Tim Hortons ranks first in Breakfast daypart, and PM daypart sales within the QSR industry, but ranks second to McDonalds in the lunch daypart segment. [[29]](#footnote-29) With the growing trend towards a healthy lifestyle, and the threat that McDonalds currently has in terms of the amount of variety offered, the implementation of a salad menu can have several benefits. First, it takes advantage of current market opportunities such as the trend towards a healthy lifestyle, and the fact that Tim Hortons is second in lunchtime market share. While taking advantage of these opportunities, the implementation of a salad menu also combats threats from key competitors, current and anticipated future, marketing endeavors, while combatting the weaknesses noted above, such as the perceptions held in the market of Tim Hortons being a coffee shop only, and minimizing the overall fat and sugar content in the menu. This objective will be achieved through the use of a market penetration strategy by attracting competitors’ current customers. More specifically, by attracting those customers who choose McDonalds over Tim Hortons. The use of comparative advertising can be used to achieve this.

## Target Market

## The target market to be used for the implementation of this marketing plan, and the end consumer of the new product being implemented is:

* 15-65 year old male and females. Specifically baby boomers because as age increases metabolism slows down making weight control harder
* Currently living a healthy lifestyle or interested in living a healthy lifestyle
* Students or employed workers who are stretched for time and need a quick solution to their meal
* Canadian-wide campaign with promotions being placed nationally, but more so in the busy downtown core the major 6 cities in Canada

## Marketing Mix

**Product:**

Tim Hortons will introduce pre-packaged salads. These salads will be at or less than 400 calories each and will be featured on a healthy choice, lunch menu. There will be 5 basic salads with an option between 8 various salad dressings. The 5 salads will include: Traditional Ceasar Salad, Chicken Ceasar Salad (for an additional dollar), Spinach Salad, Garden Salad, and Greek Salad. The package that the salad will be in will be an environmentally friendly, reusable, clear plastic container, to coincide with Tim Hortons environmentally friendly corporate objectives. Further, along with other packages being used, the packaging of the salad will include the quote “always fresh” in order to maintain Tim Hortons competitive position, and differentiating aspects. On the package, there will be an exact calorie count, nutritional count, price of the product, expiry date, date packaged (in order to ensure freshness), and the products ingredients.

**Price:**

Currently, McDonalds offers salads at an average price of $6.59. In order to gain a competitive advantage, and differentiating aspect in the eyes of consumers, the average price of Tim Hortons salads will be $5.99 for a large. For a small salad, or side salad, which will be offered alone and in combination with other products, the average price will be $3.99. By implementing this pricing strategy, Tim Hortons will maintain their position as a value based quick serve restaurant who supplies quality and fresh food and drinks in a convenient manner. Because of the low cost of creating a salad, at around $2, the margins will be approximately 200%.

**Place:**

Tim Hortons will implement their new salad menu in every Canadian store across the nation. This would capitalize on 3,295 stores nationally, representing approximately 72% of Tim Horton stores worldwide.[[30]](#footnote-30) In order to coincide with Tim Hortons position as a restaurant offering high quality fresh foods at low-prices, as seen in their slogan “always fresh”, the salads will be placed in an area of the store where customers can see them, and picture their quality. Along with Tim Hortons new layout, as noted earlier, the salads will be specifically placed in the front, beside the cashier, in a glass display. This is where Tim Hortons now places their yogurts, bagels, donuts, and cold drinks.

**Promotion:**

The promotions being used to help promote the integration and implementation of pre-packaged salads at Tim Hortons will be based on, as stated earlier, comparative advertising, and awareness building. In order to create awareness about the product being implemented, and capitalize on market potential, this plan will use an integrated mix of billboards, commercials, print media in newspapers, and a viral Youtube video. Further, the promotion campaign will take place over a full year span, from January to January in order to increase awareness to the point where customers associate salads with Tim Hortons. Although the schedule will take place over a year, a majority of advertising will take place over the first 6-months, with supplemental advertising to follow. Refer to exhibit 9 for a visual representation of our promotional strategy.

*Billboard:*

The target market being used for this marketing campaign includes students and working adults who are stretched for time during their busy day. The billboards that will be used will be placed on highways leading to the downtown business core of the 6 major cities in Canada. This will provide the specified reach needed to reach the defined target of hardworking students and adults. The ad will show a picture of a new salad, with bright colours, in order to attract the viewer, while providing a catchy slogan. The billboard will include the major benefits offered including a healthy alternative to lunch, and the low prices offered. The billboard will be implemented to increase awareness and help change perceptions help within this age group of the overall target market. This billboard will cost $16,000 a month and will be implemented over the full year, from January to January, costing a total of $192,000 per city. The return of this cannot be quantified in monetary numbers, but a billboard in Downtown Toronto receives approximately 48,000 impressions a day.[[31]](#footnote-31)

*Commercial:*

A commercial will be created in order to supplement other integrated marketing endeavours and continue to increase the awareness of the new salad menu to be implemented in Tim Hortons. This commercial will attempt to attract the target audience, and more specifically, McDonalds target audience to advance our market penetration strategy. The commercial will be a 30-second spot, on national networks, including Sportsnet – to attract the target psychographic of healthy individuals, and CTV – to attract the target as a whole. A national advertisement on major Canadian networks cost approximately $300,000 per 30-second commercial, and this plan will product 20 commercials spanning 6-months, and will cost approximately $6M[[32]](#footnote-32). Because of the cost of implementation, and technological trends occurring, TV commercials are prioritized last and will be the first alternative subject to removal. This will help increase awareness and perceptions.

*Print Media:*

Advertisements will be placed in the Globe and Mail nationally at approximately $10,000 an issue throughout the first six months of implementation, from January to June. This will cost a total of $240,000. This print ad will help promote the launch of Tim Hortons salad line by providing price, and price comparison to competitive products, with a coloured picture to attract customers, and continue with the position of high-quality fresh products. This ad will include the key benefits it offers, such as the image of healthy, and the low price offered. Further, the Globe and Mail has a weekday circulation of approximately 315,000 people nationally, providing Tim Hortons the necessary mass reach required to promote the product. [[33]](#footnote-33)

*Viral Video:*

With the increasing trend in technological advancements preventing consumers from viewing TV commercials, the use of a viral video will help, while being cost efficient, in getting the message across. A viral video will be created, and released via social media platforms, involving the salads being created, and comparing it to competitor salads. Further, with the use of a comedic appeal, the viral video will be passed from user to user in hopes of increasing general awareness. This video will help increase the awareness from the younger portion of the target market. This will cost approximately $5,000 for the creation and editing of a professional Youtube clip, with a projected 20,000 unique views.

# Implementation and Control

## Potential Problems and Concerns

The greatest potential concern to this marketing plan is the inability to promote effectively and garnish the awareness needed in order to implement a new product. Further, with key competitors offering salads, and Tim Hortons implementing a market penetration strategy, if they cannot attract the customers from competitors, they might even entice them through visual promotion to purchase a salad at the closest stop, and possibly that of the competitor. The budget that will be provided spans over a years time and is national in scope and therefore there is a large marketing expense being incurred. If the salad menu does not create the sales increase projected, and relatable net income, Tim Hortons will incur a severe setback in terms of their profit, and therefore the price per share to their shareholders.

## Action Plan

The timing of the marketing plan will span over a one years time, from January to January, with the implementation of the Salad in Tim Hortons restaurants appearing in February, one month after promotion begins. From January to June, Tim Hortons will penetrate the market with all marketing endeavours in use: print, traditional commercials, a viral video, and the use of billboards. This will cost, over the 6-months span, approximately $9.7M, proving to provide the most dominating part of the marketing expense. After 6-months of market penetration, the only marketing components to remain for the following 6-months will be the maintenance of the viral Youtube video, and the billboards in the 6-major cities, costing approximately $3.5M. This 6-months will be used to further maintain awareness in the market.

## Contingency Plan

The implementation and promotion of a new product can take several years, and for this reason, the contingency plan created will not be implemented unless overall net income from salad sale is less than the salad sales within in one years time. In order to reach Tim Hortons objective of capitalizing on market share, and catching up to McDonalds 3% lead in lunchtime share, Tim Hortons must allow the necessary time for sales to increase. If Tim Hortons is unable to reach their main objective and, as stated, their net income from salads is less than sales after the first year of distribution, then the contingency plan will be put into effect. The need for a healthier overall menu is persistent whether or not the implementation of salads performs the way they are expected to, and for that reason, a full reduction of all salads does not make sense. The contingency plan will take away large salads, offered as a standstill, but continue selling small salads as a means of a side to a meal. This will reduce the overall COGS, and profit margin, but will put Tim Hortons in the position where they depend less on its sales. Further, if sales in lunchtime daypart are not increasing, then Tim Hortons will stop their marketing efforts, and focus on a new market of gluten free bread. If McDonalds takes a competitive approach and decides to lower their prices to retain their customers, Tim Hortons will have to reduce their marketing costs, by cancelling their TV ads, and use the additional funds freed up in order to match prices.

## Market and Product Sales Potential:

Currently, the target market can be split between two segments: Students, and the working population. Currently, there are over 1M students attending undergraduate schools across Canada, with approximately 9M adults between ages 15-65, the demographic, participating in the workforce. In potential terms, approximately 50% of the Canadian population eats salads at least once every 2-weeks. That means that the potential sales from Tim Hortons pre-packages salads could include 120 millions salads a year if the whole target market, as noted above, chooses Tim Horton salads above any other salad. This is done by taking 50% of the two segments and providing them 2 salads a month over a year’s time.

## Market and Product Sales Forecast:

When McDonalds originally implemented their salad menu in 2003 their national sales and revenue accounts increasing by approximately 11.3%[[34]](#footnote-34). With Tim Hortons already leading the QSR market in Canada, the sales potential to be used will be a little less than the growth in McDonalds sales due to the variability of the number. Therefore sales potential will be based on a 10% increase nation-wide. On January 1, 2012, Tim Horton Sales were reported at $2,012,170, (in thousands)[[35]](#footnote-35). By using the naïve approach, and adding sales potential, Tim Hortons return on sales after one year of implementation will be approximately $2,012,170 \* (1.10) = $2,213,387. Majority of this 10% increase with be received within lunch daypart hours, this helping Tim Hortons achieve their ultimate goal of increasing market share in lunchtime hours.

## Forecasted COGS:

The total cost it would take to assemble, and maintain, a large Garden Salad, with lettuce, cucumber, tomato, carrots, and cauliflower is $2.19[[36]](#footnote-36). In relation to the price of the product, $5.99, this represents approximately 37% of the selling cost. If sales increases 10%, as noted above, from $2,012,170 to $2,213,387, this would represent approximately $74,450.3 (201,217\*.37)

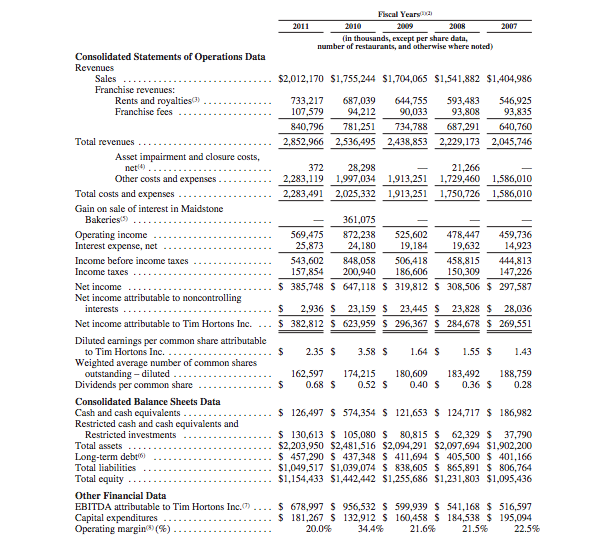
## Pro-Forma Analysis:

Through a pro-forma analysis, as seen in appendix 10, Tim Hortons is able to increase sales by 10%, through the implementation of pre-packaged salads. This comes with the use of approximately 13M in marketing expenses, and an additional 37% of that 10% increase sales - $74,450, in forms of COGS. Further, after all of the changes in expenses and sales, Tim Hortons is still able to increase their overall Net Income. In summary:

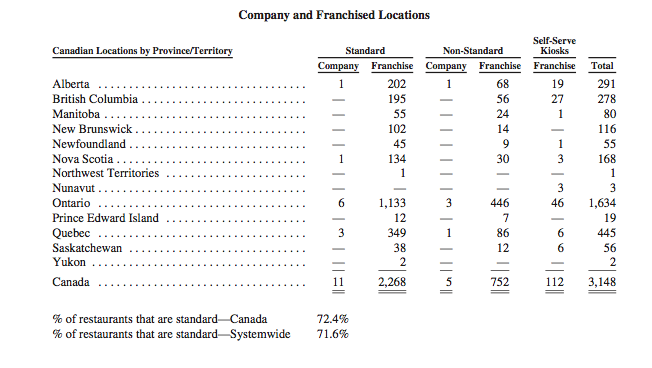
* Sales increased 10%
* Marketing expense included 13,173,000
* COGS increased by 37% of sales, or, 74,450.
* Net income increased from 385,957 to 466,609

# Appendix

## 1 – Tim Hortons Income Statement



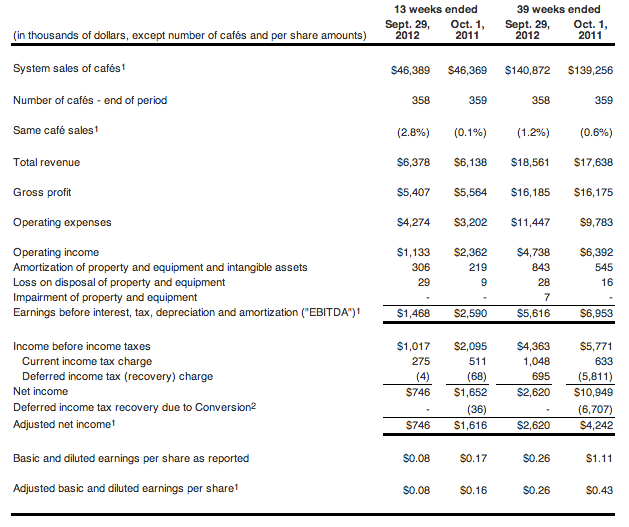
## 2 – Tim Hortons Store Locations



## 3 – Porter Industry Analysis

|  |  |
| --- | --- |
| **Porter Components** | **Description:** |
| **Power of Suppliers** | * Large amount of substitutes * Supplier products are not differentiated from other supplier products and are purchased all year round * Supply is not limited   **Power of supplier - low** |
| **Power of Customer** | * Product is a low percentage of buyers cost with average price being between $2.75 – $3.50 * Product is undifferentiated but is offered at a lower price than key competitors * Industry attracts customers representing all social classes * No possible backwards integration * Customer can make coffee and sandwiches at home   **Power of Customer – Low to Medium** |
| **Existing Rivalry** | * Many competitors in the quick-serve market * Is a mature oligopoly market – Growth rate relatively constant * Market is defined by a couple competitive firms dominating the market * Low fixed costs * Lack of product differentiation – majority of competitors offer similar products * Red ocean market and thus sales come at the expense of competitive firms   **Existing Rivalry - High** |
| **Power of Substitutes** | * Undifferentiated products – Generic products offered * Due to the undifferentiated products, they are very price sensitive * Low switching costs   **Power of Substitutes - High** |
| **Threat of New Entrants** | *Economies of Scale:*   * Small economies of scale due to the small amount of fixed costs   *Product Differentiation:*   * Undifferentiated products. Differentiation occurs with price * Well-known brand names and reputations within the industry make it difficult for new competitors to steal customers   *Capital Requirements:*   * New entrants need large amounts of capital in order to build a new restaurant, or franchise a chain.   *Switching Costs:*   * Because of the nature of the market, customer can switch restaurants every time they eat, and thus it is hard to implement switching costs * Large use of repeat purchase promotions hint at minimal switching costs for customers   *Distribution:*   * Industry companies have their own distribution chain to the end customer. * Restaurants have their own restaurants selling their own products * New entrants need to purchase land, or pay rent   **Threat of New Entrants - Low** |

## 4 – Second Cup Income Statement

****

## 5 – Levels of Competition

****

## 6 – Perceptual Maps

****

****

## 7 – Value Chain Analysis - McDonalds

**Competitive Value Chain Assessment**

* **Inbound Logistics:** McDonald’s is known for their low quality material, with their meet often being referred to as “fake beef’. They do not differentiate based on inbound logistics. At best, they have ingredients and materials on par with other foodservice chains
* **Operations:** McDonald’s is able to differentiate in operations thanks to their high investment in training and development programs.
* **Outbound Logistics:** McDonald’s is known for their speedy delivery after order. Customers do not have to wait more than 5-minutes for their meal, and thanks to McDonald’s investment in training, the front of the line staff are capable and perform well. No competitive advantage over competitors, though.
* **Marketing and Sales:** McDonald’s has developed one of the biggest global brands thanks to their known logo – the golden arches, and mascot – Ronald McDonald. Further, their commercials are catchy and relevant, while their promotions, such as their Monopoly promotion, are always a big hit. Has developed a new online marketing campaign to debunk the myths about their organization.
* **Service:** Thanks to McDonalds investment in training, as noted above, the service that consumers get is superb with staff that are kind, and knowledgeable, while being speedy and efficient.

## 8 – McDonalds Strengths and Weaknesses

|  |  |
| --- | --- |
| **Strengths** | **Weaknesses** |
| * Name and history – a “global” brand * Leading global foodservice retailer with more than 34,000 restaurants worldwide, representing 119 countries * Commitment to excellence. – Continuous improvement in the business and in community, and to people, and consumers. * Growth and training – Provides opportunity for growth, and training/developing of staff * Promotional activities – Monopoly, yearly discounts, Ronald McDonald, Golden Arches * Good media – commercial, online * Ability to successfully implement new items such as McCafe coffee and bistro menu, healthy choice options, etc. * Defined position in consumers head * Strong economies of scale from large global presence | * Perceived quality * No seasonal products to capitalize on market * Due to the history of McDonalds, it is important to continue innovating or else consumers will get bored of the product. |

## 9 – Media Schedule and Cost



## 10 – Pro Forma Analysis

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Pro Forma Income Statement** | | | | |
|  | **Assumptions** |  |  |  |
|  |  | **2011** | **2012** |  |
| Sales | 10% increase | 2,012,170 | 2,213,387 |  |
| Franchise Revenues |  |  |  |  |
| Rents and Royalties | Same as year before | 733, 217 | 733, 217 | |
| Franchise Fees |  | 107,579 | 107,579 |  |
| Total Revenue |  | 2,852,966 | 3,054,183 |  |
| COGS | 37% of increase sales | 2,283,491 | 2,357,941.30 |  |
| Operating Income |  | 569,475 | 696,242 |  |
| Less: Marketing Expense |  |  | 13, 173 | |
| Less: Interest Expense |  | 25,873 | 25,873 |  |
| Net Income Pre-Tax |  | 543,602 | 657,196 |  |
| Tax - 29% |  | 157644.58 | 190586.84 |  |
| Net Income |  | 385,957 | 466,609 |  |

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