

Timbits® Head North - Maybe!

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Since the mid-1960's, Tim Hortons® (<http://www.timhortons.com>), which started as a simple donut shop in Hamilton, Ontario, has grown into a Canadian cultural icon. Even with more than 3,000 outlets in Canada and the U.S., and for a time having been merged with Wendy's®, the company continues to look for new geographic markets for its primarily franchise mode of operation. The company operates in 12 of the 13 provinces/territories of Canada (Yukon Territory, Northwest Territories, British Columbia, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland & Labrador) and in 11 of the 50 U.S. states (Maine, Massachusetts, Connecticut, Rhode Island, New York, Pennsylvania, West Virginia, Ohio, Michigan, Kentucky, and Indiana). The only Canadian region that does not have a Tim Horton's outlet is Nunavut. However, things may be about to change. Complete domination of the Canadian economy may be on the horizon! Tim Hortons may truly become a "national chain."

Nunavut, in Canada's far north, is the last bastion to be conquered by Tim Hortons. Iqualuit, Nunavut, the largest populated area of Nunavut, with about 7,200 residents, is being considered for an outlet by the company. Satellite television and air travel to other areas of Canada by the residents of Iqualuit have spread the word about Tim Hortons. Travelers returning from trips to the balmy south (e.g., Ottawa and Montreal) often return with a cache of donuts and the world famous Timbits®.

Unfortunately, the cost of living is high in Nunavut and the cost to transport goods into the area is also high. There are no roads to the outside world or to any other community; there is only a limited system of local roads, including the "road to nowhere." The only way for goods to be brought into the area throughout the year is by air, a very costly mode of transport. In the summer months, heavy cargo can be brought in by water transport.

Not all retail operations succeed in Iqualuit. Subway® and a combination KFC® and Pizza Hut® operation are the only "external" fast-food outlets that have ventured into this market (Waldie, 2009). Subway gave up a few years ago, finding it difficult to convince consumers to pay up to \$26 for foot-long sub (Waldie, 2009). The KFC/Pizza-Hut operation has a limited menu and no longer offers the 20-piece bucket, which went for \$59 a shot (Waldie, 2009). A number of national clothing stores also closed down due to the inability to absorb the high cost of operating a business in the area (Waldie, 2009). If a Tim Hortons does open in Iqualuit, the local coffee shops currently in existence will have to contend with this new competitor with deep pockets.

When Tim Hortons evaluates potential locations, it focuses on very specific characteristics of the area. For small, isolated areas, population size and demographics are the prime factors to consider, while pedestrian and vehicle traffic count replaces direction consideration of population for urban

areas (Waldie, 2009). Yellowknife, Northwest Territories, and Whitehorse, Yukon, with populations of 18,000 and 25,000 respectively were suitable locations for Tim Hortons to enter (Waldie, 2009). The population in Iqualuit is growing, even if relatively slowly, and is generally younger than other parts of the country (Waldie, 2009).

Note. Tim Hortons also operates a facility in the war zone of Afghanistan, as a supportive effort for the members of the Canadian Armed Forces and others who are stationed in the area.

Link to Canadian Maps (copy and paste address in separate browser):

<http://www.thecanadianshoppingmall.com/mapsofcanada/mapsofcanada.html>

Focus: Retailing, intra-type competition (from CERTS), social environment (from CERTS), fixed cost, variable cost, generic demand, selective demand, Darwin's theory of natural selection (used in this context as one of the theories of retail institutional change), market development.

Questions:

1. Define each of the theories and concepts identified above. Explain how each theory and concept applies to this situation.
2. Go to Google Earth (<http://www.googleearth.com>) and zoom in on Iqualuit. What do you see? Where do the roads go? Note that major buildings are often painted bright colours (e.g., yellow airport) to improve visibility from the air, particularly in the winter. There is a community college in Iqualuit.
3. If you were to open a Tim Hortons outlet in Iqualuit, would there be a conflict between cultural preferences (i.e., Canadian vs. Inuit)? What if Dunkin Donuts, a U.S. firm, instead of Tim Hortons was considering opening an outlet in this market, would there be a concern over a cultural bias with respect to U.S. vs. Canadian vs. Inuit preferences?
4. If you were on the site location management team for Tim Hortons, what would your decision be with respect to opening a separate, free-standing location in Iqualuit? Where should the outlet be located? Explain.
5. If you were on the site location management team for Tim Hortons, would you consider integrating your operation with a currently operating facility in the area? Explain.

[Source: Material for this case was drawn from Waldie, Paul. (2009, June 24). No more carry-on Timbits: Chain sets sight on Nunavut, *The Globe & Mail*, pp. A1, A8 and from the corporate site of Tim Hortons (<http://www.timhortons.com>).]