



## In Case You Missed It: 3 Things That Have Been Brewing at Tim Hortons

### Description

*By Christine Conway*

Canadians still line up out the door to get their hands on a **Tim Hortons** (TSX: THI)(NYSE:THI) coffee. It's hard to find a time of day when the popular cafe isn't being frequented by loyal patrons. But competition in the coffee space has been on the rise; **McDonald's** has been running incentives based on price all summer to get customers hooked on their own blend.

Tim Hortons has been working on a new game plan. Even after revenue was up 1.9% in the second quarter, the increase was attributed to new restaurants and increased sales volume. The actual profitability of the products being sold declined.

To stimulate growth, the company has made a number of strategic changes this year. Today I wanted to review three of them.

#### 1. Changes to key leadership roles

This year, there have been some important changes to key leadership roles. These changes began with the CEO and moved to upper management and directors on the board.

- In July, Marc Caira took over as President and CEO. He was previously Global CEO of Nestlé Professional and sat on the Executive Board of Nestlé SA. Before his time at Nestlé, he was President and CEO of Parmalat North America. His expertise lies not only in North America but in developing a global market strategy.
- In August, Larry Mench was brought in as Vice President of U.S. Operations. With 30 years of experience in the fast-food restaurant business, Mench has been a business consultant to McDonald's and worked as Director of Operations with Zeppe's. But most recently, he worked with Five Guys in its operations and franchise expansion. He's been tasked with franchising and building the brand in the U.S.
- Steve Wuthmann was appointed in August to the role of Executive Vice President, Human Resources. Like Mr. Caira, he also has a background at Parmalat; he served there as Senior Vice President of Human Resources and, more recently, as Executive Vice President, Supply

Chain. That combination of skills would seem to indicate a breadth of experience beyond his current job title.

The board has also made some additions: **Encana's** Executive Vice President/CFO Sherri Brillon and Thomas Milroy, CEO of **BMO** Capital Markets, joined.

## 2. New markets

In addition to the [U.S. expansion](#) under way, back in 2011, Tim Hortons put together an international strategic plan that would have 120 new locations opened in the Gulf Cooperation Council by the end of 2015. At the end of August, 32 new locations had been opened, the newest being in Kuwait. Tim Hortons has locations in the United Arab Emirates (UAE) and Oman. There are plans for a Tim Hortons in Abu Dhabi this fall.

## 3. Bring Timmy's home

But the most loyal Timmy's customers will still be found right here. So as a way of taking additional market share, Tim's has made both regular and decaf coffee available in single servings, to be brewed at home with the Keurig system. According to the press release announcing the new K-cups, "the Canadian single-serve market represents approximately 33% of total roast and ground retail sales dollars and continues to experience strong double-digit growth."

## Final thoughts

With the need to offer low prices to remain competitive, Tim Hortons' ability to expand into new markets — be that customer homes' or new locations in North America or further abroad — will be essential to its future growth and profitability.

Tim Horton's has woven itself into Canadian culture and appears to have tremendous brand loyalty. What remains to be seen is if it can evoke that same loyalty abroad as it works on developing an international brand.

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*Christine Conway does not hold shares in any of the companies mentioned above.*

*The Motley Fool owns shares of McDonald's.*

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