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Turn over

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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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