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BUSINESS

A hole lot of competition

Battle of the baked goods forcing doughnut shops to examine sales strategies

BY JEROME WATT
Staff Writer

Mmmm! Doughnuts! When it comes to doughnuts, Canadians are well supplied. On a per-capita basis, there are more doughnut shops in Canada than any other country in the world.

And York Region residents enjoy a cup of coffee and cruller as much as the next Canuck.

All the major chains are represented in the region: Tim Hortons has 42 stores, Country Style has 38 and Coffee Time has about 43. Krispy Kreme, the new kid on the block doesn't have any stores in the region but is considering opening its next store in Richmond Hill.

It's a tough market and each chain has different strategies to get a slice of the doughnut-consuming population.

The leader in Canada, Tim Hortons, has broadened its selection, growing from a doughnut shop to a luncheon spot as well.

"When we opened in 1964 it was just coffee and doughnuts," spokesperson for Tim Hortons, Diane Slopek-Weber said. "The whole lunch thing has become popular."

Soup and sandwiches are now on the menu, with Tim Hortons moving beyond the doughnut store to offer "fast casual" service.

Despite the diversified menu, coffee is still the fuel that fires up Tim Hortons' sales.

"Coffee is definitely a large percentage of our sales," she said. "People will drink coffee throughout the day."

Slopek-Weber also attributes part of Tim Horton's success to its franchisees. Ninety-five per cent of the stores are franchised. The company offers an eight-week program to train owners, helping ensure each store offers product consistency.

Country Style, with its head office in Richmond Hill, had its share of financial difficulties last year. The doughnut chain has been



STAFF PHOTO/MIKE BARRETT

Seoghye Kwon runs a small Country Style/Yogen Frusz outlet in Hillcrest Mall in Richmond Hill.

under bankruptcy protection since December.

Country Style is shutting down 50 of its 200 outlets. But company

president Patrick Gibbons hopes to turn things around.

"We had a number of locations that weren't viable," he said.

Gibbons added the company failed to keep pace with the changing market. "We'd lost touch with the business," he said.

Gibbons, who joined Country Style three months ago, blamed the company's problems on outdated stores. He said the future is in offering quick and convenient service to customers with drive-thru locations.

"A drive-thru is 60 to 70 per cent of your business," he said. "You are at a significant competitive disadvantage (without one)."

Gibbons also believes diversifying the menu to include soups and deli items is important. By offering these items, Gibbons believes the doughnut chain won't stray too far from its core products: coffee and doughnuts.

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Patrick Gibbons
president, Country Style

Coffee Time is also diversifying the items it offers.

"We're expanding our menu and looking at other items," John Logarakis vice-president of purchasing and international development for Coffee Time said. "We're no longer a doughnut shop. People want something a little healthier."

Like the other chains, coffee is Coffee Time's biggest seller.

At Country Style, doughnuts make up less than 10 per cent of sales. Gibbons plans on pushing Country Style's coffee, which he said is the only chain that grinds it fresh in the store, through more advertising. Gibbons admits there are other competitors in the coffee market, such as Starbucks and Second Cup, but says they cater to a different consumer.

"They tend to be deemed more specialty coffee," he said. "They are much more a specialty (market). They typically depend on walk-in traffic. We're much more mainstream."

Markham-based KremeKo Inc., a private company developing Krispy Kreme in Eastern Canada,

See KRISPY, page 13.

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