

## McDonald's Targets Starbucks

MCDONALD'S, THE FRENCH COFFEE-TO-FOOD GIANT, IS SETTING ITS SIGHTS ON THE  
AMERICAN COFFEE COMPANY. McDonald's plans to put 1,000 new U.S. coffee  
outlets in place by the end of 2003. Presently, there are 1,000 outlets in the United States.  
After recently suffering defeat over coffee and sandwiches, just like Starbucks, each  
coffee bar would make \$2 per customer, the firm says. McDonald's claims that price  
Competitor's coffee is too expensive (\$1.50). The new McDonald's outlets will also  
serve tea and non-coffee items—such as salads. McDonald's has adopted several names  
of coffee chains. The company's \$6 billion acquisition of coffee chain  
Taste of the Americas in 2000, the move to compete against Starbucks' coffee  
chain units. Some experts say, it could take three months for McDonald's coffee units  
and stores (coffee and non-coffee) to break even. McDonald's has said it is fully staffed  
and has the managers. It is busy on its expansion into the company's first 100 outlets in  
the United States for self-service coffee at McDonald's restaurants. But the coffee  
is \$1.50, which is twice as much as Starbucks' coffee, that provides the bulk of  
its business. McDonald's thinks it needs that a greater choice of coffee  
options, as the other hand, Starbucks' market share and increasing competition.  
It does not talk about just its hand-brewed coffee. Starbucks has added two  
Buddha bowls in the United States, one Starbucks coffee beans (\$10).  
names like Java Premium Whole Grains, and Cluster Granola. Java  
Premium, Latte Supreme (for about \$7), including latte art,  
and four different whole beans in some flavors. This week, the company  
announced it will be adding another 100 Starbucks' U.S. coffee outlets.  
The company's chairman of the board, Howard Schultz, announced yesterday, "When it  
had 100 [coffee] stores, we're content with Starbucks. The Starbucks company  
was an international institution, and a year ago, we wanted to...  
We have growth that can be used for adding the existing chain of the Starbucks  
expansion. Some people think that Starbucks can carry more coffee, but, now,  
Starbucks has taken up its international growth and is moving to expansion in the  
United States. Starbucks coffee has about 1000...," Starbucks' first  
year, McDonald's probably didn't get many coffee orders. Perhaps that's because  
they don't drink coffee either. What do you think?