



McDonald's stirs up battle with Starbucks

Starbucks' Chief Executive Jim Donald - who has presided over a 50 per cent decline in the retailer's share price in the last 12 months - is to be replaced by founder and Chairman Howard Schultz.

His appointment comes after a dark 12 months for Starbucks, which has seen it lose to rivals such as Dunkin' Donuts and McDonald's, who have begun to replicate its success. Schultz is now set to slow the expansion of the retailer's growth in the US, closing under-performing stores in direct response to the slowing North American economy. Instead, he will focus on the company's international plans, using money originally earmarked for US store openings for its global expansion plans.

Fast-food giant McDonald's is set to take on Starbucks in the competitive coffee market, with plans to open coffee bars across the United States. McDonald's, until now better known for Big Mac burgers than its beverages, yesterday detailed plans to roll out coffee bars complete with their own 'baristas' in its near 14,000 North American stores.

Although there is no fixed timescale for the rollout, trials are already under way, and it is believed the push could add \$1bn a year to McDonald's \$21.6bn of annual sales. The aim is to compete head-to-head with Starbucks in the ever-increasing brewed coffee market.

The trial involves recruiting 'baristas' - a term made famous by Starbucks - to stores, where espresso machines are displayed at the counter, so allowing customers to actually see the drinks being made. This is in direct contrast to McDonald's traditional approach, where products tend to be made out of sight from the consumer.

McDonald's is also trying to demystify the at times confusing Starbucks approach to coffee, replacing sizes such as 'venti' and 'grande' with a simplistic small, medium and large.

In a direct side-swipe at its coffee-focused rival, it is even going so far as to use the difficulties customers often have in pronouncing words like 'latte' in consumer advertising in Kansas City, where one of the trials is taking place.

A McDonald's spokesman told the Daily Telegraph that the push is part of the company's global focus on offering 'great products at great value', suggesting the price point will be somewhat lower than that of Starbucks. The move follows on from a previous roll-out of its coffee products, and is part of a wider re-imaging of many of its stores.

