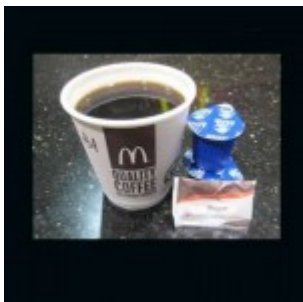


Fast food chains turning their attention to coffee

By Justin Bachman, Bloomberg Businessweek

Guess what? Americans really like coffee. In a show of how true this is, Burger King has upgraded its standard, rather uninspired brew with a new line from Seattle's Best Coffee, part of the Starbucks empire.

This follows a similar effort by McDonald's in 2007 to serve a better cup of coffee. Two years later, the company went all-in with its McCafe line of premium coffee drinks, for which the company credited a 25 percent jump in its 2009 coffee sales. In 2011, Wendy's followed the coffee-upgrade trend with its Redhead Roasters brand.



Burger King is clearly playing catch-up in the espresso battles, but recent history shows there are plenty of coffee guzzlers to go around.

All of this new, purportedly improved coffee at the fast-food chains was spurred, in part, by Americans' highly public love affair with Starbucks, Peet's, Caribou, Tim Hortons, Tully's, Coffee Beanery, Stumptown and thousands of other shops big and small across the land. (Blue Bottle, anyone?)

If every corner once had a mailbox or pay phone, it now has a coffee retailer peddling caffeine.

And we love it. Each day, 65 percent of Americans drink at least one cup of coffee, a figure well ahead of soft drinks, the National Coffee Association reported last year. Consumption of gourmet coffee grew from 37 percent of all cups

in 2011 to nearly half (46 percent) in 2012.

Much of this coffee is being drunk at home: 293.7 million cups per day, up from 280.5 million in 2009, according to Experian Marketing Service, a global marketing firm. (We're also more revved up – the amount of decaf has dropped in the past four years, Experian says.)

More to the point for Burger King: Eighteen percent of the chain's customers drink espresso or cappuccino, compared with 16 percent of all U.S. adults, Experian researchers have found.

Thus, Burger King has introduced 10 coffee drinks, including lattes, iced brew and a regular that starts at \$1. The new blend is lighter than the old, designed to pair equally well with sweet and salty menu items, said Eric Hirschhorn, Burger King's vice president of global innovation.

"Over the past several years the American coffee drinker has become more and more sophisticated, and the demand for delicious coffee is growing," he said.

All of which raises the question: As we evolve into drinking better coffee that's sold everywhere, is there any limit on coffee demand?

Peruse the voluminous risk factors in Starbucks' 2012 annual report and nowhere will one find anything along the lines of, "Americans could decide one morning to just kick the coffee habit or to drink a whole lot less." Nope. Instead the Seattle behemoth warns investors about the price of arabica beans, the vagaries of consumer discretionary spending, and how the Affordable Care Act could boost its labor costs.

Those of us who jones for java? We aren't going anywhere – unless it's trading one primo brand for another, such as Caribou for the new Burger King.

Starbucks does flag that possibility: "In the U.S., the ongoing focus by large competitors in the quick-service restaurant sector on selling high-quality specialty coffee beverages could adversely affect our sales and results of operations."