

Starbucks Must Start Selling Pizza!

The arms war among the fast-food chains escalated as McDonald's Corp. (MCD) confirmed that it would begin to sell chicken wings nationwide next month. Dubbed "Mighty Wings," the new offering will come to market along with a growing set of coffee flavors and desserts. The move is just the kind of competitive menu maneuver that in this case threatens Yum Brands! Inc.'s (YUM) KFC, but has been part of McDonald's strategy for years -- launch products meant to take customers from competitors and to build the bottom line.

SUMMARIZE THE
MAIN POINTS OF
THE ARTICLE IN 10
BULLET POINTS.
TYPE YOUR
SUMMARY IN
EITHER WORD OR
POWERPOINT.

The Mighty Wings product bears a similarity to the launch of McCafe coffee, which put McDonald's in direct competition with Starbucks Corp. (SBUX). Analysts believed that McCafe, which rolled out in 2009, would hurt sales of the premium coffee retailer. Whether that actually happened is a matter of conjecture. But the McDonald's decision sent shivers through Starbucks shareholders.

Starbucks can number itself among the chains that have been picked on by McDonald's. The leading fast-food company is in a salad war with Wendy's Co. (WEN), which has a menu item called "Garden Sensation Salads." Wendy's has put these up against the 10 salads that McDonald's offers. Clearly the smaller company believes it cannot afford to be flanked.

The most frequent victim of McDonald's ingenuity is Burger King Worldwide Inc. (BKW), because its menu closely mirrors that of its bigger rival. Burger King has a home delivery service. The probably will not help it much. Burger King's sales last year were \$2 billion. McDonald's posted revenue of nearly \$27 billion.

The greatest threat to all the burger chains is Subway, which has just passed 40,000 stores worldwide. Subway bills itself as the healthy choice for consumers, because its sandwiches, it says, have ingredients that are not calorie rich and are meant for people who want to have longer lives than those who buy high-calorie fast food. The Subway menu has driven competition to launch "wrap sandwiches" that apparently mirror Subway's.

The most-pitched competitions among fast-food firms have moved to breakfast and 24-hour stores. McDonald's was early to a complete breakfast menu and also early to keeping its locations open all day and all night. Now, most of its competitors have stores that are open at least until midnight.

Starbucks has tried to keep the high end of the market, in which people can afford \$3 latte. It has had to diversify to keep up with the fast-food chains, or at least it believes it does. Starbucks offers a very limited breakfast menu, salads and even fruit and yogurt. The menu is modest, but perhaps rich people do not want dozens of alternatives.

Menu escalation has to continue. It is the only way that fast-food companies can hope to steal customers from one another, other than via low price. It will not be long before Starbucks offers pizza and McDonald's sells high-end coffee machines people can take home to make their own McCafe.