

## McDonald's drink strategy to add 5% to earnings growth

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As McDonald's Corp. (MCD/ NYSE) tries to become a "beverage destination" for thirsty North Americans, the fast-food giant's approach is going far beyond just a "coffee clash" with Starbucks Corp. (SBUX/NASDAQ).

Not only has the restaurant chain's launch of its premium coffee been a success on the back of rave reviews from taste-testers, but it is adding many more specialty coffee drinks at McCafe locations later this year, including vanilla lattes, cafe mochas and caramel cappuccinos.

It has also begun gradually adding iced coffee and iced tea to menus, and is expected to offer smoothies and energy drinks by 2010. McDonald's is also going green with its coffee push, promising that all its beans will be grown in environmentally-friendly conditions by next year.

While the fast-food segment represents 77% of U. S. restaurant traffic and 58% of total dollar sales, major hamburger chains only serve 5% of the nation's beverages, UBS Securities said in a recent report.

The firm estimates that carbonated soft drinks represent 60% of the beverages sold by fast-food chains, but suggested that McDonald's is seizing the size and growth opportunities in other beverage categories.

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