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Tracking the Loyalty of Coffee Drinkers

By JULIE JARGON

Fickle coffee drinkers are most loyal to a purveyor better known for burgers, a new study found.

Coffee customers of McDonald's Corp., said they were more loyal to the home of the Big Mac than those who frequent Starbucks Corp. and Dunkin' Donuts in a study by market research firm CustomersDNA LLC.



Customers of Starbucks, McDonald's and Dunkin' Donuts all reported frequenting other chains for coffee, but McDonald's customers were found to be the most loyal. Julie Jargon has details.

The as-yet unpublished study involved 15,000 fast-food customers who were asked about their coffee and breakfast-buying habits. Starbucks and Dunkin' Donuts customers had more tendency to "roam," as the surveyors described it, with 53% of respondents who identified those chains as their primary source of coffee saying they also visit competing outlets over the course of a month.

Only 29% of McDonald's customers said they go to a Starbucks or Dunkin' Donuts for coffee or breakfast in a given month.

Winning customers and keeping them loyal is increasingly important for restaurant chains in the U.S. With little room for

expansion, difficulty attracting diners hurt by the economic downturn and pressure from rising commodity costs, competitors are focused on battling for market share.

"We found that there's a fair amount of visits driven by customers that go to more than one chain and these are the heaviest users in the marketplace, going at least three to four times per week," said Dave Jenkins, co-founder of CustomersDNA, which conducted the survey, and former president of the food-service division at market researcher NPD Group Inc.

"Getting that customer to come one more time to their restaurant and one less time to their competitor's is how the battle will be won or lost," said Mr. Jenkins, who recently founded CustomersDNA. The firm said this study, its first, wasn't commissioned or paid for by any of the companies involved.

The contest for coffee drinkers intensified about three years ago, when McDonald's introduced specialty coffee drinks nationwide. Now, in addition to Egg McMuffins and hash browns, McDonald's customers can order cappuccinos, lattes and mochas, while Starbucks and Dunkin' Donuts have added a variety of breakfast foods to their menus. Coffee sales at Starbucks, which garners the bulk of its revenue from beverages, still outstrip those at McDonald's, which claims 6% of its U.S. revenue from coffee drinks.

Mr. Jenkins said his firm didn't ask customers why they were more loyal to one restaurant over another. McDonald's may be more attractive because it generally offers lower prices than its



McDonald's

McDonald's coffee attracts loyalty.

offers on baked goods and beverages.

—Ilan Brat contributed to this article.

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rivals, he said. For example, in Chicago McDonald's charges \$1 for any size of brewed coffee, while the smallest size at Dunkin' costs 75 cents more, and 50 cents more at Starbucks.

A spokeswoman for McDonald's said she hadn't seen the survey, but said, "McDonald's and our franchisees understand the importance of satisfying our customers' tastes and wallets by providing innovative breakfast choices."

Dennis Savage, a 59-year-old railroad engineer in Chicago, said he visits both Starbucks and McDonald's, but he's more loyal to the burger chain for coffee. He says he prefers the taste of Starbucks coffee, but four out of five days a week he chooses McDonald's because it's less expensive.

A Starbucks spokeswoman declined to comment on the study's results but said the Seattle-based chain provides incentives to keep customers coming back. The company has a program called My Starbucks Rewards in which people who pay using a prepaid Starbucks card earn perks.

"We realize that some customers like to experiment with other coffee," said John Costello, chief marketing and innovation officer for Dunkin' Brands, Inc., adding the company encourages customer loyalty with a rewards program and new, limited-time

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