

GEORGIA HISTORICAL SOCIETY



GEORGIA BUSINESS HISTORY INITIATIVE

Sharing the Stories of the Businesses that Built Georgia







A PROFILE IN GEORGIA'S BUSINESS HISTORY

STARTING THE JOURNEY

With over 2,100 restaurants in 46 states and the District of Columbia, Chick-fil-A has grown to become one of the largest privately-held and family-owned restaurant chains in the U.S. The first Chick-fil-A restaurant opened in Atlanta's Greenbrier Mall in 1967, but Chick-fil-A's story began 21 years earlier when founder S. Truett Cathy and his brother Ben opened the Dwarf Grill (later renamed the Dwarf House) in Hapeville.

The Cathy brothers decided to open a small, 24-hour diner across from the Ford Motor Company assembly plant and near the Atlanta airport. Location is always important in a new business, and this location came with a built-in customer base of Ford plant and airport workers. After Ben Cathy died in a tragic plane crash, Truett Cathy and his wife Jeanette continued to run the restaurant.

As the business grew, Cathy started experimenting with a new recipe for a boneless chicken sandwich. Remembering his mother's method of cooking fried chicken with a heavy top that trapped the heat and moisture, Cathy tried cooking boneless chicken breasts in a pressure cooker. The experiment was a success. He was able to cook a juicy piece of boneless chicken in a fraction of the time it would take to cook the chicken in a pan or on the grill.

For four years, Cathy experimented with different seasonings and breadings by asking



TRUETT CATHY MAKING AN ORIGINAL CHICK-FIL-A CHICKEN SANDWICH



his customers to taste the chicken and give feedback. In 1964 Cathy found the perfect mix of over 20 seasonings and completed his creation by placing the seasoned chicken breast on a toasted buttered bun with two pickles. Cathy's secret recipe is still unchanged and used every day at Chick-fil-A restaurants around the country.

CREATING CHICK-FIL-A

The chicken sandwich became a very popular menu item at the Dwarf House—outselling hamburgers. Cathy knew he had something special and met with a trademark attorney in 1963. The attorney encouraged him to come up with a unique name, so he started thinking about what made his sandwich so good. The best cut of beef is a fillet and Cathy used top quality or grade A ingredients. He put those ideas together and the name came to him, Chick-fil-A.

At first, Cathy sold the Chick-fil-A Chicken Sandwich as a licensed product to other





restaurants. A local poultry supplier provided the meat and Cathy provided the recipe. Cathy was successful in getting the sandwiches sold in stores, but it was difficult to ensure that the restaurants used the same methods and kept up the same high standards Cathy had established at the Dwarf House.

The first Chick-fil-A restaurant opened in November 1967 at the Greenbriar Shopping Center in Atlanta. The idea of having restaurants inside malls and shopping centers was pretty new. Cathy had to convince mall owners that having a restaurant would not create smoke in the mall or result in a lot of trash. Cathy selected Doris Williams, who was running a school cafeteria, to operate the restaurant. She became the first in Chick-fil-A franchisee Operator. Today, the Chick-fil-A business model still relies on its Operators to successfully run each individual Chick-fil-A restaurant.



Cathy practiced a slow growth model, opening more stores in malls without taking on a lot of debt. It was a much cheaper investment to open a small restaurant in a mall than to purchase land and build a free-standing restaurant. As mall development slowed in the 1980s, Chick-fil-A started building free-standing restaurants. The first free-standing Chick-fil-A store opened in Atlanta in 1986. In 1993, Chick-fil-A opened its first drive-thru-only restaurant in Greenville, SC. Today, there are restaurants in Los Angeles, New York City, and everywhere in between with new restaurants opening almost every week.

FAST FACTS ABOUT CHICK-FIL-A

- ▶ *The capital A stands for “top grade-A quality”*
- ▶ *Chick-fil-A is closed on Sundays. That’s been the policy since Truett Cathy opened the Dwarf Grill (later renamed the Dwarf House).*
- ▶ *Truett Cathy’s secret recipe for the original Chick-fil-A Chicken Sandwich is hidden in a safe at the Atlanta headquarters.*
- ▶ *Chick-fil-A is the largest quick-service chicken restaurant chain in the United States based on annual system-wide sales.*
- ▶ *The company’s corporate purpose is “To glorify God by being a faithful steward of all that is entrusted to us. To have a positive influence on all who come in contact with Chick-fil-A.”*

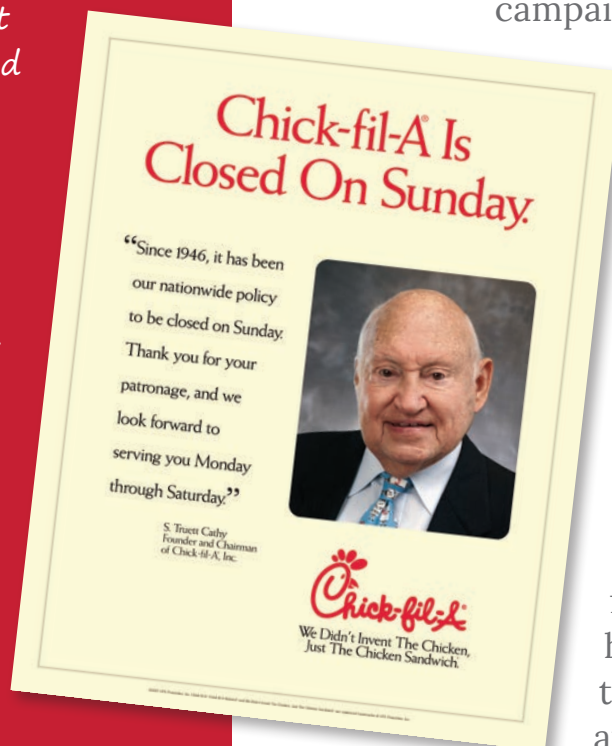
BUILDING A BILLION DOLLAR BRAND

In the early 1990s, Chick-fil-A’s Business Development Department began to introduce new ways to grow the business. Innovations included catering, school delivery programs, and mobile Chick-fil-A restaurants at major events. Probably the most lucrative addition was the licensed restaurant model. The model allows Chick-fil-A to contract with large food service companies to open restaurants on college campuses and in airports, office buildings, hotels, and the like.

In 1995, Chick-fil-A introduced the iconic “Eat Mor Chikin” Cows on a billboard in Texas. The ad campaign generated a lot of

media attention and increased Chick-fil-A’s brand recognition. From billboards, to plush toys, to calendars, the Cows quickly became a beloved mascot. In 2007, the Cows were inducted into Madison Avenue’s Advertising Walk of Fame.

The addition of the Chick-fil-A Kid’s Meals to the menu helped promote the brand to the next generation. Special attention was placed on creating educational prizes





that promoted learning and positive character traits. In addition, playgrounds became a staple at many of the free-standing restaurants. Combined, all these changes led Chick-fil-A to earn a reputation as a place for busy families to eat together.

In 1996, Chick-fil-A became the first and only title sponsor for the Chick-fil-A Peach Bowl, the ninth-oldest bowl game in the country. The sponsorship helps promote Chick-fil-A to new audiences and provides millions of dollars to charity. Chick-fil-A's sport's sponsorships also include the Chick-fil-A Peach Bowl Challenge charity golf tournament, the Chick-fil-A Kickoff Games, and the College Football Hall of Fame and Chick-fil-A Fan Experience.

In 2006, Chick-fil-a secured itself as a billion-dollar brand by reaching over \$2 billion in system-wide sales. In 2016, total sales reached \$8 billion. Chick-fil-A is one of few family-owned businesses that has grown without stopping for the last 49 years.



GIVING BACK

Truett Cathy's father struggled financially and emotionally during the Great Depression. Cathy's relationship with his Sunday School teacher became very important to shaping him because he did not have a supportive father figure at home. Cathy himself taught Sunday School for many years and used his position as a successful restaurateur to help children reach their full potential.

On a trip to Berry College in the 1980s, Truett and Jeannette Cathy planted the seeds that would grow into the WinShape Foundation. Through a unique partnership with Berry College, the Cahty's renovated several buildings on the beautiful mountain campus and established scholarship program and summer camp initiative. The Winshape Foundation has grown to include several ministries, including WinShape Homes which operates God-centered group homes and foster homes for children.

Truett Cahty's dedication to service and focus on providing brighter futures for children remains a key part of Chick-fil-A's corporate culture. There are many ways that Chick-fil-A has given back to the community throughout its history. In 1973, the company started a scholarship program to assist restaurant team members attend institutions of higher education. In 2017, Chick-fil-A gave away \$8.8 million to over 3,400 team members.

Chick-fil-A Operators around the country give back to local communities with a variety of charitable events and fundraisers. Chick-fil-A is also known for providing free food to emergency workers and victims during times of distress. Founded in 2012 with a mission to "To help every child become all they were created to be," the Chick-fil-A Foundation supports causes that promote innovative education, youth, entrepreneurship, and leadership.





CHICK-FIL-A'S ENTREPRENEURIAL FOUNDER: S. TRUETT CATHY (1921-2014)

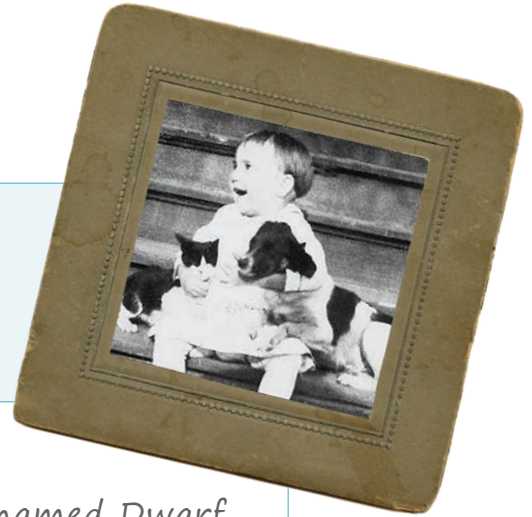
There is no shortcut to success in business—it always requires hard work and perseverance. Chick-fil-A founder S. Truett Cathy learned the value of hard work early in his life. As a young boy, Cathy helped his mother cook and clean for the guests they hosted at their boarding house. He paid for his first bicycle by opening a Coca-Cola stand in his front yard to sell weary neighbors an ice-cold drink as they returned home from work. He also sold magazines door to door, which took a lot of courage because Cathy suffered from a severe speech impediment. When he got a little older, Cathy and his brother Ben started their own paper route.

All this hard work was not just to earn a little extra spending money. Born in 1921, Cathy grew up during the Great Depression. When his family moved into Techwood Homes, the nation's first federally subsidized housing project, he and his brother helped pay rent and utilities with a newspaper route.

These early experiences as a young entrepreneur helped Cathy develop a customer-centric philosophy. Whether it was selling a coke with a smile or delivering a newspaper exactly where the customer asked, he learned that success in business is all about building relationships and satisfying your customers. This philosophy is still at the heart of Chick-fil-A's business model where employees make sure you know it is their pleasure to serve you.

Many aspiring entrepreneurs hope to get rich quick. In truth, real success in business is won by entrepreneurs like Truett Cathy—men and women who work hard and put customers first. Cathy owned and operated the Dwarf House for 21 years before the first Chick fil-A restaurant opened. Creating the original Chick-fil-A Sandwich recipe took four years of trial and error. There was nothing quick and easy about Cathy's success, but through hard work and determination he built a solid foundation for Chick-fil-A to grow in his lifetime and for the succeeding generations of the Cathy family.

CHICK-FIL-A TIMELINE



1921	<i>Chick-fil-A founder S. Truett Cathy is born.</i>
1946	<i>Truett Cathy opens The Dwarf Grill (later renamed Dwarf House®) in Hapeville, Georgia with his brother Ben.</i>
1964	<i>Truett Cathy creates the recipe for the Chick-fil-A Chicken Sandwich.</i>
1967	<i>Truett Cathy founded and opened the first Chick-fil-A restaurant in Atlanta's Greenbrier Shopping Center.</i>
1984	<i>The Cathy's found the WinShape Foundation Chick-fil-A established its corporate headquarters, called the Support Center, in Atlanta.</i>
1986	<i>The first free-standing Chick-fil-A restaurant opens in Atlanta.</i>





1995	<i>Chick-fil-A launched the “Eat mor chikin” ad campaign.</i>
1996	<i>Chick-fil-A becomes the title sponsor of the Chick-fil-A Peach Bowl.</i>
2006	<i>Chick-fil-A surpasses \$2 billion in system-wide sales.</i>
2014	<i>S. Truett Cathy passes away at age 93.</i>
2015	<i>Chick-fil-A opens a store in the New York City’s garment district.</i>
2016	<i>Chick-fil-A earns \$8 billion in system-wide sales marking 49 consecutive years of growth.</i>





A CASE STUDY IN GEORGIA'S BUSINESS HISTORY:

CHICK-FIL-A'S UNIQUE FRANCHISE PROGRAM

Chick-fil-A is one company, but it is also a collection of thousands of small businesses. Each Chick-fil-A restaurant is independently owned and operated. While this is not unusual (many of the major fast-food chains use a franchise model) there are several things that set Chick-fil-A and its franchisees (called Operators) apart.

First, you do not have to put up a lot of cash to start a Chick-fil-A restaurant. Chick-fil-A buys the land, builds the facility, and provides all the equipment you need. The Operator is only expected to provide a \$10,000 initial financial fee. This initial fee gives the Operator the rights necessary to operate a Chick-fil-A Restaurant.

Each Operator gives 15% of sales plus 50% of pretax profit remaining each month to the parent company. This model means that Chick-fil-A does not make a profit on franchise fees. Instead, Chick-fil-A earns a return on its initial investment in the restaurants when the Operators succeed.

For comparison, McDonalds requires franchisees pay 40% of the total cost for a new restaurant. Depending on the location, a franchisee might have to invest up to \$2 million. The franchisee then pays a monthly fee worth 4% of sales.

Chick-fil-A's franchise model is also unique because Operators make a commitment to running only one Chick-fil-A restaurant and having no other business ventures. Many other fast food chains and other businesses with a franchise model allow franchisees to open multiple stores. In many cases, the franchisee does not have a lot of day-to-day interaction with workers and customers. Some owners may have other companies or small businesses in addition to the franchise business.

A Chick-fil-A Operator is expected to be engaged in the day-to-day management of the restaurant and should not have their attention divided by other business pursuits. The model reflects the values of founder S. Truett Cathy, who worked six days a week for many years at his first restaurant, the Dwarf House.

Engaged Operators working on the front lines everyday help ensure that customers receive a quality of service that reflects Chick-fil-A's values. These values and policies are taught to each Operator through an extensive, multi-week training program completed prior to taking over operation of a Chick-fil-A restaurant business.

Chick-fil-A receives more than 20,000 inquiries each year from people that want to be an Operator. Only a select few make it to the interview stage and finally become Chick-fil-A Operators. The unique franchising model seems to be working for Chick-fil-A. Chick-fil-A system sales reached nearly \$8 billion in 2016, which marks 49 consecutive years of sales growth.

WHAT IS A FRANCHISE?

The International Franchise Association explains that "franchising is simply a method for expanding a business and distributing goods and services through a licensing relationship." A company or individual gives a license to sell its proprietary products under the company's name. The individual who gets the license is called a franchisee and the company or individual that grants the license is called a franchisor.

There are different franchising models. In the quick service restaurant (fast food) business the franchisor provides an entire operating model for the franchisees. That's why you will have a very similar experience at a particular brand of fast food restaurant no matter where you go in the country even though the restaurants are operated by different franchisees.

QUESTIONS TO CONSIDER

Georgia Standards of Excellence, SS8E2, L-6-8RH1, L6-8WHST1

What influence do founders have on shaping a business? How do Chick-fil-A's policies and business practices still reflect the values and efforts of its founder Truett Cathy? Explain at least two ways Truett Cathy still impacts Chick-fil-A today.

How does Chick-fil-A impact Georgia? Chick-fil-A has restaurants all around the country, but it is headquartered in Georgia. How does having a successful company like Chick-fil-A impact Georgia? Think about economic impacts, philanthropic giving, and national attention.

RESEARCH AND REPORT

Georgia Standards of Excellence, SS8E2, L-6-8RH1, L6-8WHST1, L6-8WHST7, L6-8WHST8, L6-8WHST9

Research Question: How does Chick-fil-A's business model compare to other quick-service (fast-food) restaurants?

Directions: You have already learned a lot about Chick-fil-A's history and way of doing business, but how does it compare to its competitors? Use the resources in the bibliography to get started on your research.



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