

Truett Cathy Built Chick-fil-A On Principles, Loyalty

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04/01/2015 01:25 PM ET

The year 1982 marked a turning point for S. Truett Cathy — and in the trajectory of the restaurant chain he founded, Chick-fil-A. Chick-fil-A had experienced nearly uninterrupted growth since its debut 15 years earlier.

About 100 of Cathy's chicken sandwich restaurants dotted the country, mostly in the South.

But that year, Chick-fil-A experienced its first (and only) decline in same-store sales.

Truett Cathy poses in 2001 on his son's motorcycle, marked with the firm's marketing message. He oversaw 1,800 eateries in 40 states and D.C. [View Enlarged Image](#)

Fewer malls — where all of Cathy's restaurants were located then — were being built.

And McDonald's and Wendy's were about to enter the quick-serve chicken market by offering chicken sandwiches and nuggets, which helped poultry prices soar.

"All of that focus on chicken would be good for us in the long run," Cathy explained in "Eat Mor Chikin, Inspire More People," his 2002 memoir, "but the immediate effect was a double punch that caused me many sleepless nights."

Prudent Investing

Cautious by nature, Cathy was also anxious about a corporate plan to double the number of Chick-fil-A's in two years and spend \$10 million on a new corporate headquarters in Atlanta.

Cathy's Keys

- Founded Chick-fil-A.
- Overcame: Loss of market share.
- Lesson: Put people and principle at the fore.
- "Climb with care and confidence. Keep your priorities in order. Never lose a customer."

Having grown up watching his mother struggle to run a boarding house in their home, Cathy hated the idea of carrying debt.

So Cathy (1921-2014) invited his small executive committee on a two-day retreat.



Instead of thinking up ways to cut costs, the execs reflected on why they were in the restaurant [business](#) to begin with.

This discussion of first principles prompted Cathy and his team to articulate the following corporate mission statement:

"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."

That simple act worked. "Wonderful things began to happen," Cathy told *Philanthropy* magazine. "I felt confident in the future."

The company grew by 29% in the next year and would go on to become one of the nation's largest family-owned companies. From then on, Cathy also began to focus more of his resources on charity, launching several endeavors that improved thousands of lives.

Samuel Truett Cathy was born in Eatonton, Ga., and was an unlikely candidate to become a restaurant mogul. Growing up, he was a slow reader and learner.

"I didn't have much confidence in my ability," he wrote in "How Did You Do It, Truett?" another autobiography. He was a C student and never attended college.

Cathy took on jobs — newspaper delivery boy, Coke (NYSE:KO) stand operator — that instilled in him the importance of keeping the customer satisfied: "The key to succeeding with a paper route — and the restaurant business, I would later learn — is to take care of the customer."

After high school and a stint in the Army, Cathy and his brother Ben borrowed \$10,000 to open a restaurant in the Atlanta suburb of Hapeville in 1946.

They called the restaurant Dwarf Grill because of its small size, later renaming it Dwarf House.

Tragedy struck in 1949 when two of Cathy's brothers, including Ben, died when a plane they were flying in crashed. The year before, Truett had married Jeanette McNeil, with whom he had three children: Dan, Don ("Bubba") and Trudy.

Jeanette was instrumental in getting Cathy to recommit to his Southern Baptist faith. "Her level of commitment showed me a new way to live," he wrote.

Cathy built his business one satisfied customer at a time. But when he built a second restaurant, it promptly burned down.

Cathy was philosophical about the loss. "When I had two restaurants, I had one too many," he later reflected. "So the Lord burned one down and gave me the chance to start Chick-fil-A."

With only one restaurant to manage, Cathy had more time to develop what would become his signature chicken sandwich.

He took his time. "I worked for years, adding this, taking away that," he wrote. "I was up to more than 20 seasonings and breading ingredients — twice as many as Col. Sanders had in his secret recipe."

Southern Start

Cathy tested all of his variations on customers, gauging their reactions. It wasn't long before Cathy had trademarked the name Chick-fil-A and begun selling his chicken sandwiches to restaurants across the South. And in 1967, Cathy opened the first Chick-fil-A restaurant, in an Atlanta mall.

Chick-fil-A was unique in two ways. It was the first fast-food restaurant to serve a skinless, boneless-breast chicken sandwich, and the first to operate in shopping malls. It was an immediate success.

Over the succeeding decades, Chick-fil-A grew to more than 1,800 locations scattered across 40 states. Chick-fil-A opened its first freestanding restaurant in 1986 and its first drive-thru-only location in 1993.

At the time of his death at age 93, Cathy's net worth was \$1.9 billion, according to Bloomberg.

The year before, the company took in more than \$5 billion, making it the country's largest fast-food chicken restaurant by sales.

In 2010, Chick-fil-A became the industry leader in average sales in its restaurants: \$2.7 million per.

Chick-fil-A's massive growth was helped by its "Eat Mor Chikin" ad campaign. It featured hapless dairy cows trying to persuade the public to eat chicken sandwiches instead of hamburgers by, in one example, painting "Eat mor chikin" on a billboard. The amusing campaign has remained a core part of Chick-fil-A's ads for two decades, winning numerous industry awards.

Cathy succeeded by following four key principles:

- **1.** The main reason companies fail is their desire to grow too fast too soon. Cathy exercised caution and patience. He spent 21 years owning just one restaurant, learning the trade and saving enough money to try new ventures. He never went into debt and never took his company public, which made him accountable only to God, himself and his customers.
- **2.** As restaurant consultant and marketing expert Aaron Allen told IBD, Chick-fil-A "focuses on speed, accuracy, cleanliness. They're not showy. As other companies start to drift, it has remained focused on fundamentals."

Chick-fil-A offers a basic chicken sandwich and a small menu that rarely changes. By doing so, it can focus on quality. Result: In 2014, Consumer Reports ranked Chick-fil-A's chicken sandwich No. 1.

- **3.** The company's faith-based corporate culture is most clearly seen in its policy of closing on Sundays. Cathy said the policy is the result of his desire that employees save at least one day a week for God and family.
- **4.** The "loyalty effect" is something Cathy instilled in employees and customers.

Denise Lee Yohn, author of the book "What Great Brands Do," says that Chick-fil-A has engendered a deep devotion from customers by serving a high-quality product and through top customer service. Chick-fil-A "really does go the extra mile to serve its customers," she said. That includes everything from community-building promotions to college scholarships for staffers. Many call Chick-fil-A's employees among the industry's kindest. They often respond to customer requests with a hearty "my pleasure."

Tasteful Loyalty

"In the past 60 years, no matter the ups and downs, I have learned that the number one thing to do is to please the customer and they will come back," Cathy once said.

As he became wealthy, Cathy donated more of his time and money to charities and started one of his own, called the WinShape Foundation, which provides scholarships and foster homes to needy children. Cathy himself was a foster parent for more than 30 years. He liked to say that some 150 children called him Grandpa.

"People ask me why I invest so much in the foster homes," he said. "The one thing I take more joy in than anything else in the world is seeing young people develop. They grow and make good decisions. They want to be winners

despite the odds against them."

That's an aspiration that Cathy helped thousands of people, including himself, realize.