

# **EXHIBIT F**

## MARKETING

# Billboard campaign takes wing at Chick-fil-A

by Robin Lee Allen

ATLANTA — Chick-fil-A is stopping traffic with a billboard-advertising campaign that — by poking fun at its competitors — is jamming airwaves as well.

Employing huge, eye-catching three-dimensional rubber chickens, cars and, most recently, two cows painting the message "Eat Mor Chickin," the billboards have become live-remote sites for radio stations, business stories for local newspapers and landmarks for helicopter-traveling traffic reporters.

In other words, free advertising.

"We've never gotten this kind of interest in our advertising from the press or the customers," observed Chick-fil-A spokesman Jerry Johnston. "A lot of people call in and say it's funny."

And that was exactly the intention. With a limited budget — especially compared with other sandwich-segment players like McDonald's, Burger King and Wendy's — the attention-grabbing billboards are a low-cost way to raise consumers' Chick-fil-A

awareness in markets where people spend a lot of time in their cars.

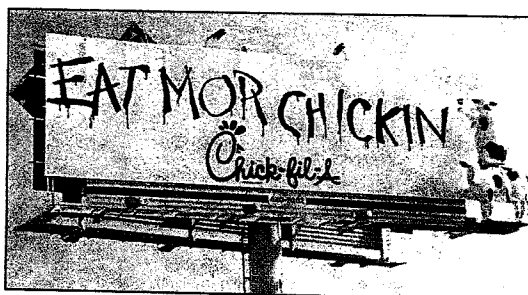
"We're not able to out-spend people in the marketplace, so what we do must have impact," said Greg Ingram, Chick-fil-A's manager of creative services.

Located along major roadways in Atlanta, Dallas, Birmingham, Ala., Columbia, S.C., and Charlotte, N.C. — markets where Chick-fil-A is expanding and television spots can run into six figures — the billboards cost less than \$50,000 each to produce and maintain over a one-year period, Ingram said. They also can be moved to other locations.

"It's a very efficient medium because they are getting out there and reaching many people, which brings the cost per thousand down," explained Jim Sexton, account supervisor at the Dallas-based Richards Group, which created the campaign.

"They are maximizing media in the outdoors and getting PR out of it as well."

The Richards Group won



Chick-fil-A's billboard ads have literally been stopping traffic.

the account last year with an idea that would later become the first billboard — a 48-foot-long rubber chicken with the message "If it's not Chick-fil-A, it's a joke."

"That they are the inventor of the chicken sandwich is their point of differentiation in the marketplace," Sexton said.

"The consumer research came back that they are the expert, innovative and very one-of-a-kind," he added. "As a result, the rubber chicken came out of the idea that if

it's not Chick-fil-A, it's a hockey puck."

Next came two cars crashing through a billboard with the slogan "Visit a double-drive-thru." At night the taillights even glowed.

The newest billboard features two 20-foot cows, which are constructed of a coated and painted styrofoam material. The cows are shown painting a message. It is an obvious jab at hamburger competitors and reads "Eat Mor Chickin."

"Technically, while [Chick-

fil-A is] reported as a chicken chain, it competes with the hamburger people for being a low-cost chicken product," Sexton noted. "So we wanted to keep the pressure on the burger people."

The cows' message is supplemented by a Chick-fil-A press release — filed on the Internet — quoting figures from the National Broiler Council showing increased chicken consumption. While the figures are real, the release is more an effort to create a news angle for reporters than it is an explanation of the existence of the billboard, Johnston admitted.

Preliminary brand awareness studies show the campaign is working, so Chick-fil-A officials are looking at more ideas, Ingram said. They also are considering creating supplemental promotional merchandise, he added.

Based in Atlanta, Chick-fil-A has more than 620 units in 32 states and Canada. While the majority of outlets are in malls, there are 75 freestanding stores and 25 drive-thru locations.

## AD WATCH

## MARKETING DIGESTS

# **EXHIBIT G**

## LOEFFLER GOES OVER THERE

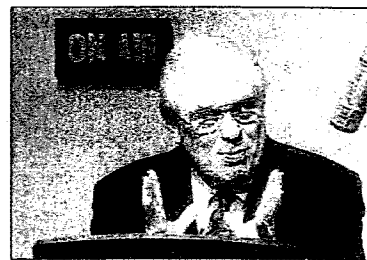
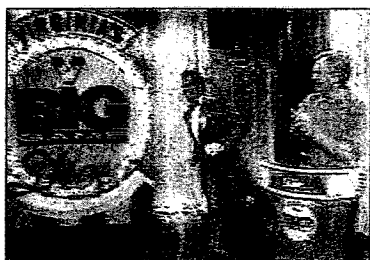
**L**oeffler Ketchum Mountjoy has staged its own version of a British invasion, as the Charlotte, N.C., agency has opened an office in the United Kingdom. The purpose of the move is to help with media buys, account service and media relations.

The Continental outpost is headed by Paul Barnett, who will serve as account manager for Cooper Tools as well. That client was the jumping-off point that allowed the shop to make a foray across the Atlantic.

"We've successfully executed international work for other clients from our Charlotte office for years," said agency president and chief executive officer John Ketchum.

"Cooper's extensive international needs provides us the opportunity to open the U.K. office, giving expanded service to our other clients, such as the North Carolina Department of Commerce."

—Jim Osterman



Game show showmanship: Wink Martindale plays it to the cheesy hilt in a new series of television spots for Virginia's Big Game.

# Arnold Winks for Virginia Lottery

By Jim Osterman

ATLANTA—Likening its Virginia Lottery client to a television game show, The Arnold Agency is giving viewers a nudge and a Wink.

The Richmond, Va., agency recruited übergame show host Wink Martindale (currently flashing his teeth and giving out money and parting gifts on cable's *Debt*) to star in a series of TV commercials for Virginia's Big Game.

"We were wondering how we could communicate big jackpot numbers for the Big Game," said agency creative director Matt Smith. "Then it occurred to us that no one has ever looked at this from the perspective of it being a big game. Once we did that,

Wink Martindale was the only way to go. Any actor we used would have been imitating Wink."

Though the ersatz program has the usual brightly lit set, contestants and announcer, the enthusiastic Martindale quickly learns the only way to play the Big Game is to buy a play slip. No snappy banter with contestants, no buzzers and no lightning round. The star of the "show" is the current jackpot number.

Each spot ends with Martindale telling viewers: "This is no game show, but it's a heck of a game!"

The commercials, which began this month, will be used anytime the Big Game jackpot tops the \$20 mil-

lion mark to generate more interest and additional ticket sales for the multi-state contest.

Smith said Martindale bought into the concept down to the cheesy game show host tuxedo he wears as he jogs out at the opening of every commercial. "We had a black [tux] for him to wear, but he brought his own," Smith said. "It's made from felt from a pool table."

Campaign credits include creative director Smith, art director Terry Taylor, copywriters Scott Mackey and Rob Stewart, and agency producer Joe Pistorio. The director was Tim Reid of New Millennium in Petersburg, Va. ■

## Chick-fil-A's 'Eat Mor Chikin' Herd Hits 'Cow TV'

### The Richards Group Brings Its Outdoor Humor to Indoor Screens

By Steve Krajewski

DALLAS—Atlanta-based Chick-fil-A will kick off a five-spot television campaign during the Chick-fil-A Peach Bowl on Dec. 31 with some familiar faces.

The national buy on ESPN includes five 30-second executions that continue the "Eat mor chikin" positioning from The Richards Group in Dallas.

The commercials also will air nationally during LPGA events in 1999 and in limited spot markets including Atlanta and Columbia, S.C.

The chain's 1999 media budget is about \$8 million, according to Steve Robinson, Chick-fil-A's senior vice president of marketing. Richards handles creative duties and consults on media. Buying is handled by Julie French & Associates in Atlanta.

The new TV ads feed off of the client's four-year-old humorous outdoor campaign, which has cows cre-



Cattle drive: moving to the greener pastures of commercial TV

mercial being interrupted by a "Cow TV" broadcast. Grainy black-and-white footage of a UFO landing in a field is accompanied by on-screen text: "Warning: alleyuns hav landed in our pastur. They sed thay woodn't blow up our planit if peeple would eat mor chikin. A lot mor chikin."

As the text scrolls, the UFO is clumsily revealed to be a pie pan hanging from a cow's hoof.

In another ad, the cows use an overhead projector to display a revamped food pyramid made up exclusively of chicken and desserts.

Robinson said a total of 10 television spots was shot. The first five commercials will air in flights throughout 1999; five additional ads will appear in 2000. ■

ating billboards encouraging people to increase their chicken intake.

The premise of the spots, explained Richards creative director Doug Rucker, is that the cows have commandeered broadcasting gear and are interrupting programming to deliver their anti-beef message.

One spot begins with a steak com-

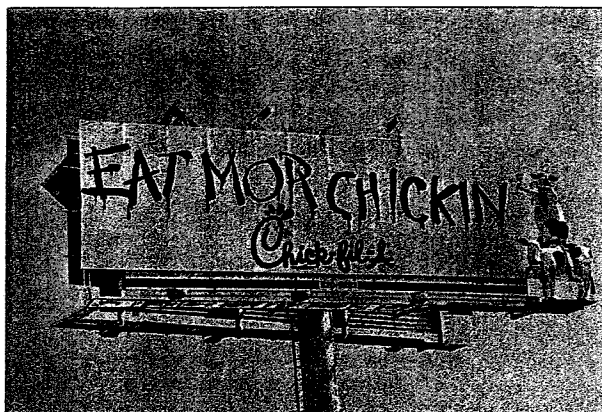
# **EXHIBIT H**

## MIXED BLESSINGS

*The Return of Frank and Ed, an Alarming Headline, Chickens vs. Cows, Etc.*

**F**or a couple of years, they were America's Favorite Geezers. In commercials at once folksy and Dadaist, deadpan Frank Bartles and silent Ed Jaymes would thank us for our support of Bartles & Jaymes wine coolers, putting that brand and the whole cooler category on the beverage map. The cooler craze has cooled considerably in the years since Hal Riney created that campaign, but the men who played Frank and Ed are still going strong. Indeed, Dick (Ed) Maugg and Dave (Frank) Ruffkahr have taken their act to the golf course to promote a product in which they've got an entrepreneurial stake. In ads via Lipphardt Advertising of Tampa, they tout Dick & Dave's Sonar Golf Ball Retriever. The device is

With more people more scared than ever about violent crime, some sectors of the personal-security industry are making out like bandits. According to Yankelovich Monitor polling, the leading precautions people have taken or are seriously considering include installing better locks (32%) owning a gun (29%), putting timers on lights (26%), installing an alarm system (21%), carrying mace (19%) and getting a car phone (18%). On the other hand, precautions about crime must put a damper on shopping in general since 38% say they make it a point to carry less cash.



Considered long-shots in this year's Bovine Spelling Bee.

**Semi-literate cows on the move:** Having stated their case in Dallas and Charlotte, a pair of cows now loom above motorists in Atlanta to make the self-protective

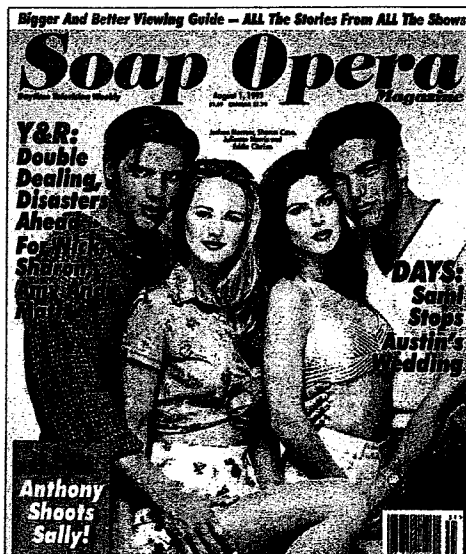
case for chicken as a better food than beef. (The Richards Group in Dallas created the billboard for Chick-fil-A.) As though inspired by this display of bovine desperation, the National Broiler Council has put together research asserting that chicken will continue to gain share of stomach versus red meat, which it defines to include beef, pork, veal, mutton and lamb. (An appetizing footnote tells us the data for red meat "excludes edible offals.") Per capita consumption of red meat is forecast to total 124.4 pounds this year and 123 pounds next year. That's down from 133.7 pounds in 1985, but up from 120.1 pounds in 1990. Chicken consumption is expected to total 75.1 pounds this year and 77.6 pounds in '96, versus 54 pounds in 1985 and 63



Golfers will see it as life-of-slice advertising.

designed to fish errant golf balls out of water hazards without making you add insult to injury by wading in after them.

**Any Young & Rubicam staffer named Nick, Sharon, Amy or Matt** would be forgiven for turning pale at the sight of a recent headline: "Y&R: Double Dealing, Disasters Ahead For Nick, Sharon, Amy And Matt." Granted, the thought of double dealing and/or disaster at an ad agency is wildly implausible, but it still must have been reassuring to see the headline appeared not in the ad-trade press but on the cover of *Soap Opera Magazine*—referring to a story about *The Young and the Restless*.



No, they don't mean the Young and the Rubicams.

pounds in 1990. The historical data for chicken (going back to 1960) show a steady year-to-year rise, with just a couple downward blips. The pattern for beef is messier, showing a steep rise through the '60s and into the mid '70s, then a sharp decline into the early '80s, followed by a modest recovery in the mid '80s, a deep decline in the late '80s and a small rise in this decade.

# **EXHIBIT I**

# Lucky '13' fuels studio's hot streak

By Jeff Jensen

Universal Pictures is soaring this summer, and that's good news for its promotional partners, though the studio has at times made their ride an uncomfortable one.

The in to a kids movie about a ghost? Launch the latest Ron Howard film months before the planned date? Expect marketers to jump on board for what has been slammed as "Fishtar"?

So far, the formulas seem to be working, both at the box office and on the promotional front.

The summer of 1995 won't be remembered at Universal for whether "Waterworld," Kevin Costner's publicity-marred \$172 million fish tale, was a flop. Instead, it will be remembered for "Casper," the family flick that grossed \$85 million; and, most significantly, "Apollo 13," Tom Hanks' latest out-of-this-world vehicle. The space adventure outperformed every other film out there during its first four weeks, reaching \$112 million and still climbing.

"We had confidence in our summer releases, and I think we proved our skeptics wrong," said Anne Giangardella, MCA/Universal Merchandising's director of promotions.

She added that early performance analysis from promotional partners for "Casper"—headlined by Pepsi-Cola Co., Pizza Hut and Choice Hotels—has been "fabulous." The three marketers spent \$50 million on "Casper" media, and Pepsi opted to extend for another two weeks its media schedule of "Casper" spots from BBDO Worldwide, New York.

"Apollo 13" was nearly the summer hit that wasn't. The movie was originally scheduled for release in November. But director Ron Howard delivered the film early, so Universal, looking to cash in on holiday-inspired patriotism, opted to open "Apollo 13" during the Fourth of July weekend.

The move proved to be a smart one, but Universal's marketing and promotion forces had to scramble to get the word out and sign up promotional partners.

The success of "Apollo 13" can be attributed to Mr. Hanks' popularity, the broad appeal and quality of the film, and the pervasive but soft-sell buzz generated by Universal's marketing department.

Universal lined up Blockbuster Video, *Entertainment Weekly* and *Discovery* to sponsor sneak previews to start the word of mouth. The July issue of *Vanity Fair* and the August issue of *GQ* contained a four-page "Apollo 13"-theme

million in media to support the eight-week promotion; ads were from Tatham Euro RSCG, Chicago.

By contrast, there's "Waterworld," which opened July 28. Until recently, nary a good word has been spoken about the film. But the early reviews have been positive.

While Universal executives wouldn't comment, one person close to the production acknowledged the film has some significant marketing hurdles to clear: "It's fun and exciting, but it is a dark, sci-fi film. 'Mad Max' on the water, and I wonder how interested people will be in that."

On the other

hand...

"There's been so much talk about it that everyone wants to go and see how Universal spent its \$172 million on this film," said Marc Rosenberg, director of public relations and promotions at Tiger Electronics, which is releasing a hand-held electronic game tied to "Waterworld."

Universal was able to sign a number of licensees and craft several promotions. Licensees include Kenner Toys and Milton Bradley Co. And a USA Network/Sci-Fi Channel sweepstakes will give Kawasaki jet skis to winners.

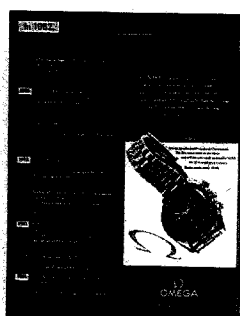
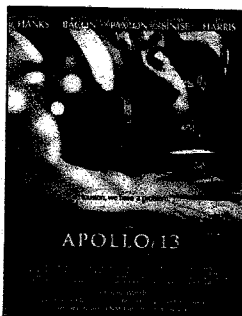
Jeanne Whalen and Kate Fitzgerald contributed to this story.

Omega watches teamed with "Apollo 13" for an advertorial.

advertorial from Omega Watch. USA Network and the Sci-Fi Channel executed a sweepstakes promo offering trips to the U.S. Space Camp. Universal tied the movie to an already planned Lego Systems sweepstakes promotion with Space Center Houston, asking kids to use their Lego blocks to build their dream space vehicle.

A week after the film opened, Target Stores began giving away limited edition "Apollo 13" stickers that doubled as a \$2 coupon for the movie's soundtrack.

The biggest push came from Hardee's Food Systems, which gave away "Apollo 13"-theme Pogs and a toy rocket that doubled as a Pog container. Hardee's spent \$30



## ADAGES

By Bradley Johnson

**So much for loyalty:** BBDO made news last year when it declined a chance to go after big IBM because of loyalty to little Apple. That sent a nice message to BBDO clients. Ogilvy & Mather, in contrast, had no problem dumping Microsoft and Compaq to take IBM. So we were intrigued last week to see BBDO pitching big Kodak and having to split with little Polaroid, a nine-year client. It now seems BBDO's about as loyal as, well, O&M or any other agency adjusting to life in the '90s. If an IBM came calling this season, would BBDO bite?

**They got the shaft:** When we couldn't raise anyone at the incredible shrinking Ally & Gargano one day last week, we decided to visit the shop's Third Avenue digs. The elevator stopped but wouldn't open when we got to A&G's 17th floor quarters. The lift stood still for 2 minutes before continuing its ascent. We got off at 23 and took another car down to 17, where the doors did open. We're told this has happened before. A more reliable lift might raise A&G's spirits.

**Show them the door:** Donald Kummerfeld, prez of Magazine Publishers of America, was startled to have a visitor drop into his N.Y. office—through the 22nd-floor window. Two window washers were blown off their scaffolding, and one, swinging from a safety rope, smashed Kummerfeld's glass to scamper to safety. The other was more fortunate: Lawyers two floors below shattered their window to drag the washer's partner in grime inside, where we bet attorney and client huddled to plot who to sue for pane and suffering.

**India ink:** The Calcutta High Court has banned the sale of *E-square*, a Bombay mag sent to Citibank cardholders, after humorless lawyers (redundant?) at Hearst complained it infringed on *Esquire's* name. (Will we be sued for two lawyerly slams?)

**Not a blockbuster:** When we asked our local Blockbuster why it was selling off its inventory of Philips Compact Disc-Interactive titles for 99¢ each, we were told the chain decided to stop renting the CD-i discs and players. One more blow to Philips' floundering format. Blockbuster began stocking CD-i when Philips owned part of the video chain—before Viacom made its Paramount, Blockbuster acquisition.

**The Lady is a Trump:** Maria Maples has signed R&V International in N.Y. as her exclusive licensing agent. R&V, a.k.a. Reggie and Vi, say The Donald's latest wife "represents a New Age of spiritualism and calmness." Perfect for infomercials. □

Also contributing: Kate Fitzgerald, Mark Gleason, Keith J. Kelly, Miri Hagbool, Alan Khan and Martin Lieberman.  
Got an Adage? Tell Brad by phone, (213) 651-3710, ext. 111; fax, (213) 655-8157; or email, T5777.2121@compuserve.com.



Johnson

## Gannett goes Multimedia with new deal

By Joe Mandese

Gannett Co.'s acquisition of Multimedia will lead Gannett into more, well, multimedia.

While the \$1.7 billion deal initially complements and expands

Gannett's assets in two traditional media categories—newspapers and TV stations—it will also facilitate the company's entry and re-entry into a variety of electronic media, including cable TV and TV entertainment programming.

Gannett's first and last large-scale entry into the TV programming business—the much ballyhooed, but ill-fated fall 1988 launch of "USA Today on TV," a syndicated TV version of its flagship newspaper—proved to be a

dismal failure and public embarrassment that sent the powerful media conglomerate reeling from the business in early 1990.

Multimedia, however, has had a long-running, if somewhat modest success as a TV programmer, with such syndication mainstays as "Donahue," "Sally Jessy Raphael," "Rush Limbaugh" and other talk shows, plus its recently launched NewsTalk Television cable network.

It is that latter vehicle that seems most ideal for Gannett to use to exploit its newspaper content.

"They must be thinking about some ties between NewsTalk Television and USA Today. It strikes me as the perfect fit for adapting USA Today for television," said Jack Myers, president of Myers Communications, a Parsippany, N.J., consultant to the TV and ad industries.

Others agree that NewsTalk and USA Today would be an excellent blend, and that Multimedia's track record in TV syndication represents a strong opportunity to develop new TV shows based on Gannett properties.

"This gets Gannett into what's a very lucrative part of the programming business. Even though the talk show format is maturing, it's still going to be a very profitable business," said Michael Wolf, a partner and head of the entertainment and media practice at Booz Allen & Hamilton, New York.

Others, however, underline the increased concentration the merger brings Gannett in its core newspaper and TV station businesses.

Assuming regulators approve the deal by yearend and follow through on plans to ease the limits on the number of TV stations that can be owned by a single company, Gannett will pick up 10 Multimedia TV stations, bringing its coverage of U.S. TV homes up to 14%.

Gannett also will pick up Multimedia's newspapers, including several dailies in booming Sunbelt markets, that will boost Gannett's total daily newspaper circulation to more than 6.4 million. □



**Clever cows know what's cookin'**

Two cows who've apparently escaped from a Far Side comic instruct Atlanta drivers to "Eat Mor Chickin" on a billboard for Chick Fil A, a 600-unit restaur-

ant chain. The billboard has also appeared in Dallas and Charlotte, N.C. The Richards Group, Dallas, handles the account.

**Give your product away — on television game-shows.**

It's the ultimate in low cost, mass exposure. We provide a complete service to all TV game-shows. Write for details.  
**Game-Show Placements, Ltd.**  
7011 Wilshire Avenue  
Hollywood, CA 90033  
(213) 874-7818



# **EXHIBIT J**

# QSR

Journal of Quick Service Restaurant Success

The QSR Interview

## Make More Money

Founder Truett Cathy and president Jimmy Collins detail the strategy that boosted Chick-fil-A to its billion-dollar goal.

SPECIAL REPORT:

### Brands for Life

Simple tie-ins are tired. Today's best-marketed brands are fostering long-term relationships with kids and their families.

EAT  
MOR  
CHIKIN

SM

### Worthy Workflow

What makes Arby's brand-new kitchen design click

### Driver's Test

Does driving BMW sedans make managers perform better?

### Say What?

How one city council is quieting drive-thru speakers

a divine day, a day that is set aside for the family and to worship if you choose," says Cathy. "I would say it is the best business decision I have made, closing on Sunday. Our first restaurant was a twenty-four-hour operation, six days a week. And we've been doing this for fifty-three years. So we dare not even think about doing any different." Cathy has never yielded to external pressures to abandon his "Never on Sunday" policy or any other of his sometimes unorthodox business practices.

Of all of his business accomplishments, Cathy is most proud of Chick-fil-A's scholarship programs, which have awarded more than 14,000 \$1,000, no-strings-attached scholarships in the last 53 years. The S. Truett Cathy Scholar Awards give an additional \$1,000 to 25 extraordinary students who have contributed to their community in a special way or have shown exceptional need or promise. During a recent S. Truett Cathy Scholar Award selection process, Truett Cathy heard that the committee was having difficulty deciding between two worthy candidates. "When they told me about both of them I said, well, let's make it 26 awards," says Cathy. "That'll save ya'll from debating." In 1982, Chick-fil-A formalized its founder's philosophy into a corporate purpose: "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." Truett Cathy displays that message at the company's corporate headquarters on a bronze plaque presented to him by his employees. "It is a reminder to Truett Cathy and the rest of us why we are coming to work," says Cathy.

In more recent years, Chick-fil-A has had a group of bovine ambassadors to thank in part for their success: the "Eat Mor Chikin" cows. "The customers just love those cows," says Jimmy Collins. "When the agency first presented them, we thought, 'this is a clever idea.' But we never dreamed that customers would become so enthusiastic about the cows." At the end of 2000, Chick-fil-A had 959 locations in 34 states and South

Africa. Recently, QSR Magazine talked at length with Chick-fil-A president James (Jimmy) L.S. Collins and briefly with founder S. Truett Cathy to discuss the history, growth, and future of Chick-fil-A.

**Chick-fil-A set its billion-dollar goal in 1989. What is the next goal for the company?**

**JIMMY COLLINS:** I feel at this point that we have reached a certain degree of momentum. And our expectation is that we will continue on this same path. We don't intend immediately to set another goal of dollars and cents for a certain date. During the process of this, in the early stages, we got very far behind on this goal. A lot of people frankly got very discouraged, [thinking] that we never would meet it. But what we set about to do was fulfill a challenge that Truett Cathy, our chief executive, had given us: Why not focus on getting better, not just bigger? We believe it was that focus on getting better that actually resulted in the additional sales. We found that we were creating a lot better same-store sales increases. We would have never been able to get good same-store sales increases [without that focus]. Just

on the new restaurants we were building, it was not enough [to achieve the billion-dollar goal].

**What was your strategy for getting those same-store sales increases?**

**COLLINS:** First of all, it was to focus more on excellent customer service. We put into effect customer-service measurement procedures and we went in all of the stores on a periodic basis and measured the customer satisfaction. From that information, we were able to determine some of the things we needed to work on. And to be able to improve the customer satisfaction level, of course, means that you are going to be able to sell them more often.

**Your 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." Carrying out that purpose often includes strategies that aren't moneymakers—such as being closed on Sundays. How has this philosophy affected your ability to reach the billion-dollar goal?**

**COLLINS:** We don't think it deterred us in any respect, because we've had this philosophy from the beginning. We actually believe that being closed on Sunday is an advantage to us. First of all, it [presents] an advantage in the people who we are able to get to work in our stores. We have people who work in our stores who simply do not want to work on Sunday. If you were to be able to choose any day of the week that you did not want to work, for the vast majority of the people, it would be Sunday. They would rather work any other day of the week than Sunday. And, for some of our folks, it is the day they have for their worship and to spend with their family. We've found we are actually able to attract employees who wouldn't want to work for us otherwise. And the customers have tremendous respect for this.

It's a very visible symbol of our philosophy of doing business. The almighty profit dollar is not the most important thing to us. We put people ahead of profits.

**How do you remind your employ-**



ees that this corporate purpose should be guiding them in their everyday activities?

**TRUETT CATHY:** We discuss with every new

employee what our corporate purpose is and that we expect them to fulfill that purpose. We speak of it quite frequently in group meetings. A lot of companies may establish a corporate purpose and draw it up and put it in the desk drawer and forget about it. But, since it is imprinted at our entranceway, there is no doubt about it. We are all created in the image of God and we should conduct ourselves accordingly. I see no conflict between biblical principles and good business practices. I often say the Holy Bible ought to have a sub-heading: The Success Book. The message is written in the scripture that God intended for us all to be successful and [the Bible tells us] things that we need to do to be successful.

**Have you ever been advised that Chick-fil-A's sometimes unorthodox business practices are a detriment to your bottom-line? And how have you responded to critics?**

**CATHY:** I don't think we make any sacrifice by being closed on Sunday. It has helped us to attract the caliber of people who appreciate every Sunday off; whether they go to church or not, that is their decision. We say, Gee, if you'll eat with us six days a week, we'll let you eat somewhere else

on Sunday. That way they can compare us with our competition. We certainly have demonstrated that, in most cases, we can generate more sales in six days than our competition does in seven days.

**COLLINS:** We have people who ask questions just like you have, but we've never had anyone, as far as I know, to suggest that we would make more money if we were open on Sunday. I'm sure there are people who think that. But we don't believe it. No one is going to eat at the same restaurant all of the time. So, we just help people arrange which day they are not going to eat at Chick-fil-A.

ON  
LINE



Read more about the history of Chick-fil-A at the chain's website, [www.chickfila.com](http://www.chickfila.com).

**Has it been difficult to maintain a clear sense of mission through the incredible growth of the Chick-fil-A brand?**

**COLLINS:** Not at all. Actually, if you think about our rate of growth, if you annualize it out, it has not been that dramatic. It's been good and steady, which probably is a better way to describe our organization. We are just good, steady plotters. We don't go in surges and mad dashes and that sort of thing. We just steadily, day after day, and keep pursuing the same objective, which is to satisfy every customer.

**How has the introduction of freestanding, drive-thru only, and Dwarf House full-service locations fueled Chick-fil-A's growth?**

**COLLINS:** The Dwarf House, of course, is where we really started. So it has not been a big factor in our growth. When we began seeing that the malls were slowing down—this was visible fifteen years ago—it was easy to see that there are just not as many opportunities in malls. And we looked around for where our next growth opportunity would be, and at that time we did have a couple of freestanding restaurants, so we just decided that since we couldn't get as many locations as we wanted in malls, we would build freestanders. Now, that may look like a stroke of genius at this point, but it was just a necessity to maintain our growth at that

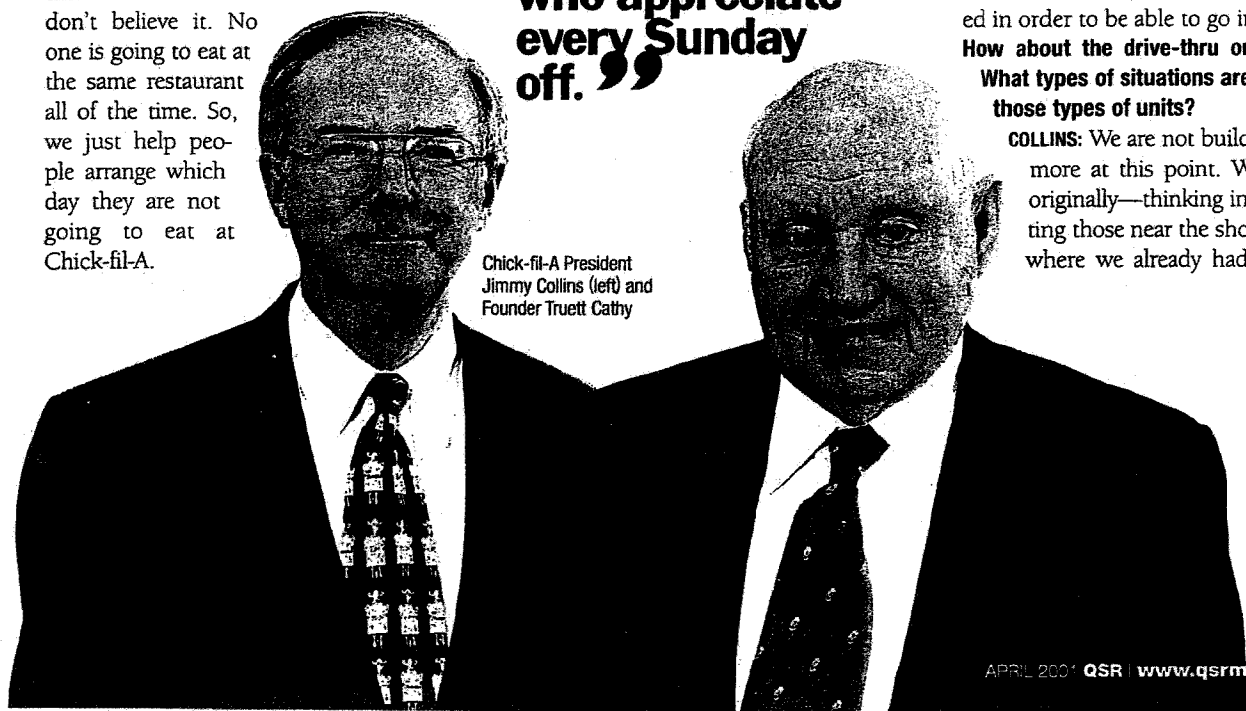
time. I guess maybe there was divine direction in that; you can look at it many different ways. But if we had not started that, we would not have been able to maintain our growth because there just simply are not as many new malls being built and it's very difficult to get desirable locations in existing malls. Typically the leases run ten years and sometimes longer; and if it was a good mall and they had good tenants, you just didn't have the kinds of vacancies to occur that we needed in order to be able to go in those malls.

**How about the drive-thru only locations?**

**What types of situations are conducive to those types of units?**

**COLLINS:** We are not building those any more at this point. We built those originally—thinking in terms of putting those near the shopping centers where we already had stores—that

**Cathy on closing Sundays:**  
“I don't think we make any sacrifice by being closed on Sunday. It has helped us to attract the caliber of people who appreciate every Sunday off.”



Chick-fil-A President Jimmy Collins (left) and Founder Truett Cathy

## THE QSR INTERVIEW

this would be good store to build near the mall stores and that way we could capitalize on the traffic that was being created at those malls. But what we found is that most of our customers said, "We really like the speed of service in the drive-thru, but we really wish that we could come in and eat, too." That's the reason we decided we probably won't build any more drive-thru onlys. We are not saying we absolutely won't, but for the time being we're focused on the regular freestanding restaurants.

**Have you converted any of the drive-thru only units into freestanding restaurants?**

**COLLINS:** No.

**Employee recruitment and retention are big issues with quick-service operators. How does Chick-fil-A approach these challenges?**

**COLLINS:** Our solution to that is our independent operators. As you know, our operators lease the stores from us; it's something similar to franchising that I guess, in the legal sense, is franchising. Because we have qualified operators in that store that are an essential part of the business—it's like having the owner there at all times—we are able to attract and keep people better than our competition. When people come into one of our stores, they're looking for a relationship that goes beyond just employment. [About 38] percent of our operators are former Chick-fil-A unit employees.

I think what so often gets overlooked in the recruiting and retaining of employees is the importance of a good selection up front and maintaining the right kind of relationship. When the people who employ folks in the fast-food industry put management in the stores that want to build these relationships, those stores have good retention. It doesn't matter whether it is a Chick-fil-A store or a competitor's store. Far too often, especially in quick-service restaurants, we see a person put in charge of those stores that is probably is not going to be there for another eighteen months anyway. They are not going to build long-term relationships with the employees. They are not concerned about it. When we have an operator in a store who expects to be there for the rest of his

**Collins on choosing operators:**  
**“In the last year, we had 10,195 people apply to be a Chick-fil-A operator. And we only chose 92. So, you can see, that's pretty intense selection.”**

or her career, and expects to be in that same place, that same community, and wants to see that business grow year after year, they are very interested in building long-term relationships.

Long-term relationships is probably the most important business principle at Chick-fil-A. We think long-term relationships with our customers, operators, employees, and suppliers are critical issues in the health of this business.

**Quick service relies so heavily on teenagers. How do Chick-fil-A's scholarship programs help in that area?**

**COLLINS:** It helps with the retention. Even though it's not a lot of money, it's a source of pride to those who receive that scholarship and something that they've been able to get on their own.

**Beyond what Chick-fil-A does as a company, you also encourage your operators to become involved with the community. How?**

**COLLINS:** First of all, you do that by selecting the right people. All retention starts with selection; it doesn't matter whether it's the operator of the store or the employees in the store. We try to select a person, ideally from the community in which the store is going to be located, where they already have connections: family, friends, business relationships, social relationships. Operators are tied into the community, and we encourage them to capitalize on that. We not only get business opportunities from that, we also get opportunities to make a contribution to the community, and it's a two-way street. People like to do business with folks who are making a contribution, whether it is to their school, their church, or their club. It creates a lot of goodwill for the Chick-fil-A brand.

**Why has Chick-fil-A chosen to remain a privately held company?**

**COLLINS:** First of all, by being privately held, we can do what we want to do and not what our stockholders tell us to do. And, it's a lot easier to please one stockholder than it is millions of stockholders.

**What are the advantages of Chick-fil-A's operator program, compared with a more traditional franchising program?**

**COLLINS:** The advantage starts with this: Oftentimes I have people call me on the phone and say, "We want to come down and talk to you about your deal with the operators because we believe if we did that, we could get our people to stay as long as you do." We run at something like 95 percent retention. I ask them, "If you had people running your stores who were making \$250,000 a year, would you feel like you were paying them too much and you'd want to change the deal so that they would make less?" And usually I get a silence on the other end of the phone. And I say, "If you would, there is no point in us talking. The secret is not in the deal; the secret is in not changing the deal."

What happens in most organizations is if they think people are making too much money, or it's too much to the advantage of the person running the store, they want to change the deal. We've never changed our deal to the detriment of our operators. From the absolute very beginning, the only changes that we've ever made—and they've been very minor—have been to the financial benefit of the people who operate the stores. So, when you are able to do that, and you can demonstrate that if people join you their success is not going to be cut away by changing the deal, that reassures people. Also, we try to pick the right people up front. That is the most important part of it. The most important decisions in the business are people decisions, who does what. And to that extent, we put a lot of energy and effort.

In this last year, in our selection process, we had 10,195 people apply to be a Chick-fil-A operator. And we only chose 92. So you can see, that's pretty intense selection. Here's what it comes down to: You can teach skills and you can impart knowledge, but you cannot change charac-

ter and you cannot change personality. So if you don't hire the right character and the right personality, you don't have right person, whether it is an employee in the store waiting on a customer or in the process of selecting the people you are going to go in business with. When we select an operator to go into business with him or her, we are not constrained as most of the franchisors are, by looking at their bank account. We look at their character and their personality and their ability. We can teach them how to cook chicken. And we can teach them a lot of things about the business, but unless they are inclined to deal with the public and enjoy dealing with the employees, they will never be able to make a successful operator. [Five thousand dollars' investment] is all it takes. We haven't changed that—it's been \$5,000 for thirty years.

**How about the quality control aspects of your operator program?**

**COLLINS:** We have high standards, but we get a high degree of cooperation from our operators. We just don't have to beat them over the head. If you picked the right people to begin with, you can have that kind of cooperative spirit. We try to deal with them firmly but gently. We don't deal in threats, as with some chains. We deal mostly in encouragement.

**Collins on relationships:**

**"We have high standards, but we get a high degree of cooperation from our operators. We just don't have to beat them over the head. If you picked the right people to begin with, you can have that kind of cooperative spirit."**

**What kind of stance does Chick-fil-A take with regard to multi-unit operators?**

**COLLINS:** We do have a few. We don't encourage that. But occasionally we do have a situation, such as if we had a mall location and we wanted to open up another store—a drive-thru only very close by—that would go to the same operator. We know that the impact on that operator's sales in the mall store would be significant,

and so in a case like that, if the operator is up to it, we would offer the two stores. Whenever we offer two stores to an operator, these are usually stores that are very close, where the second store will have a big impact on the first store.

**Chick-fil-A has been extremely successful. Why don't we see more chains trying to emulate Chick-fil-A's formula for success?**

**COLLINS:** The values and the culture of any organization are established by the chief executive or the owner, in the case of smaller businesses. When the chief executive remains the same, you can expect the values to remain the same. If you change the chief executive, you always run the risk that things are going to change. Here at Chick-fil-A, we have an advantage in that Truett Cathy has been the head of Chick-fil-A from the very beginning. We have another advantage, too, in that he has his family involved in this business to the extent that the next chief executive will obviously be one of his sons. And because that son is absolutely committed to the same business principles and the same cultural environment as his father and has been a member of the Chick-fil-A staff for more than twenty-five years, we believe that we can expect to see this same kind of operation extend on for another generation. ☐

# **EXHIBIT K**

November/December 1997

# QSR

## WHY THIS MAN DOESN'T NEED FRANCHISING

**Chick-fil-A's  
Truett Cathy**

## Higher Retention Rates

**Who's Getting Them?**

## The Battle for America's Dinner Tables





by Lea Davis Paul

# Truett Cathy

**Nontraditional all the way**

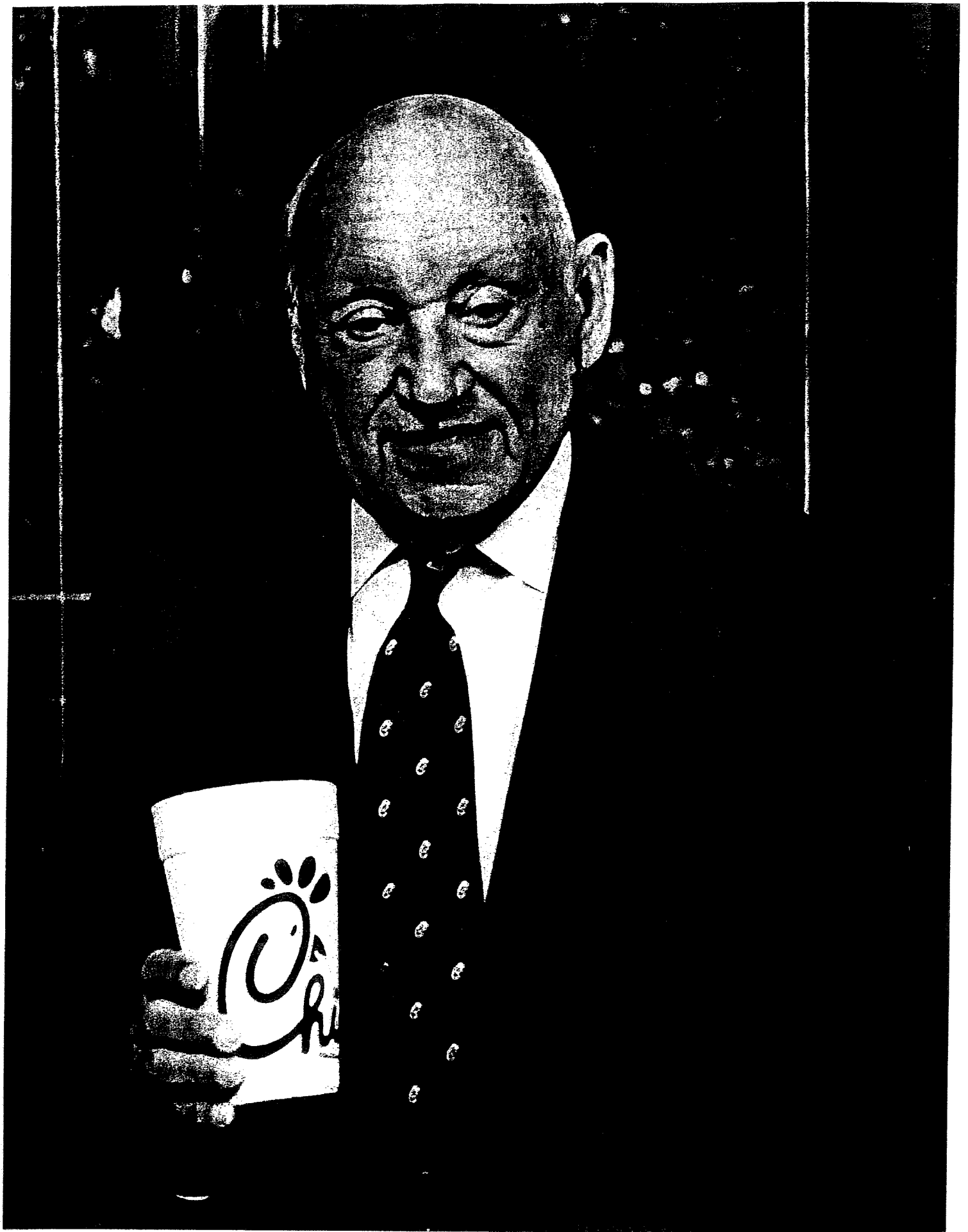


Truett Cathy went to visit a friend in the industry, the founder of a well-known burger chain, in Florida last summer. "While we were sailing one day," Cathy says, "the idea for a great commercial came to me. We would each claim that our chicken sandwich was the best on the market. We'd debate, and in the end we'd decide to let the customers judge for themselves. I wanted to do it, and he said he did, too. But he told me his people wouldn't let him."

Cathy flashes an impish grin. "You see. I don't have any people who tell me what and what not to do."

Seventy-six years old and still at the helm as chairman and chief executive of Chick-fil-A, the company he incorporated in 1964, Cathy is well aware that his quick-service chain is unlike any other. Today it's one of the largest privately held restaurant chains and the third-largest quick-service chicken restaurant company in the nation. With record-high system sales of \$570 million in 1996, Chick-fil-A has enjoyed twenty-nine straight years of net sales growth, including double-digit increases the past four years. The chain's performance over the first three quarters of 1997 reflects nearly a 20-percent sales increase.

Cathy decided early on to eschew franchising in favor of signing operating agreements with independent contractors. What does he see as the benefits of his way of doing business? Cathy shares his point of view with QSR.



**QSR: Why does Chick-fil-A need non-traditional locations?**

**Cathy:** We just opened the 106th location of this type at Duke University. We're simply meeting the needs of our customers. People tell us they would eat more Chick-fil-A if we made it more convenient. We feel that the college age group has been raised on hamburgers and now they're looking for something a little better and healthier, a quality product with less fat than the typical quick-service product. We're filling a niche here that's resulting from the changing times and interests of our customers. We like to say we're providing some relief from a hamburger-crazy world.

We expect this kind of growth to continue for Chick-fil-A, and we will continue to work with institutional feeders—schools, hospitals, even factories.

**What are the sales volumes in these nontraditional units, compared with your traditional mall or freestanding units?**

**Cathy:** Well, some of these smaller units will do more than a mall unit. They have been very successful and hold a lot of potential for us. Of course, the larger the college is, the better off we are. It's like going into a busy mall—you'll generate more sales where the volumes are higher. So our success in non-traditional units like this one depends on the student capacity and their needs.

No matter what the precise numbers are, business at these sites is developing new customers and reinforcing the brand. These students will grow up to have families and little ones, and hopefully their families will become Chick-fil-A customers and help us grow.

**Is it true that Chick-fil-A's basic growth plan is to go in where you have some locations already established and fill those areas out?**

**Cathy:** It makes sense for us to expand where the name is already recognized and some seeds have been planted, rather than going into a big market like Chicago or New York City where if you didn't go in with, say, fifty or a hundred places, it would take a long time to build awareness. So we're looking at expanding in areas where we already are, and simply making Chick-fil-A more convenient for the customer.

We opened our first Chick-fil-A in Greenbriar Mall in suburban Atlanta in 1967, and we've grown from there. Today we have 757 units, 112 of which are licensed operations. By the end of the year, we will have 780 units, of which 115 will be licensed operations. We will continue to expand through our freestanding units and also through the traditional self-service Chick-fil-A. We also have some drive-thru-only units.

**You do business differently from many other quick-service restaurant companies.**

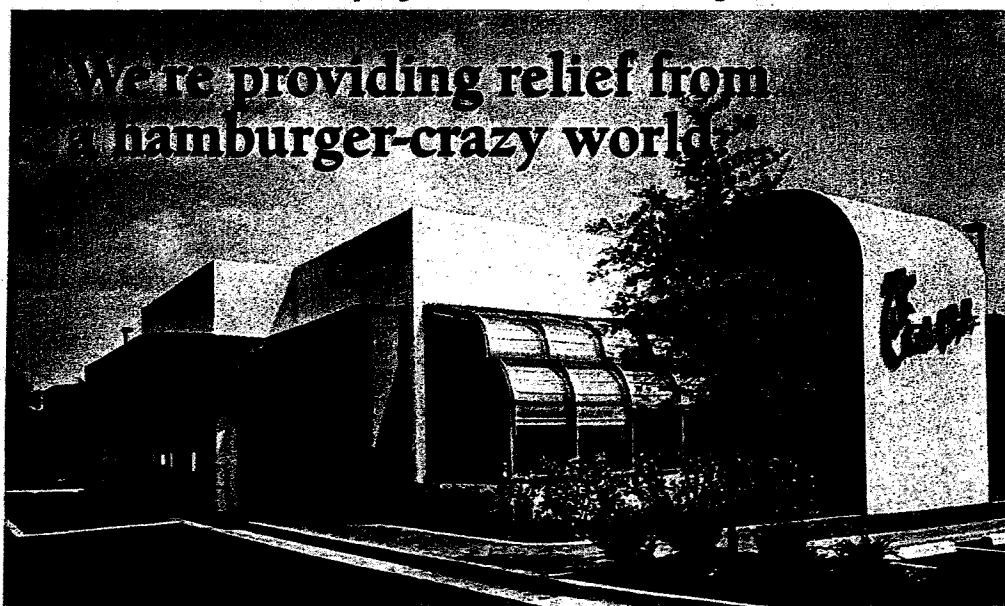
**Cathy:** I've been advised to run a big business like a small business. That means taking care of the little things and not losing sight of what made you successful. To me, that means you can't set your goals too high. Set them high, but be reasonable. I have a picture in my office of a man climbing a

mountain with all the safety equipment, and it says, "No goal is too high if we climb with care and confidence."

In my business, I have to take care of individual persons, particularly customers. If you take care of the customer, the customer will take care of you. Never forget what causes things to happen. Number one is take care of the customer and your employees. You multiply your efforts when you work through good employees; you can't do it all yourself.

**How do Chick-fil-A's operators work with the company?**

**Cathy:** Well, there are two important things: capital and management. Fortunately for me, I had the capital to borrow the money that was needed to grow at the pace we wanted to grow. Many individuals have a fervent desire to have their own businesses, yet can't afford the opportunity—especially if they have a spouse and children and house payments. They might have a steady job, even a prestigious posi-



photos courtesy Chick-fil-A, Inc.

tion, but the income has never come up to the level where they can take the gamble that's involved in starting up a business.

So we're a protector for the operators. We let them become a part of Chick-fil-A for a one-time financial commitment of \$5,000, which, if the restaurant's books are in order, is fully refundable to them in the event that the relationship should be severed. [The company has not changed that amount since 1967.] Each month, operators pay the company 15 percent of gross sales for operational expenses; then, after all the other unit expenses are paid, the net monthly profits are split fifty-fifty. We guarantee them they will make at least

\$30,000 a year. However, average operator income is around \$82,000.

We work hard to stabilize the management end of our business. We have only a 5 to 6 percent turnover rate among operators, which is unheard of in this segment of the industry. So we have a competitive advantage there. Operators are going to get fifty cents of that dollar, and one reason they want Chick-fil-A to be successful is because they're going to get fifty percent. It's a good arrangement because it gets everyone working together, creating dividends.

### **The way you've got it set up, neither one of you is indebted to the other. What does that mean to you?**

**Cathy:** We have a cancellation clause in our agreement. With thirty days' notice an operator can leave the system, or we can dismiss him or her with thirty days' notice. So, if they're not performing properly—if they're having a hard time keeping the store clean or stabilizing the employees—we can ask that they resign.

If you had an investment there, as in a normal franchise, you could spend one hour a day in your store, or no hours at all—but you'd have to suffer the consequences for not having proper management in there. This way, we have a high caliber person managing that store, and they're present the majority of the time, getting to know the customers and treating customers like they ought to be treated.

### **How should a quick-service customer be treated?**

**Cathy:** Our mission statement challenges us to "Be America's best quick-service restaurant at satisfying every customer." To do that, we tell our people, "Treat your customers like you like to be treated when you eat out." You'd like to be greeted with a bunch of smiling faces and a serving spirit. You'd want someone to help you through menu selection so that you choose something you'll enjoy. That means doing some suggestive selling. And you'd want to be charged a reasonable price and have a nice, clean table to sit at. Before you leave, you'd want someone to come over and speak to you, make sure you had a good experience, that you plan to come back. Those are some of the things we encourage our people to do.

Being consistent is important. A customer could eat fifty times at our restaurants, but if they have one disappointing experience they're liable never to come back. And they usually don't bother to tell you why. They simply don't come back.

That's why we have to get customer service right the first time, every time. And if the experience at Chick-fil-A is not right, we want to know about it. Occasionally, there is an employee on your payroll who might be doing you more harm than good.

### **How is the company structured over the operators?**

**Cathy:** We have less than thirty field staff over the operators, from the senior vice president on down. If we get the right kind of operators, they don't need supervision. If he's doing his job, his profit and loss statement is looking good, business is going up, and employees are stabilized, the operator is doing everything right and needs very little supervision.

We do have the operators visit headquarters from time to time. And each year we invite them to a five-day business seminar at a five-star resort at the company's expense. That's where I set my sales goals for the year and we help them to become more successful, not just in the business

### **So you believe family life and work life affect each other.**

**Cathy:** Right. We try to emphasize that our operators need to spend time with their families. That's one reason why we're closed on Sunday—that's when operators can give themselves wholly to their families, and that's more time than the average father or mother can give the family these days.

### **What about you as a person has led you to run Chick-fil-A this way?**

**Cathy:** When I was a kid, I knew if I was going to have anything I would have to work for it. I got started in business at eight years old, buying Cokes six for a quarter and selling them for a nickel apiece. I sold magazines and had a paper route for seven straight years. I concentrated on pleasing that customer. I never got excited about school, but I got excited about work. If I were offered some kind of performance incentive—a shirt or pocketknife or a trip to the beach—then I was challenged by that. I wanted to achieve more than was expected of me.

Taking care of that customer is something I learned very early. For my paper route, we bought papers wholesale, sold them at retail, and provided delivery service. I saw that I had to be punctual, dependable, and friendly. The same principles today drive my business. We're buying food wholesale, selling it retail, and providing customer service. We've got to please that customer, not just meeting their expectation but giving them more.

### **When you see the friction between franchisees and**

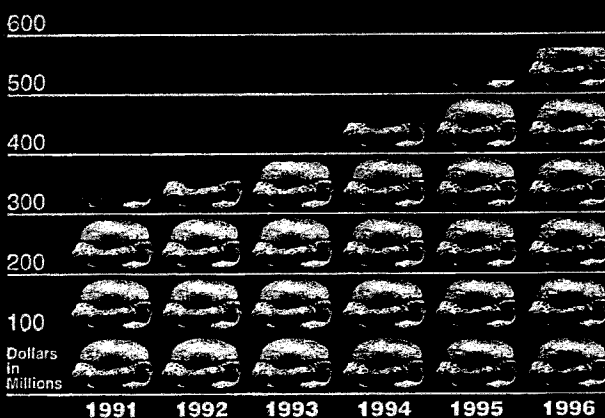
### **franchisors these days, are you glad Chick-fil-A is outside of the fray?**

**Cathy:** Absolutely. What causes any organization to be successful is everybody working together. But when you lose confidence in each other—if someone is not doing what they're supposed to do, and sales aren't coming up, it's easier to blame someone else than yourself. In my opinion, there's often a tendency to blame the parent company.

We're privately held, which is unusual.

## **Eating Mor Chikin**

Cathy's Chick-fil-A has enjoyed nearly thirty years of consecutive annual sales increases.



but also in their home life and other responsibilities they have. I believe if an operator doesn't take responsibility for his family and he loses his family, he's not going to be able to make money. There are many things more important than money. One of the worst things we can hear about an operator is that he's getting divorced from his wife and family. We can't expect him to do his best at work if he's got problems at home.

It would be easy to cash in and go home, but then someone would have to pay the stockholders. We don't have that, and it permits us to do more for our employees, give our customers good service, and enjoy what we're doing.

**Does not having a franchise agreement give Chick-fil-A more freedom to experiment and grow?**

**Cathy:** With franchising, you tend to have a protected territory of, say, three miles. In the case of this new college campus unit at Duke, we've got another Chick-fil-A unit just a couple of miles from here. A franchisee would have reason to say this arrangement cuts in on his volume and will hinder him from growing. We do not have that problem.

Even as we expand within markets where we are already established, we try not to go into competition with nearby Chick-fil-A units. With many nontraditional openings, a nearby operator has some degree of involvement in operations, usually as a limited supervisor, and they do receive a fee for that. And we are free to reward good performers with additional units. If an operator has a Chick-fil-A that's performing well in a mall and we put in a drive-thru-only unit on the mall pad, there's a good chance that operator will get to operate the new unit as well. [Chick-fil-A loosened its one operator, one store rule in 1993.]

As we grow, there will be times when we cut in somewhat on an established operator's volumes. If I were a franchisee, I would have protected rights in those areas, and I wouldn't want anybody coming in and competing with me. I can understand that point of view.

**To stay with the comparison with franchising, many franchisors speak of their franchisees as family. Do you see your operators the same way?**

**Cathy:** I sure do. We try to build that culture. Wendy's, for instance, has done a great job, especially at their size, at maintaining the culture of franchisees as family. But when Wendy's takes on a franchisee, the franchisee in turn hires a manager for each unit. That manager might make \$30,000 a year, plus a bonus if they make so much profit. With our arrangement, it's certainly to the interest of the operator, who is making 50 percent of the total, to get profits as high as possible. Where the incomes of managers in other quick-service restaurants can top out very quickly, our operators have basically unlimited growth potential.

We are a family. Here in Durham, for example, our operators have probably an average tenure of twenty years. Many of our operators have been through training together and have developed close friendships among themselves; they get together to exchange ideas, offer feedback, and provide support for one another. Hopefully, their talk is mostly positive.

**When you hear negatives from operators, what are they?**


**Cathy:** Occasionally there are people who would be negative about just about every aspect of what we do, but we don't tolerate that forever. You have to be a team member or else you're not on the team. They might complain about going up on prices, or not going up on prices. They might complain about standards and requirements, whether they're too loose or too stringent. They might not care for certain product rollouts.

**What characteristics do you look for in potential operators?**

**Cathy:** This is not a casual investment; we have to determine that they want to be in it for the long run. They can't just walk in and say, "Well, this is a small investment. I'll see if it's worth a try." That kind of attitude won't make it. Some people approach us who are already making \$75,000 or more a year. They won't be as good for us as someone who's accustomed to \$20,000 or \$25,000 a year and will be personally dedicated to the operations. Applicants can be minimally qualified and still grow into a successful operator; what's important is that they are a people person. And the family situation needs to be right. We usually try to find out what a person does during his spare time. If they're on the golf course three times a week, you can expect them to bring some of that with them.

Sometimes you can learn a lot from talking with the children. One little boy told me, "My father can't make a lemon pie!" And, sure enough, he couldn't. I used to have applicants and their families come and spend a couple of days on my farm with me, but now that we've gotten so large, I can't do that.

**What's ahead for Chick-fil-A?**

**Cathy:** Through the leadership of my son Dan, the company's executive vice president, we have set a goal of reaching \$1 billion in sales by the year 2000. That's a big goal, but we're on track to reach it, and if we climb with care and confidence, we'll do it. 

# **EXHIBIT L**



# Sky

▲ Delta Air Lines

## *Midnight Madness*

The Book That Rocked Savannah

# EAT MOR CHIKIN

And Truett Cathy, the CEO of Chick-fil-A, will steer some of his company's profits into foster homes, summer camps and college scholarships.

**T**he most valuable thing that grew out of the poverty of his youth is S. Truett Cathy's abiding interest in the well-being of children.

The string of nonprofit ventures that Cathy, founder and CEO of Atlanta-based fast-food giant Chick-fil-A, has initiated over the years actually look more like a full-fledged conglomerate than a business: a charitable foundation, 10 foster homes, a summer camp, two separate scholarship programs

and a number of one-on-one involvements with children whom he has either taken into his own home or helped get jobs or an education.

Fueled by its ad campaign featuring cows painting billboards with the slogan "Eat Mor Chikin," Cathy's chain of 720 restaurants has seen double-digit sales increases for four straight years, which proves that a company can do good and do well at the same time.

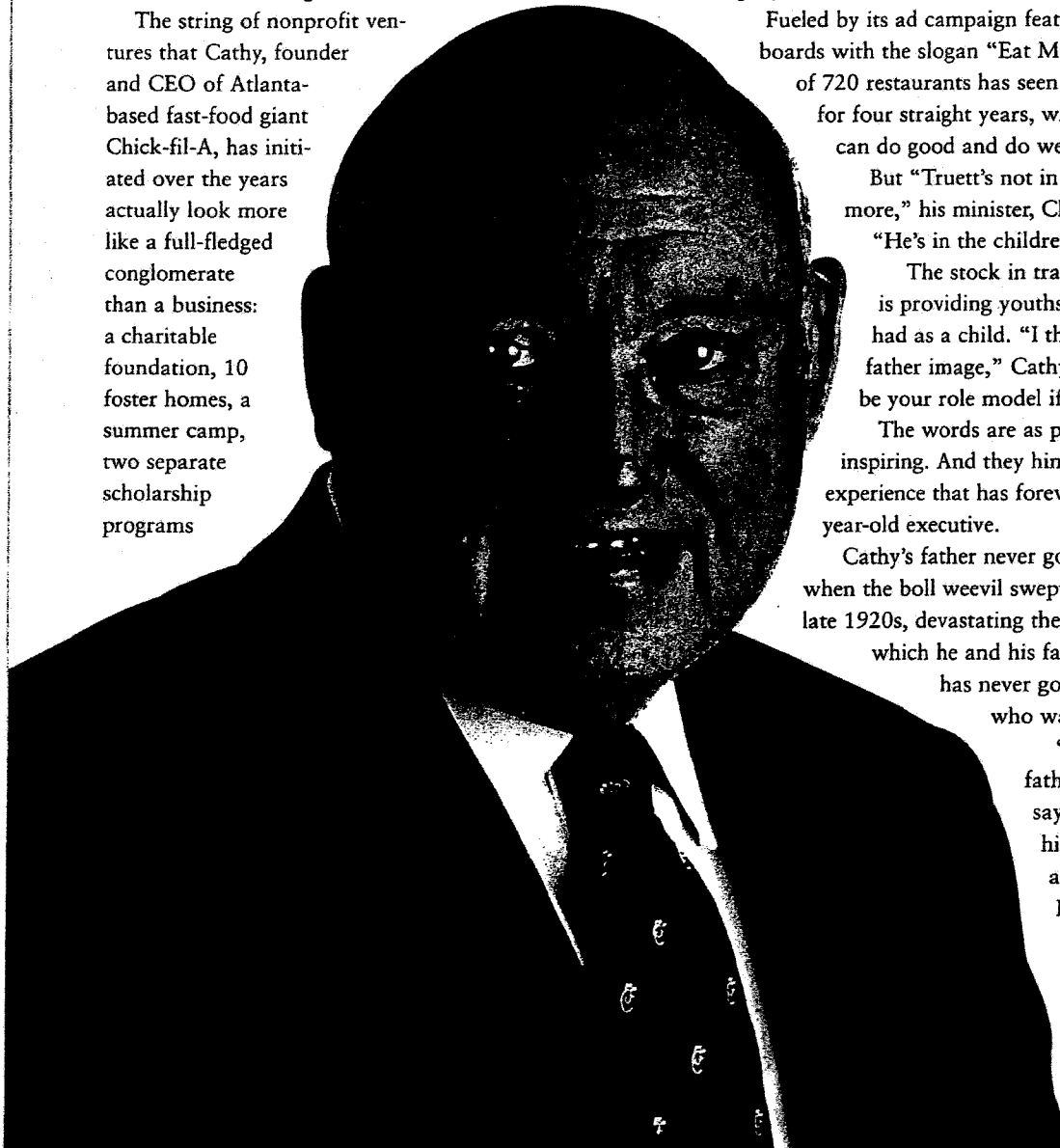
But "Truett's not in the chicken business anymore," his minister, Charles Carter, says of him. "He's in the children business."

The stock in trade of Cathy's conglomerate is providing youths with advantages he never had as a child. "I think I have taken on a father image," Cathy says. "I tell people, 'I'll be your role model if you'll be my role model.'"

The words are as poignant as they are inspiring. And they hint at the childhood experience that has forever after shaped the 76-year-old executive.

Cathy's father never got over losing everything when the boll weevil swept through Georgia in the late 1920s, devastating the agricultural economy on which he and his family depended. And Cathy has never gotten over having a father who was a broken man.

"He was not the kind of father I'd like to have had," he says, more than 70 years after his family had to pick up and move to Atlanta from Eatonton, Georgia, where his father had handled rural real estate. "He ruled the house with a leather strap, and he didn't mind using it."





In Atlanta, where his father sold insurance door-to-door, Cathy's mother took boarders into the house they rented in the city's Southside neighborhood. "I'd never seen my mother with her eyes closed," Cathy recalls. "She was the first one up in the morning and the last one to go to bed." But all the hard work took its toll on his mother's health, so the family moved into Techwood Homes, America's first subsidized housing project.

There, the family's fortunes went from bad to worse. Despite the government subsidy, "we were not able to make it there," Cathy recalls. "I used to help my father with his books on Thursday nights, and it was always a bad experience. We'd count out all the money he had, and he just didn't have the money he owed the company.

"Things were so bad when I was a kid, the only thing I had to play with was a loose tooth," Cathy says today with rueful humor, "and that wasn't even mine; it was my brother's."

Cathy can make light of his adversity now, because he has turned the hardships of his childhood into life lessons. Take, for instance, the years he got up at the crack of dawn to deliver newspapers. "Those seven years were far more valuable to me than a degree at Harvard," he says, "because I learned the value of taking care of that customer." That attitude, coupled with an intimate familiarity with hard work, later helped him turn a small suburban Atlanta restaurant (so tiny, he named it the Dwarf Grill) into a franchise with annual sales that were projected to top \$570 million in 1996. Along the way, he became a seminal figure in fast food in his own right. Last year, *Nation's*



**Ain't nobody here but us chikins: "Truett's not in the chicken business anymore," Cathy's minister says. "He's in the children business."**

*Restaurant News* named him to its hall of fame for being the inventor of the breast-of-chicken sandwich and a pioneer in mall counter service in the days before food courts, and for his chainwide policy of remaining closed on Sundays. (That policy, Cathy says, will stand as long as he's in charge.)

Cathy's interest in foster children began while he was teaching Sunday school at First Baptist Church in Jonesboro, Georgia. For 40 years, Cathy has taught the 13-year-old boys while his wife, Trudy, taught the 13-year-old girls. One morning a neighbor brought a visiting youth, who told the class that after his parents were divorced and his mother subsequently killed in an automobile accident, he had been sent to Jonesboro to live with an aunt and uncle he hardly knew.

The Cathys, whose own three children had grown up and were attending college, took an interest in the boy and invited him to spend some time in their

home and on their 262-acre farm. With Cathy's help, young Woody Faulk went on to graduate from the University of Georgia and then earned an MBA from Harvard. The investment proved to be not purely philanthropic: Faulk went on to work for Chick-fil-A and is now the company's vice president of operations.

"I'm motivated in what I see in our young people," Cathy says. And he sees a lot of them; most of the 35,000 Chick-fil-A employees are high school or college age. "We've found lots of young people who have a high desire to please and achieve," he says. That's why he has set up one of the most generous scholarship programs in the fast-food industry. Since 1973, Chick-fil-A has awarded some 12,000 scholarships of \$1,000

each to promising employees. In a separate program subsidized by Berry College and Cathy's WinShape Foundation (the name is a word play on "shaping winners"), more than 500 students have attended Berry on full scholarships in the past 12 years.

Some of them become involved with Chick-fil-A during their college years. "We get acquainted with them, and they get acquainted with us," Cathy says. "If they choose to make a career with us, this pays great dividends." About one-third of the 250-person staff at Chick-fil-A headquarters, which is on a wooded expanse a few miles south of Atlanta's Hartsfield International Airport, have gone to school on these scholarships.

Cathy still puts in long hours at Chick-fil-A and delivers an average of two speeches a week on the road. That would be enough to occupy most executives, but he insists on spending time with the 85 foster children in his

homes because he believes that others can triumph over circumstances just as he did.

One such home is Doug and Julie Bowling's, located on the Berry campus, some 75 miles northwest of Atlanta. It's a late fall afternoon, and the discordant tones of someone in the very early stages of learning how to play the piano echo through the house. In the living room, various children are telling the Bowlings how their school day went. One 17-year-old is getting ready to go to his job in a nearby mall, and Doug is his designated driver. It's a typical day, that is, in a very atypical home. The Bowling family numbers 15—including nine foster children.

On average, Cathy visits each foster home about once a month. When Cathy stops by, several of the younger children in the Bowlings' care call him "Grandpa." "He has a vision for children and is a very involved person," Julie Bowling says. "We have a meeting every month, and he wants to know how each of the children are doing."

"The stories they tell us, and the things they've seen, I'll probably never see in my entire life," Doug Bowling says. "To know you can take a child out of that situation and you can introduce them to a whole new way of life while teaching them morals and values is truly rewarding."

Cathy himself is still very much involved in the chicken business. "My friends call me T.C.," he likes to say. "That stands for Tough Chicken." But ask him what he'd like to be remembered for and you'll get this response: "I think my relationship with foster kids has been more meaningful to me than my business. You have an opportunity to know people will grow up to be somebody."

*Russell Shaw is a business journalist based in Marietta, Georgia.*



# **EXHIBIT M**

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BUSINESS  
MONDAY

MONDAY, FEB. 2, 2004



## Staking a (chicken) claim

**Chick-fil-A, known for its fresh, hot sandwiches and a loyal following in malls all over the nation, opens in Irvine on Thursday. Fans are already lining up.**

# New chick in town

Chick-fil-A doesn't open in Irvine until Thursday, but some are already salivating.

By **ANDREW GALVIN**  
THE ORANGE COUNTY REGISTER

**O**n Wednesday, people are expected to camp overnight outside a new fast-food restaurant in Irvine, hoping to be one of its first customers.

The restaurant is **Chick-fil-A** (pronounced "chick fillet"), an Atlanta-based chain of about 1,125 chicken-sandwich shops that has attracted a very faithful following elsewhere.

Erin Law of Rancho Santa Margarita is among those who plan to spend Wednesday night in a sleeping bag outside the restaurant, located in the Irvine Market Place, near Lowe's. The first 100 customers at the restaurant's opening Thursday morning will receive a year's worth of free combo meals.

Law, 21, became a fan of Chick-fil-A on visits to the East Coast. When she heard that the chain would open its first Orange County location, "I was jumping up and down, I was giddy," she recalled. "It's definitely one of my favorite fast-food restaurants."

Shan Blake, who grew up in Texas, works in a scrapbook store in the Tustin Market Place, across the street from the new restaurant. She and two colleagues, one from Pennsylvania and one who went to college in Arizona, are "all starkraving mad about it," she said. "We follow the progress (of the building's completion) daily."

Blake, 25, explained Chick-fil-A's appeal: "They have the best chicken sandwich I've ever had in a fast-food place — made to order, not sitting around in a bag for a while — phenomenal waffle fries, and fantastic lemonade."

Law put it this way: "It's kind of like a **Popeyes** — not the ordinary food that you expect from a fast-food restaurant. Better taste and quality."

Chick-fil-A's 82-year-old founder, S. Truett Cathy, knows that loyal customers like Blake and Law are the reason for his success. He said he built the company, which he founded in 1947, "one customer at a time."

His son, Dan Cathy, 50, now runs the



CINDY YAMANAKA, THE REGISTER

**FAMILY-RUN:** S. Truett Cathy, 82, founded Chick-fil-a in 1947, and his son, Dan, 50, now runs the popular Atlanta-based company.

company, which had estimated sales of \$1.5 billion last year, up 9 percent from the year before. Focusing on Southern California for expansion, Chick-fil-A plans to build a reputation partly by soliciting local people who got to know it someplace else.

"We've got a lot of raving fans sneaking around in the bushes here ... and we're going to smoke 'em out," Dan Cathy said. There won't be a big investment in advertising to announce the chain's arrival, he said.

Instead, the Irvine restaurant's operator, Zack Derelioglu, plans to cultivate word of mouth. He and his staff will be going door to door to businesses in the area, handing out coupons for free sandwiches.

He's also inviting about 140 local "raving fans" for a free dinner at the restaurant Wednesday, where he will "deputize them" by giving them coupons to pass to friends.

On Tuesday night, Derelioglu will be giving another free dinner, this one for the newly hired staff of 65, their families, corporate staff and operators from regional



#### STRATEGY:

Zack Derelioglu, operator of the Irvine store, plans to cultivate word of mouth to publicize the location.

Chick-fil-A locations. At Tuesday's dinner, to be held at Disney's California Adventure park, Derelioglu will personally serve the guests and invite them to "dedicate our business to the Lord."

The Lord is a key figure at Chick-fil-A. Truett Cathy, a devout Christian who still teaches Sunday school at First Baptist Church in Jonesboro, Ga., has always kept the chain's restaurants closed Sundays.

"It's probably the best business decision I've ever made, because it helped us attract the kind of people who appreciate having Sundays off," he said. "Whether they worship or not, it's their choice."



### What's with the beef?

Chick-fil-A has used images of grammatically challenged cows on billboards and in newspaper ads and television commercials since 1995 to advertise its beef-free fare. The Richards Group of Dallas created the award-winning campaign.

### Chick-fil-A Inc. company profile

- **Irvine location:** opens Thursday at 13490 Jamboree Road in the Irvine Market Place; (714) 730-9100
- **Hours:** 6:30 a.m. to 10 p.m.
- **Headquarters:** Atlanta
- **Locations:** about 1,125
- **Growth:** Originally located primarily in shopping malls, Chick-fil-A has focused in recent years on building free-standing restaurants, which now outnumber mall stores. It plans to open 50 to 60 free-standing locations this year, including six in the greater Los Angeles area. One opened in Chino Hills last week.
- **Operator arrangement:** Restaurants are built and equipped by Chick-fil-A. Store operator pays \$5,000 security deposit, refundable after three years. Operator pays 15 percent of revenue and 50 percent of profit to Chick-fil-A. Operators of free-standing stores have average take-home income of \$160,000 a year, the company says.
- **More information:** [www.chick-fil-a.com](http://www.chick-fil-a.com)



### Founder S. Truett Cathy

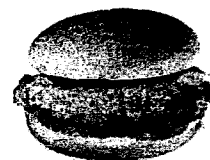
- **1921:** Born in Eatonton, Ga.
- **1946:** Opened Dwarf Grill, an Atlanta diner, with his brother Ben.
- **1967:** Opened first Chick-fil-A restaurant in Atlanta's Greenbriar Mall.
- **1984:** Founded WinShape Centre Foundation to "shape winners" by helping young people through scholarships. The foundation also operates 13 foster homes in Georgia, Alabama, Tennessee and Brazil.
- **2000:** Chick-fil-A surpassed \$1 billion in systemwide sales.
- **Quote:** "Nearly every moment of every day we have the opportunity to give something to someone else — our time, our love, our resources. I have always found more joy in giving when I did not expect anything in return."

### Selected menu items

**Average guest check:** \$5.50 to \$6.75

#### Sandwiches & specialties:

- Chicken sandwich: seasoned boneless breast, pressure-cooked in peanut oil, served on a toasted bun with dill pickle slices
- Char-grilled chicken sandwich: same as above except marinated in seasonings and grilled.
- Nuggets: bite-size seasoned pieces of chicken breast, breaded and cooked in peanut oil
- Spicy chicken cool wrap: strips of grilled chicken breast in bed of romaine and iceberg lettuce, red cabbage, Roma tomatoes, Monterey Jack cheese; spicy dressing on the side.



#### Side dishes:

- Carrot and raisin salad
- Chicken soup
- Waffle potato fries

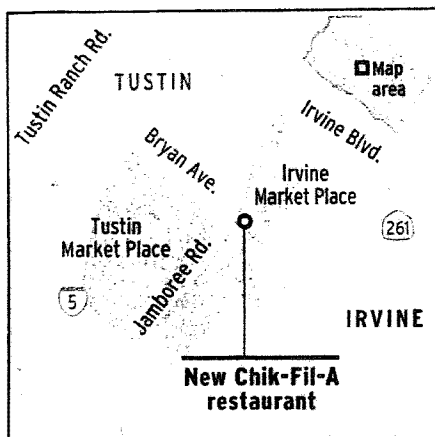
#### Desserts and refreshments:

- Lemon pie
- Fudge nut brownie
- Lemonade/diet lemonade

#### Breakfast:

- Chicken biscuit
- Biscuit with gravy





The Register

Source: Technomic Information Services

## Growing sales

Chick-fil-A said it posted its 35th consecutive year of sales growth in 2002.

Chain	2001 sales (millions)	2002 sales (millions)	Share (chicken restaurants)	Share of fast-food market
KFC	\$4,700	\$4,735	37.7%	3.5%
<b>Chick-fil-A</b>	<b>\$1,242</b>	<b>\$1,373</b>	<b>10.9%</b>	<b>1.0%</b>
Popeyes	\$1,168	\$1,245	9.9%	0.9%
Church's	\$730	\$724	5.8%	0.5%
Boston Market	\$635	\$660	5.3%	0.5%
El Pollo Loco	\$339	\$363	2.9%	0.3%
Bojangles'	\$323	\$350	2.8%	0.3%
Pollo Tropical	\$119	\$121	1.0%	0.1%
Koo Koo Roo	\$47	\$39	0.3%	0.0%

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