

TOO CHICKEN TO CONVERT? A CHICK-FIL-A DILEMMA¹

Valerie Ho, Professors Seung Hwan (Mark) Lee and Matthew Thomson wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation.

This publication may not be transmitted, photocopied, digitized or otherwise reproduced in any form or by any means without the permission of the copyright holder. Reproduction of this material is not covered under authorization by any reproduction rights organization. To order copies or request permission to reproduce materials, contact Ivey Publishing, Ivey Business School, Western University, London, Ontario, Canada, N6G 0N1; (t) 519.661.3208; (e) cases@ivey.ca; www.iveycases.com.

Copyright © 2013, Richard Ivey School of Business Foundation

Version: 2013-10-08

Dan Cathy, president and chief operating officer of Chick-fil-A, put down his morning newspaper after reading another scathing article about his now notorious fast-food chain. Cathy and his family had strongly rooted Christian beliefs that had carried into their business, but he had never intended for those beliefs to offend anyone. Now, the media and the public were beginning to misconstrue Chick-fil-A's strong values as discrimination and prejudice, the opposite of what Cathy had envisioned. Were the Cathy family's deeply rooted Christian values hindering the business?

The Chick-fil-A company started in 1946, when Dan's father, Truett Cathy (Chick-fil-A's current chairman and chief executive officer) and his uncle, Ben, opened the Dwarf Grill (later named Dwarf House) in Hapeville, Georgia. However, in 1949, Ben was tragically killed in a plane crash.² Despite the death of his brother and business partner, Truett continued to franchise Dwarf House throughout the Atlanta area, opening another location in 1951.

In 1960, tragedy struck yet again, when a fire destroyed the first Dwarf House location. Instead of giving up, Truett had seen the fire as an act from God. "When I had two restaurants, I had one too many, so the Lord burned one down and gave me the chance to start Chick-fil-A," Truett optimistically claimed.³ He used the fire as an opportunity to open another restaurant. After years of experimenting with pressure cookers, Truett perfected the boneless chicken breast sandwich in 1961. He called the sandwich a "Chick-fil-A," a clever spin-off of *chicken fillet*. Six years later, Truett Cathy opened up the first Chick-fil-A's restaurant in Greenbriar Mall in Atlanta, Georgia.⁴ Today, Chick-fil-A boasted 1,700 locations in 39 states with annual sales over \$4.6 billion⁵ in 2012. Two of Truett's sons served as executives for the company. Dan Cathy was the president and chief operating officer, while Donald "Bubba" Cathy was executive vice

¹ This case has been written on the basis of published secondary sources. Consequently, the interpretation and perspectives presented in this case are not necessarily those of Chick-fil-A or any of its employees.

² Truett Cathy, "Truett's Timeline," The Cathy Family website, 2013, <http://www.cathyfamily.com/truett/timeline.aspx#3>, accessed July 13, 2013.

³ John J. Miller, "Service with a Smile," *Philanthropy Magazine*, fall 2008, www.philanthropyroundtable.org/topic/excellence_in_philanthropy/service_with_a_smile, accessed July 21, 2013.

⁴ Truett Cathy, "Truett Cathy Embracing Unexpected Opportunities Since 1929," S. Truett Cathy website, 2013, http://www.truettcathy.com/about_opps.asp, accessed July 21, 2013.

⁵ All currency amounts are shown in U.S. dollars unless noted otherwise.

president and Dwarf House president.⁶ Chick-fil-A was also proud of its charity work, having donated more than \$68 million to over 700 organizations.

All members of the Cathy family were devout Christians. All three children practised regular worship, Bible study, prayer and tithing. Dan Cathy believed that it was an “incredible privilege” to have been raised in a Christian home. He remembered being taken to church “every time the doors were open.” His parents were highly active church members, both teaching Sunday school. Many of the charities and foundations that the family supported, including those supported by Chick-fil-A, were Christian-based organizations. For example, WinShape, the family-owned foundation, sought to help young people find and develop a relationship with God to enrich their personal and professional lives.⁷

The Cathy family was extremely proud of their faith, which was reflected in the daily operations of Chick-fil-A. “We don’t claim to be a Christian business,” Dan Cathy told the *Biblical Recorder* in July 2012, “But as an organization we can operate on biblical principles. So that is what we claim to be.”⁸ However, Chick-fil-A had recently come under fire for upholding its conservative views. Critics had accused Chick-fil-A of everything from discriminatory hiring to supporting anti-gay organizations.⁹ Some critics were urging the company to take a less conservative stance in public and to opt for more neutral views. Although Cathy may not have been willing to abandon the Biblical principles on which the company had been founded, a change might be necessary to create a more positive image of the company in the eyes of the public. However, would such a change cause Chick-fil-A to lose the strong following it had worked so hard to develop?

Chick-fil-A proudly used the Bible to guide its business decisions. The most notable example was the Sunday closures at all Chick-fil-A locations. Truett believed that “all franchised Chick-fil-A Operators and their Restaurant employees should have an opportunity to rest, spend time with family and friends, and worship if they choose to do so,”¹⁰ which closely aligned with the Christian practice of Sabbath. In addition, Chick-fil-A took a firm stance against the legalization of same-sex marriage. “We are very much supportive of the family — the biblical definition of the family unit,” Cathy asserted. “We are a family-owned business, a family-led business, and we are married to our first wives. We give God thanks for that.”¹¹ Chick-fil-A also preferred that its franchise owners shared its Christian values. The company asked that its franchise owners “espouse Christian values and be willing to participate in group prayers during training and management meetings.”¹²

Cathy was genuinely torn about how to move forward. Maintaining conservative business practices had led to many benefits. For one, Chick-fil-A had already established itself as an organization that operated on Biblical business practices, and adapting new or changing those values could decrease brand equity. Maintaining a consistent brand image was crucial to maintaining a strong brand.¹³ One of the reasons that Chick-fil-A had remained one of the top brands in the United States was possibly due to its consistent self-portrayal as a company that closely followed the Bible.

⁶ Chick-fil-A, “Company Fact Sheet,” Chick-fil-A website, 2013, <http://www.chick-fil-a.com/Company/Highlights-Fact-Sheets>, accessed July 13, 2013.

⁷ WinShape Foundation, “About,” WinShape website, 2013, <http://winshape.org/about>, accessed July 21, 2013.

⁸ <http://www.chick-fil-a.com/Company/Highlights-Sunday>, accessed September 17, 2013.

⁹ Ibid.

¹⁰ Ibid.

¹¹ Ibid.

¹² Lisa Magloff, “How to Get Approved to Open a Chick-fil-A,” *Small Business by Demand Media*, 2013, <http://smallbusiness.chron.com/approved-open-chickfila-11450.html>, accessed July 21, 2013.

¹³ Kevin Lane Keller, “Conceptualizing, Measuring and Managing Customer-Based Brand Equity,” *Journal of Marketing*, Vol. 57 (1), 1993, 1-22.

Chick-fil-A's conservative values had also helped the company to establish itself as family-friendly brand that many consumers had become attached to. Chick-fil-A's website was filled with testimonials from loyal customers who had been taking their families to Chick-fil-A for years, including a couple who had celebrated their 58th anniversary at a Chick-fil-A in North Carolina. The couple was graciously treated to free lunch and ice cream and claimed to be "overcome with love and attention."¹⁴

Additionally, many customers were avid supporters of Chick-fil-A's use of conservative Christian values to guide its business operations. When Cathy took a stand against same-sex marriage, hundreds of Chick-fil-A fans flooded the Abingdon, Virginia, location in support of his views. Many felt empowered by Cathy's seemingly unpopular stance. For example, pastor Marva Choates said, "It's time for Christians to stand up and take a stand for what we believe in. We need to let others know that the Bible is right. . . . [Dan Cathy] is not ashamed to let others know where he stands."¹⁵ Moreover, Chick-fil-A's employees appeared to be extremely satisfied with how Chick-fil-A operated. As a result of their Biblical operations, Chick-fil-A employees worked under much less strenuous circumstances (e.g., not having to work on Sundays). And although the estimated average employee turnover for fast-food restaurants was 145 per cent,¹⁶ Chick-fil-A boasted an incredible 3 per cent turnover rate in 2011.¹⁷

On the other hand, there were also numerous reasons why it would be beneficial for Chick-fil-A to adopt more neutral practices. First, a less extreme stance would help gain market share by appealing to a wider target market. Many people were beginning to boycott Chick-fil-A because of the causes it did or did not support. Recently, despite being located in the heart of Chick-fil-A's home state of Georgia, Emory University announced that Chick-fil-A would be removed from its food court. The university had originally issued a statement claiming that Chick-fil-A's stance on gay marriage did not "reflect [the school's] values of access, inclusion and equity," though administrators later released a statement claiming the decision had not been politically motivated.¹⁸

Additionally, many Christians and other religious groups were becoming less conservative and were beginning to support more liberal causes.¹⁹ According to a national poll conducted by Bloomberg, 52 per cent of Americans support legalizing same-sex marriage.²⁰ At the same time, a sizable numbers of Christians (e.g. 60 per cent of Catholics, 38 per cent of Protestants) were actually broadly supportive of same-sex marriage.²¹ In an editorial, the managing editor of *Christianity Today* wrote "I hope and pray that

¹⁴ Chick-fil-A, "Surprise 58th Anniversary," Chick-fil-A website, <http://www.chick-fil-a.com/Story/Detail/5613>, accessed July 20, 2013.

¹⁵ Bryna Zumer, "Fans of Chick-fil-A and 'Christian Values' Take a Stand in Abingdon," *Baltimore Sun*, August 2, 2012, <http://www.baltimoresun.com/explore/harford/news/ph-ag-chick-fila-appreciation-0803-20120801,0,6236001.story>, accessed July 22, 2013.

¹⁶ Chad Halvorson, "3 Easy Ways to Minimize Employee Turnover," *When I Work*, February 26, 2013, <http://wheniwork.com/3-easy-ways-to-minimize-employee-turnover>, accessed July 21, 2013.

¹⁷ Lisa Landoe, "Chick-fil-A on Doing unto Others," *The Christian Century*, April 26, 2011, <http://www.christiancentury.org/blogs/archive/2011-04/chick-fil-doing-unto-others>, accessed July 21, 2013.

¹⁸ Glennisha Morgan, "Chick-fil-A Removed from Emory University's Food Court," *The Huffington Post*, March 11, 2013, http://www.huffingtonpost.com/2013/03/11/chick-fil-a-emory-university-_n_2854599.html, accessed July 21, 2013.

¹⁹ Barnes, Megan, "Evangelicals Becoming More Accepting of LGBTs, Study Finds", http://www.edgeonthenet.com/news/religion/148558/evangelicals_becoming_more_accepting_of_lgbts_study_finds, accessed September 25, 2013.

²⁰ Lisa Lerer and Greg Strohr, "Gay Marriage Gains Ground in Poll as Court Readies Ruling," *Bloomberg News*, June 6, 2013, June 5, 2013. <http://www.bloomberg.com/news/2013-06-06/gay-marriage-gains-ground-in-poll-as-court-readies-ruling.html>, accessed July 21, 2013.

²¹ Gallup poll, July 29, 2013, www.gallup.com/poll/163730/back-law-legalize-gay-marriage-states.aspx, accessed September 25, 2013.

church communities will take up the duty and delight of stitching single brothers and sisters, gay and straight, into its shared life," one Christian wrote.²²

Adopting more neutral values would allow Chick-fil-A to be open to operating on Sundays, when it would be able to generate more revenue. For example, if the restaurants had been open on Sundays in 2012, the company could have generated hundreds of millions in additional sales.²³ Lastly, if Chick-fil-A were to adopt more neutral values, it would be easier to become a publicly traded company, which would be advantageous if the company wanted to expand or needed additional funds for another project. Investors would naturally be attracted to Chick-fil-A's high-performing business. If Chick-fil-A adopted more neutral values, it would potentially attract other investors who may not share the company's current political and religious views.

Either option — maintaining conservative values or adopting more neutral values — would lead to negative consequences. If Chick-fil-A decided to maintain its conservative values, the brand would continue to receive support from the conservative Christian community. However, as more Christians were becoming less conservative, Chick-fil-A could eventually reach a ceiling in terms of the number of new customers that it could attract. Additionally, if Chick-fil-A were to ever need additional capital, investors may shy away from such investments after considering the company's Bible-based business operations. On the other hand, adopting more neutral values also had its share of consequences. Although the company could gain greater market share, the fast-food industry was so saturated that changing values could have no effect on profits at all. Instead, such changes in business policy could upset loyal customers who identified with those Biblical values. Further, employees at the retail level could become upset if they were required to work on Sundays, causing a spike in employee turnover.

With increasing scrutiny from the public media, Dan Cathy pondered over this quandary. Should he continue to use business practices that aligned with his family's personal beliefs but conflicted with many others, or should he adopt new values that could satisfy the greater public but directly clash with his own beliefs? With pressures mounting, Dan Cathy planned to raise this issue in his upcoming board meetings.

²² Katelyn Beaty, "Same-Sex Marriage and the Single Christian," *Christianity Today*, July 2013, <http://www.christianitytoday.com/ct/2013/july-web-only/same-sex-marriage-and-single-christian.html?start=2>, accessed July 22, 2013.

²³ In 2012, Chick-fil-A made \$4.6 billion in sales, which is approximately \$14.7 million per day (365 days – 52 Sundays = \$4.6 Billion / 313).