

NATIONAL PRESS CLUB LUNCHEON WITH TRUETT CATHY/DAN CATHY

SUBJECT: CHICK-FIL-A INC. FOUNDER/CHAIRMAN TRUETT CATHY AND CHICK-FIL-A PRESIDENT/CEO DAN CATHY WILL ADDRESS A NATIONAL PRESS CLUB SPEAKERS SERIES LUNCHEON ON NOVEMBER 13. THE FATHER AND SON TEAM WILL DISCUSS THEIR COMPANY'S UNPRECEDENTED SALES GROWTH DESPITE A STRUGGLING ECONOMY AND THEIR RECIPE FOR SUCCESS, HOSPITALITY AND CUSTOMER SERVICE.

MODERATOR: DONNA LEINWAND, PRESIDENT, NATIONAL PRESS CLUB

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**DONNA LEINWAND:** (Sounds gavel.) Good afternoon. Welcome to the National Press Club. My name is Donna Leinwand. I'm a reporter for *USA Today* and I'm president of the National Press Club.

We're the world's leading professional organization for journalists and we are committed to the future of journalism by providing informative programming and journalism education, and fostering a free press worldwide. For more information about the National Press Club, please visit our website at [www.press.org](http://www.press.org).

On behalf of our 3,500 members worldwide, I'd like to welcome our speaker and our guests in the audience today. I'd like to also welcome those of you who are watching us on C-Span.

We're looking forward to today's speech, and afterwards, I will ask as many questions from the audience as time permits. Please hold your applause during the speech so that we have time for as many questions as possible.

For our broadcast audience, I'd like to explain that if you hear applause, it may be from the guests and members of the general public who attend our luncheons, and not necessarily from the working press.

I'd now like to introduce our head table guests and ask them to stand briefly when their names are called. From your right, Robert Weiner, national columnist and president of Weiner Public News, and a Speakers Committee member; Nya Hawkins(?), coordinating producer for AP's Online Video Network, and a new National Press Club member; John Gizzi, political editor with *Human Events*, and also a new National Press Club member; Martha Laurents(?), executive administrator to the CEO of Chik-fil-A and a guest of our speaker; Lori Russo, managing director of Stanton Communications, and a member of the Speakers Committee.

Skipping over our guests, both of our guests, Angela Greiling-Keane, reporter with Bloomberg News and Speaker Committee chairwoman. Skipping over our other guest, Melissa Charbonneau, producer with News Hook Media and vice-chair of the Speakers Committee. She's also the organizer of today's luncheon, so thank you very much, Melissa.

Don Perry, Chik-fil-A vice president of corporate public relations, and a guest of our speaker; Matt Mlynarczyk, president of Advocatus Group; Bob Keefe, Washington correspondent with *The Atlanta Journal Constitution*; and finally, Thomas Donlan, editorial page editor with *Barron's Magazine*. (Applause.)

Since its launch in 1967, the Atlanta-based Chik-fil-A has sold enough chicken sandwiches to stretch from Atlanta to Moscow and back again, enough chicken nuggets to cover one-quarter of the Earth's circumference, and, if our calculations are correct, enough waffle fries to equal the weight of 6,000 African elephants. It's no wonder those clever Holsteins of Chik-fil-A advertising fame are smiling from their cartoon pastures. While the spotted cows may be the public face of the nation's second largest chicken chain, we are pleased to have with us the non-bovine brains behind the record breaking operation, Chik-fil-A founder and CEO, S. Truett Cathy and his son, Chik-fil-A president and COO, Dan Cathy, as our speakers.

While recession has rocked the nation's restaurant industry, leading to sagging sales, downsizing, and layoffs, Chik-fil-A has continued to prosper. Today the company announced its record sales streak will extend into its 42nd

consecutive year. The chain's growing revenues and expanding stores have come without the burden of layoffs and without ending its long questioned policy of closing its doors every Sunday.

Company patriarch, Truett Cathy, understands tough times. He grew up during the Depression learning to cook at his mother's side in the boarding house she ran to make ends meet. After World War II Army service, Truett started his first family diner, the Dwarf Grille, with his brother Ben. Unfortunately tragedy struck two years later when Ben and a third brother, Horace, died in a plane crash.

Truett pressed on with the family business, perfectly a recipe to pressure fry chicken in just four minutes. He is credited with investing the original chicken breast sandwich and introducing the idea of chicken nuggets. The boy with just a high school education eventually built his brand into a multi-billion dollar business, landing in 2006 on the *Forbes* list of richest Americans.

He's written five books including *How Did You Do It, Truett?* He oversees Chik-fil-A's WinShape Foundation that's provided \$25 million dollars in college scholarships, long-term foster care, and summer camps for children.

In 2001, his son, Dan Cathy, took over day-to-day operations of the company as president and chief operating officer. Under his leadership, the company has expanded to 1,475 locations in 38 states, including here in Washington, D.C., and has more than 60,000 employees. Dan Cathy attributes the company's success to two core values — excellent food and unequalled customer service.

The company also has some rather unique marketing approaches. While other fast food restaurants discount menu items, Chik-fil-A prefers to give away its food. We're looking forward to hearing more about that. So please help me welcome the founder and president of Chik-fil-A, Dan and Truett Cathy. (Applause.)

**DAN CATHY:** Well, thank you. It's a treat to be here with you, and, to be quite honest with you, for me personally, it's a real treat to be here with my dad. Not often that we're able to travel together. In fact, I sent out a little Tweet driving over here from the airport that there was going to be two bald-headed men selling chicken at the National Press conference today. So I thought that'd be a lot of fun. But it's just great being here with you, and especially a tribute, honor to be here with presence of two of our Chik-fil-A restaurant operators, Joe Emma and his wife, Liz, and Danielle Odelle(?). I'm not sure where Danielle's at. Let's give a round of applause to them because-- (Applause.)

Invariably, we're always asked the question, what's the secret to Chik-fil-A? And as dad will share here in just a bit, as we share with you, it really does get down to people. Since we're here in Washington and we think about what is said about service, it says, the handshake of the host is affected by-- the taste of the roast is affected by the handshake of the host. And we're reminded of that. And if you wonder why Chik-fil-A tastes so great, it's because of our Chik-fil-A restaurant operators that do such an incredible job of making our service truly remarkable.

I thought what I'd do (and Donna's done such a great job of giving the history of Chik-fil-A) that I'd just give you some highlights for this year, some exciting things that we've really not made public, but just some announcements on what's taking place with our business, and some of our plans for next year. Dad and I will also be sharing some thoughts about families, families in business, issue of succession as well. And then we'll have some wonderful time of question/answer.

This is going to be one of the greatest years in Chik-fil-A, even though the kind of economy that we're in today will be within weeks now reaching for the first time, \$3 billion dollars in sales for the year. This is going to represent about a nine percent increase in sales this year, represents about a four percent, what we call same stores sales, which is probably the real indicator of help for our freestanding restaurants, and will be flat to maybe a minus one percent for shopping mall locations for this year.

When you compare what's going on with major department stores in shopping malls, we are very, very pleased with those figures. But it's been a good year for us, one of(?) a(?) record breaking year actually for us as well. And another highlight this year is that we'll be opening up 69 new freestanding restaurants this year. Fact, we had two of them in Colorado that opened up just yesterday. We had a report here just a couple weeks ago in Ft. Collins, Colorado where they had a freak ice and snow storm that came through. And I think that made network news because there was well over a hundred people, raving fans in the parking lot camped out, vying for an opportunity to get Chik-fil-A for free for a year. So we're continuing that.

December ninth, if any of you want to have a real breaking news story, come join me in a campout that we've got going on, new Chik-fil-A restaurant opening up in Ft. Lauderdale, Florida. It's actually I think Pompano Beach. And for me, it'll be my one-hundredth campout to camp out with customers. And I find that it really helps you stay in touch with the customers when you spend the night with them in a parking lot. I've learned to carry my own tent, sleeping bag with me. I used to depend on one showing up locally. But I found out, when you're laying on eight inches of concrete, you need a little one-inch blow-up

inflatable pad. That one inch will do it, but it sure makes it a lot more comfortable for the evening.

Also this year, in the process (and just completed actually yesterday) the initial rollout of a brand-new service recipe at Chik-fil-A. In fact, service in a fast food restaurant may sound like an oxymoron. But we do think that we can offer service in a fast food restaurant. So we call it second mile service, based on a passage of scripture that Jesus said: "If someone asks you to go one mile, go with them the second mile." And so we've put that under a microscope. We found that the tremendous opportunities that we have, particularly in this economy, to treat our customers with honor, dignity, and respect-- And so we've borrowed a cue from some of the restaurants that charge two or three times the amount. And so we now have fresh flowers on all our tables. We have pepper grinders. And Donna, we have ladies we offer fresh ground pepper that don't even like pepper, but they love the service of fresh ground pepper. And so we've taught these heathen barbaric teenagers (if you can imagine this) how to pull out a chair for a lady and how to say, "My pleasure," and, "May I refresh your beverage?"

And so we think we're doing a service to bring-- to society, to bring back civility as we teach these incredible, marvelous skills that are so appreciated today, particularly for moms, and moms with children.

Also, we're about to have our next Chik-fil-A bowl. Have not announced who those teams will be, but that'll be on New Years Eve, and is one of the-- enjoys one of the largest audiences among the bowl seasons.

Wanted to talk about next year, but dad, why don't you come up here and maybe join me. Because probably the-- Let me get my cow up here. I saw Mr. ...(inaudible) with Coke, and he always put a Coca-Cola bottle at the lectern whenever he spoke. So I've kind of adopted that practice, and I've got a little cow here. These cows are literacy deprived, as you may have noticed. I was in Orlando, week before last. And I was walking in with one of our great, big walking around kind of cows. And I was walking into this facility. They asked me, "Are you here for the adult literacy program?" And evidently, there were several programs going on at the same time. And I said, "I'm not here for that, but this guy is," pointing to the cow, that needed that kind of opportunity.

But the greatest tribute, among many I could give to my dad, is here's a gentleman that started flippin' hamburgers and scrambling eggs at the age of 25, sold the one car that he and his brother had in order to have enough cash, and is now competently and very engaged leader of our business. And that's my dad, Truett Cathy. So dad, I want to ask you, if you would-- I think part of what's kept us healthy is this whole issue of continuous improvement and new things that are going on. And so if you want to share-- join with me here and share a couple

comments about that-- I want to talk about 2010. But share some thoughts about, either family business, or what's kind of kept you in the game. He's 88 years-old. (Applause.) He likes to say that his goal is to live to a hundred, because statistics are in your favor. If you can make it to a hundred, there's very few people that die after a hundred. So that's a pretty good goal to go for.

**TRUETT CATHY:** Okay. Thank you, Dan. He's been right by my side ever since he was a kid. He'd been brought up to work. And I think this is key to a successful business, of teaching to work. I was brought up in the Depression. We talk about depression nowadays, back in the '20s. And I was born in 1921. I don't know why my family would choose to have children back in '21 because my dad was in the real estate business. And back then, you couldn't even sell land for the taxed owed on it. So moved to Atlanta.

And I was brought up in a boarding house where I learned-- taught to shuck corn, shell peas, wash dishes. Things(?) were so poor back then. I can't remember having anything to play with except a loose tooth. And that loose tooth wasn't mine, it was my brother's. I knew if-- I realized early if I ever had anything, I had to work for it. So I started off selling Cokes, buying Cokes six for a quarter. You all remember that, buying Cokes, six for a quarter? And I realized, sell 'em for a nickel apiece, you make yourself a nickel.

And so later on, I accumulated the resources for me to flag down a Coke truck, buy a full case of Coca-Cola, twenty-four Cokes for eighty cents. Any lawyers sitting there, accountants, you brought your calculators with you, put eighty cents in that, multiply it by five, you sell them for a nickel apiece, you made yourself forty cents. So for me, that was big business.

But I have had the privilege of been brought up in poverty, also the joy of having plenty, right(?) before(?) the(?) time(?) of plenty, but lesson be learned when you're brought up in poverty, where you had to work for a living. And Dan, am I to take the next hour or two or-- How much time are you going to give to me? I'm 88 years-old as Dan told you. So I've had a lot of experience that most people don't have.

**DAN CATHY:** Talk about being debt-free. Because today's economy, this is an unusual thing, that we're on the eve, with 36 months, of being a completely debt-free company, and maybe what that means to you personally.

**TRUETT CATHY:** Well, that's what I've been preaching for years. And I always thought, you know, you didn't buy anything until you paid for what you owed. But we've seen so many businesses getting really excited about the business, and they grow it as fast as they can get loans from the banks. And so I think this is caused trouble. I started off in business, my brother and I had \$40,000

dollars that we saved. We got a loan for \$6,600. So we started off in a business where we bought the property, built a building, equipped it, stocked it for \$10,600 dollars. For(?) that(?), we called it a little place called the Dwarf Grille. And I was single at the time, so I got a room right next door to the restaurant. What time I was not working, I was trying to grab a few hours of rest, but made myself available any hour they need me. Come tap on the window and I'd be there pronto.

But business, I think, number one problem, debt is most problems that we have. I can handle every problem except debt. I did not want debt. I'm in the process of accumulating some material and(?) you(?) watch(?) out(?) for(?) this wealth. Is it worth it? A(?) swell(?) question about debt. And I've told Dan, preach people that, let's get out of debt. And we've been able to do that. We're still a private company. And they tell me that we-- possibly be out of debt completely in three years. So it's great position to be in, give me the joy, able to sleep at night.

But five years later that I started the second restaurant. And after having two restaurants, I realized I had one too many, until one of them burned down to the ground. So I was asked to tell that story, that I felt then that I was just glad to have one restaurant. But from that, came the birthplace of Chik-fil-A. And ...(inaudible) in some form or fashion...(inaudible) menu than anything else. So we developed cooking where we-- been brought up in the boarding house where my mama always used-- cooked chicken in a skillet with a lid on it. And that smother would increase the time as well as the breasts not need to cook as long as the other parts of the chicken.

So today, we set a world's record and served Chik-fil-A at four minutes time, so it gives you a good, hot product at all times, even as order comes in. So it's been very good. My friends ask me, says, "Truett, there's nothing so great about taking the breast, taking the bone out of the breast, poking it between two pieces of bread and serving it as a sandwich." I said, "It's nothing at all, a very simple idea. That's the reason I was able to do it."

But it's been very good for us. We are working ourselves out of debt. I'm one who believes that serving the customers is very, very important. And we don't find critics very often in our fast food market. We had a theme(?) line(?) for(?) one(?) of(?)...(inaudible) courtesy is very cheap, but pays great dividends. For that reason, we're able to compete with our highest competitor, not only the quality of our food, but the kindness of our people. We're very, very selective on the people, that we have-- Because you have a good experience dining in a restaurant 25 times and get disappointed one time, they get faulty food or embarrassed by an employee, it might be their-- Dan mentioned that we train our people just the golden rule, treat others like you like to be treated, that you like--

When you out to eat, you like to be greeted with a bunch of smiling faces, demonstrate a serving spirit. And if the customers happen to say, “Thank you,” we’re taught to say, “My pleasure.”

And boy, you don’t expect that in fast food. So it distinguish (sic) us that we compete with our highest competitor, simply ’cause of kindness of our people. We only have a turnover rate of three percent, in our career people, six hundred people on our staff, as well as nearly 1,500 units, career people. Majority of our operators grew up in Chik-fil-A. They grew up, high school and college. So I’m really motivated what I see in young people, their desire to please them, the customers, as well kindness that’s rendered. Now Dan, how much time is given to me? Is this time to have question and answers?

**DAN CATHY:** Not yet. Not yet.

**TRUETT CATHY:** Not yet?

**DAN CATHY:** Not yet. We’re going to do Q&A in just a minute.

**TRUETT CATHY:** All right, well what(?) like to talk about is-- I feel being in restaurant business, kind of divine calling where you have the privilege of serving the necessity of life, food. Lot of people eat out when they aren’t hungry. So we’re able to meet their emotional needs and sometimes even spiritual needs. And we look upon our people, first of all, their character. I feel that if you haven’t been able to take care of your personal life, how do you expect them to take care of your business?

So for that reason, we hear about a business failing or a business succeeding. But a business does not fail, nor does it succeed — it’s people that causes things to happen. And so for that reason, we’re very, very selective on our people. It does make a difference. Makes my job much easier, too, as CEO, to get the right people, is I don’t have to work so very hard. Okay, Dan?

**DAN CATHY:** Let me mention just a couple other things, and then we’ll respond to questions and just get some other facts out on the table, that you may be of interest in. We’re going to help out the Washington, D.C. economy. Coming up in February, we’re going to bring all of our-- our whole Chik-fil-A corporation, our Chik-fil-A restaurant operators, their spouses, and all of our corporate staff and their spouses to the Gaylord property here in February. Going to be about 4,000 Chik-fil-A folks. And so we’re going to be depending on our team members to continue to offer second-mile service while we’re here at the Gaylord property. We’re very excited about that coming up this year.



Also, we'll be introducing this little sneaky-peeky deal here. Our new spicy chicken sandwich will be premiered on our menu in June of this next year. And one of the things that we learned about the restaurant business, we have to continually evolve the business in our menu and product offerings. And another special announcement is that we'll be opening up two restaurants for the first time in Chicago, Fall of next year. So if you want to have a cheap date, go to You Tube, put in 'Chik-fil-A' and there's over 1,800 videos, some of which are from customers who had a video You Tube campaign going on to encourage us to come to Chicago. So we're responding and listened to those customers in that regard.

I think we're going to talk about-- do Q&A. But let me just that--

**TRUETT CATHY:** Let me butt in, Dan. Everybody getting my(?) cow(?) as they go out. And the books outside, there I was told that you had to sell them, you couldn't give them away. But we've turned this around. Now they're free. Find it lots easier to get rid of them free than to buy them. So you just help yourself. One of them is *How Did You Do It, Truett?*, been mentioned, and *Eat Mor Chikin*. And one is, *It's Better To Build Boys Than Mend Men*. I'm much involved with young people teaching Sunday school for 51 years, 13 year-olds. So I realize the importance, starting early and raising your children and discipline your children.

**DAN CATHY:** We'll use that as a segue. But I just would share with you, we're going to continue to be closed on Sunday. We're going to continue to be a privately held business. My brother and sister have signed a covenant of agreement that we're committed to keeping the main thing the main thing in our business. And while we'll have Twitter, Facebook, and all kind of things going on to stay relevant with our customers, and spicy chicken sandwich, that we are very committed to the values and the principles that have been the mainstay for this business for 63 years now. So it'll be my challenge to make sure that we don't mess up what he got started for us.

So why don't we just-- good time to do some questions here Donna?

**MS. LEINWAND:** Okay. What was the most challenging thing about starting this type of business?

**DAN CATHY:** Dad? You started it. (Laughter.)

**TRUETT CATHY:** Well most time, when you get started, you continue solve one problem after another. But lot of dreams have been discarded simply because of the fact that it's never the right time. You've just got to venture out. You can excuse, got too much competition, interest on borrowed money is high.

And I feel a lot of us(?) desire(?) to start a business, but just don't have the guts to start. So I was ignorant enough. I thought I could build a restaurant for four thousand dollars. But it's how a person deals with problems that makes a difference. Most of 'em fare pretty good when everything's going good. But the test comes to each of us when we have a problem. What are we going to do about it? So I feel like we(?) grow(?) in(?) this(?). We're growing in our society today because a lot of people are suffering. Nothing they could do about it.

I know in 1982, we just moved into corporate headquarters which was fully financed to the tune of \$10 million dollars. And this is-- We talk about-- And unemployment was higher there then than it is today. And I was quite concerned. So I called a meeting of executive committee to gather, couple of days and just ask ourselves some important questions. Why are we here? Why are we alive? Why are we in business?

But from that, meeting two days, that we came away, that this might be Chik-fil-A's corporate purpose, that we might glorify god by being a faithful steward for all that's entrusted to our care, that we might have a positive influence on all the people that we come in contact with. We came back, we shared that with the staff. They said, "What else did you do?" I said, "We didn't do anything. It's(?) beyond our control."

And so this has been a very fruitful for us. That following year, we had a record increase in sales, 36% chain-wide. And so we've been prosperous since then, and we feel that god created all of us to have some purpose...(inaudible) achieve something that might be noteworthy during our lifetime. So god has blessed us. We have-- still enjoying our business. People say, "When you gonna retire?" I say, "Retire? Why would I want to retire from something that I enjoy doing?" So I do enjoy it. But we urge our people, "Work hard, but have fun doing it." Okay? That-- just a thought or two that might be meaningful to you.

**MS. LEINWAND:** I've got one more for you. How did you come up with the name, Chik-fil-A?

**TRUETT CATHY:** Well, that's kind of a tricky word, because a lot of people called 'chick fella' 'chick fill' 'chick buffet, Chevrolet'. But went, counseled with an attorney about getting a registered trade name, trademark. "Well," he said, "You...(inaudible) very well get a patent on it, but you can register your trade name. And you...(inaudible) name to distinguish some way by turning it upside-down, misspelling it." So coming home, the name 'Chik-fil-A' it must be some indication, must(?) be(?) kind of boneless chicken. And so it has been tricky, but it's been very good. Once you get it, it stays with you.

But we do have, oftentimes in the beginning, people learning-- They know what a hamburger is and know what a hot dog is. But Chik-fil-A, what's that? And so we have passed out samples. Our first store, it was going in shopping malls, and we'd pass out little samples on toothpicks out there in the mall. Well, often time, people come right on in. Sometime they come back in an hour, have some fond memories. But that name's been good for us. And the cow has been very faithful to us and has identified our product, urging people to, "Eat mor chikin." Okay?

**MS. LEINWAND:** Okay. So what are these financial downsides to being closed on Sundays? And how do you manage to stay competitive without being open on Sundays?

**DAN CATHY:** Okay. In terms of financial downside, dad says that it's the most important business decision that he ever made, was being closed on Sunday. We were closed on Sunday, 1946, originally because he was so exhausted. But we find today that it's really an anomaly, certainly in today's economy, and certainly within food service of being closed on Sunday.

It's not a hardship. In fact, it's a tremendous business decision. It is a sales generator, the net of it is, over being open seven days a week. And the reason I say that is that we know that our service delivery and the speed of our drive through in our freestanding restaurants is-- and our food's better on Monday because we're closed on Sunday. And it makes that much incremental difference on Monday and a little bit better on Tuesday, and a little bit better on Wednesday, Thursday, Friday, and Saturday, that it more than offsets the fact that you're closed on Sunday. And it's worked for us. And we're going to stick to it. Our competition really appreciates the fact that we're closed on Sunday.

**TRUETT CATHY:** We encourage you, if you'll eat with us six days a week, we let you eat somewhere else on Sunday. Okay?

**MS. LEINWAND:** Fast food has come under fire in recent years as many consumers pay more attention to how they eat. How is Chik-fil-A changing with such demands.

**DAN CATHY:** A great question. Originally, in our first shopping mall location, it was a female shopper-centric experience back in the shopping mall days, when that was very popular in the '70s and '80s. And we had no idea with chicken, that it would have the nutritional health overtones that certainly it's appreciated for today. And of course Chik-fil-A's cooked in one hundred percent peanut oil. But we continue to evolve and have that health/nutrition aura about our brand, although customers really buy taste. They may say 'healthy' 'nutrition' on

surveys, but they buy taste. And we sell a lot of hand-spun Chik-fil-A milkshakes because of it.

But at the same time, we have fruit on our menu and salads on our menu. And we want to encourage people to eat responsibly. And when you're having one of those Chik-fil-A milkshakes, we hope that you'll drink responsibly as well.

**MS. LEINWAND:** Some restaurants are working to source more food locally, with even Wal-Mart doing so for its grocery produce. What about Chik-fil-A?

**DAN CATHY:** That's a good question. The volume of produce that we use, particularly for lemons, is such that it's much more feasible for us to not buy that out of local produce stands, but we actually use a distribution center. Fact exactly a week ago today, I was with Wal-Mart, talking to them about their distribution. Mike Duke, who's the new CEO there, is from our hometown in Fayette County in south Atlanta. But it's fascinating to see all the different forms of distribution, order replenishment. You ring a sale, all of a sudden manufacturers know about it. The whole replenishment cycle is becoming more and more efficient. It's one of the reasons that here in America, we enjoy one of the lowest relative costs of living in the world, is because of the efficiencies of our distribution system and how smart technology is aiding us in productivity, of which our customer's able to benefit from.

**MS. LEINWAND:** In Washington, it is often said that it is easier to become a CIA agent than a Chik-fil-A franchisee. Is it true that 20,000 people apply each year for less than a hundred franchises? Why are you so selective? And how do you get picked?

**TRUETT CATHY:** Okay. My observation is, you know, that we read in trade magazines-- Use, for instance, McDonalds franchisee. And then they have a franchise, oh, they have many people connected with the company that's got money. They're not the(?) people that's-- work behind the counter there and serve chicken. But we're looking for a person of character, rather than money. And ...(inaudible) person come aboard with us for only \$5,000 dollars. And anybody can raise \$5,000 dollars if they can get the credit right.

And so we say that you're not in business by yourself, but with you. And more money we can help them to make, the more they can help Chik-fil-A make more profit rather than-- So ...(inaudible) person's talent. It's very, very important that we do that.

**DAN CATHY:** I'd mention that, Danielle, that's here with us, her father is a Chik-fil-A restaurant operator. And we have many of our Chik-fil-A operator

today who are second generation. I think there's thirty or forty of our Chik-fil-A restaurant operators that have sons or daughters that are now grown up in the business, and multiple sons and daughters in some cases. And that helps us keep that great talent that we're talking about here.

**TRUETT CATHY:** Right. Oftentimes, a developer will have a person, thirty-five, forty thousand dollars a year to operate a business, represents an investment about \$3 million dollars. But our operators, most average about \$150,000 dollars a year. So some of you might be applying for a Chik-fil-A unit. \$150,000 dollars — so it gives them, really a good style of living. And we have, likewise, on down the line, we try to pay more and have benefits. All of our young people that work for us, that has worked with us two years, even if part-time, they get a thousand-dollar scholarship to the school of their choice. And we just recently awarded 120,000 scholarship. We're talking about \$125 million dollars that we use for developing our young people.

I likewise have another scholarship program up at Berry College, where these young people go on a \$32,000 dollar scholarship, half of that is(?) swallowed(?) by(?) Berry, and half Chik-fil-A. So this is very important to us, because, good(?) relationships with our young people, and they stick ...(inaudible).

Our original approach, development of Chik-fil-A is going in shopping malls. Back in that time, the developers would not even talk to you about food. Said, "We don't want the fumes and smoke and the paper." And we encouraged them, "Well, just lock your doors and you won't have to worry about cleaning it up." But by nowadays, we've proven that-- a need is for fast food in shopping malls. And at Greenbriar, first one, was paying ten times our base rent, which gave us good invitation to talk to us. And now they build a shopping mall around selling food in the food court. So we have opened the gate there to expand. We think we've pioneered this approach.

**MS. LEINWAND:** Speaking of having sons and daughters in the business, Chik-fil-A is a private company. How do you feel about the estate tax?

**DAN CATHY:** I don't like it myself. But, you know, we realize that it's very important that-- When businesses can transition from one generation to the next, the economy wins on that, no questions about it. It's tragic today, however, that only thirty percent of family-owned businesses (and the vast majority of businesses in America are family-owned proprietorships) tragically only thirty percent of are able to succeed into the next generation.

And I say it's tragic economically, because I think there's a lot of thought and knowledge that simply just vanishes when businesses are not able to succeed

themselves, but particularly family-owned businesses. I know that I'm so thankful that I've been tutored in the philosophies, in the values, in the principles that my dad has lived out, a life of integrity all his life. And I would be foolish to think that I should vary(?) as(?) terms of the values and principles that are there.

We are very intentional about keeping our business a family business. Even from an IRS standpoint, awful lot of planning to make sure that you can have a smooth succession of the business. And we are very actively involved with the third generation. I have two sons that are involved with the business. I have my brother. He has six children. And my sister has four children. There's twelve grandchildren that are what we call 'gen-three' or generation three. And we are tutoring and mentoring them in their responsibilities as owners of the business, but also, for those that feel called to be in the management of the business (which they have a choice of that) then we require them to work outside the business for two years before they can come onboard with us so that they can have a benchmark and have a sense of appreciate for what this business is, and the kind of challenges that we're going to face as we continue to go into the future.

**MS. LEINWAND:** So have you ever worked at McDonalds?

**DAN CATHY:** I haven't, but my brother reportedly did for a short period of time before they found out who he was. And I have a nephew that worked at a Waffle House and learned some great lessons there. But we have a great respect for our competition that's out there. And it'll be fun to see what happens when we open up some restaurants in Oak Brook, Illinois.

**MS. LEINWAND:** So how do you instill vision, company vision in your frontline managers?

**DAN CATHY:** Someone defined vision as a picture of the future that produces passion in you. And when we can share a vision and infect our people with a vision that relates to what our corporate purpose is all about, that we're here to glorify god, to honor him and simply acknowledge him, as Solomon asked us to do, in all our ways, and to see this business and business in general as an opportunity to impact people's lives and to be a good steward of what's taken place-- And so if we can infect, you know, Joe that's here and Danielle that's here and her people, they are the magic. Because of the incredible talent that we have among our operators, they attract some incredible, wonderful team members, parents that are dropping their kids off in the parking lot, saying, "That's the kind of place that if you can start your work career, that's the kind of place that I'd like for you to be."

And I know one of these days, they may come to work for you. And I hope that it looks really good on their resume that when they were a young person, they started their career at Chik-fil-A.

**MS. LEINWAND:** As you mentioned, your company's mission is to glorify god. What do you do if employees disagree or have different religious beliefs or have no religious beliefs?

**DAN CATHY:** That's a great question. We have a wide range of religious faiths that are represented at Chik-fil-A. I'm told we may have some Methodists that are out there. I'm not sure about the Presbyterians...(inaudible) that are out there. But what we have to agree on is that we're going to agree on some basic values such as truthfulness and honesty and compassion and concern for other people. And so we find that, regardless of the religious faith label, that there's a big piece of common ground as it relates to those values that are there.

And as it relates to our corporate purpose of glorifying god, I'm delighted that we're in-sync with our Federal government who is-- Our economy's gotten in such dire straits today that our Bureau of Engraving is inscribing motivational, inspirational statements on all of our Federal reserve notes. Maybe you have one of these coupons in your wallet. But it says, "In God We Trust." And indeed, we should trust in god, a god that loves us so very much. And if we have a sense of humility and a sense of gratitude and thankfulness, then I do believe that god wants to help us make good choices and decisions, not only in our personal life, but it works in business as well.

**MS. LEINWAND:** *Forbes*, in 2007, reported you were sued by an employee when you fired that person for not praying to Jesus at a corporate retreat. And apparently you settled the case. Is this true or false? And is this one of your company's values?

**DAN CATHY:** That's a good question. I was asked by a reporter on *Nightline* that we talk sometimes about the three 'C's as we make decisions about people. It's competence, it's character, and chemistry. And she said, "Well, is there a fourth 'C', Christianity?" And I said, "Well, of course not." It would be against, just even our corporate purpose of being able to influence people's lives in a positive way. So we have the ...(inaudible) there.

And the particular case that you identified, there were issues-- That was not even the basis of the case at all was(?) the fact that this particular person of another faith did not participate in a prayer that was part of an after hours social gathering that was taking place. It seemed to be the more convenient thing to justify some other issues that were going on in that relationship.

**MS. LEINWAND:** What concerns do you have about the healthcare debate and how it might affect the insurance you offer your 60,000 employees?

**DAN CATHY:** Well, it's going to be, as we go to a national health plan, it's going to be expensive to provide the kind of healthcare that people expect today. Ultimately, that's going to be reflected in consumer prices. It's going to be inflationary. I think as businesses, we need to look for opportunities to talk about wellness, rather than just talking about medical expenses. We have a fitness program that's operated in our corporate office for instance, by the Cooper Wellness Center, Dr. Kenneth Cooper out of Dallas, Texas, and have recently been recognized as the most fit company in Atlanta, competing against UPS, Coca-Cola, Home Depot, and a lot of others that are there.

So as I said earlier about those milkshakes, we need to all make sure we drink responsibly. I enjoyed about half of my delicious pecan pie dessert, which I guess that's because we're from the South, we had pecan pie here. But I enjoyed half of it, because I ran three miles a day-- or three miles this morning. How 'bout you?

**MS. LEINWAND:** Have you ever considered becoming a public company? And why did you choose not to?

**DAN CATHY:** Well, we serve the public, but we've not gone public in terms of a public offering. Public money is very expensive money. Now to be honest with you, it's a lot cheaper to borrow money from banks. Bank interest that we're paying now is about two and a half percent, which is incredibly cheap money to borrow. But if you can finance your growth internally, it's much safer long-term way to grow the business, because you're-- in effect, your customers become your venture capitalists. They are the ones that are providing the capital to help you continue to grow. And so if you can discipline your appetite for growth and keep it lock-step with the votes that are coming in form of those Federal reserve notes in the register, it's a very stable and secure way of being able to grow the business. And it keeps you very accountable, not to Wall Street, not to a bunch of stock analysts, and giving nice reports to them, but it keeps you very accountable to your customers because that's really the bankers that are helping finance your growth. And that's one of the reasons I carry a sleeping bag and a pup tent around with me, so I can spend as much time with my bankers, à la customers, as possible.

**MS. LEINWAND:** Do you think you would be able to be debt-free in 36 months if you were publicly traded?

**DAN CATHY:** I doubt that a publicly-traded business would be in the best interest of the shareholders to want to be necessarily debt free. There's a very



strong argument that you can make that if you can borrow money at two, three, four, or five percent, and have the kind of returns that we are enjoying in our business, then that'd be a good investment for shareholders to participate in that. So I'm not sure that it'd necessarily be in their interest for us to be debt-free. But I know one shareholder that it's very important that we be debt-free, and that's the one that we're going to be answering to.

**MS. LEINWAND:** What are the main challenges facing your industry?

**DAN CATHY:** Obviously we've got here in Washington a lot of issues that cause business to be a lot more complicated than perhaps it needs to be. The more regard that business leaders have genuinely for their workers, their employees, the more sincere, genuineness they have of operating their businesses with integrity, orienting it toward the customers, the less bureaucracy and the outside influences of our Federal and state government would have to be.

You know, biblical principles just simply work. They're so efficient in terms of the way in which we can operate with values and principles that are there. Going forward, it's all business. I think the issue of balance, of creativity, innovation, change is a challenge for all of us. We fail to slow down. Your own industry reporter I was with day before yesterday shared with me how the business was more profit-- industry was more profit-oriented than customer-oriented and innovation-oriented.

So the challenge that we face in food service today is no different than the challenge that any industry faces as we try to make the balance. And I use this as a metaphor, this BlackBerry, being able to keep up with all the change that's going on, on here with Facebook and Twitter and all the other things that are going on, and making sure we maintain balance with values and principles that have never changed. And the challenge is the tyranny of the old(?). You've got to have both, you know, that you've got to be well versed at. And if we could spend as much time with Solomon as we do with, you know, all the...(inaudible) see, I wonder whether we'd be better off. But I know for myself, it's just the balance of making sure that we keep up with change, but realize that the important things really haven't changed or never will.

**MS. LEINWAND:** If the economy doesn't rebound soon, will you be forced to lay off employees?

**DAN CATHY:** Well, we're actually adding employees right now. We'll add over 4,000 new. Most of these will be first-time entrants into the job market by way of the 85 new restaurants that we're opening up this year. So we're continuing to see sales increases, primarily because, you know, customers still

appreciate the great taste of food, but they really appreciate the incredible service, amenities that we're offering in our restaurant today.

Honor, dignity, and respect is at an all-time high from a demand standpoint. But the supply is very low. So any time you get a big gap between demand and supply, and you as a business person can stand in the gap, that represents profit opportunity. And so we're expecting to see a very strong year in 2010.

**MS. LEINWAND:** Where are your new growth markets? And have you considered expanding internationally?

**DAN CATHY:** We are-- continue to expand in our existing markets. There's certainly a lot of Home Depot parking lots and Super Wal-Mart parking lots that we have yet to grow into. Our five major markets that we're not in at this point are Portland, Seattle, Chicago, Detroit, and New York. So we've got a tremendous frontier of opportunity right here in the U.S.

We do have wonderful opportunities also outside the U.S., certainly down into Puerto Rico, Mexico, Canada. On a conversation earlier today with some folks very interested in Chik-fil-A, expanding in Asia, in Europe. And we'll continue to look for those opportunities, because I think it'll-- probably very important for us, probably in the next ten years, for us to have a presence outside the U.S., just to continue the opportunities for growth.

**MS. LEINWAND:** What do you think Chik-fil-A will look like or be doing in fifty years?

**DAN CATHY:** Oh my goodness. Well, fifty years from now, I hope that we've done a good job of raising our children. As dad says, it's not how good a father you are but how good a grandfather you become to that next generation. So they're making some real great choices about their spouses. And I hope my wife and I, Rhonda, and Bubba and his wife, Cindy, and Trudy and her husband John, you know, fifty years from now may make a difference as to what kind of parents we are today.

Obviously the menu will continue to grow and change, the colors, décor issues, the types of service that we'll require, you know, fifty years and all. But someone said this (just kind of close this statement) that when the rate of external change exceeds the rate of internal change, disaster is imminent. And so if we can get a good grip of how fast things are really changing out there, and the rate of that change-- And when the rate of that change exceeds the rate of internal change that's taking place, then the gap of obsolescence begins to grow over time. And it's a terrible tragedy to see happen.

So it certainly gets me up early in the morning to make sure that we're staying at the top of our game. But the only thing for sure we know is that it'll be a lot different than it is today.

**MS. LEINWAND:** Okay, a member of our audience asks, with so many business executives admiring you for your honor and ethical way of doing business, are there any executives or other businesses that you have your eye on or that you admire?

**DAN CATHY:** Well, absolutely. And all of us need great mentors that are there. As I mentioned, exactly a week ago today, we were having lunch with Mike Duke, who is the new CEO of Wal-Mart in Bentonville, Arkansas, a person of tremendous integrity and character. And his wife Susan and their family, being able to have just that little close, little office setting that he has there-- He's now occupying Mr. Sam's old office, whom I had the opportunity of meeting about six months before he passed away in 1992.

The day before, we had a whole day, eight hours with Don Soderquist, who is the former vice chairman there at Wal-Mart. But there are many other wonderful business leaders that are out there — Bernie Marcus in our own town of Atlanta, an incredible business person, where he and Arthur Blank were the founders of Home Depot, and to have as mentors people like Muhtar Kent, who is the CEO of the Coca-Cola company in Atlanta, and to be able to have relationships with these people that are so inspiring.

But it's wonderful for me to have a relationship with my dad. I admire him so much that I go to the same barber that he goes to.

**MS. LEINWAND:** All right, well speaking about family business, I have a question from my dad who wants to know, what do you do to maintain quality across so many businesses?

**DAN CATHY:** That's the real challenge in a chain restaurant that has one logo, and you expect the same Chik-fil-A restaurant, whether you're-- experience, whether you're in Lubbock, Texas or Fairfax, Virginia, or Canton, Georgia. But the real key to that is the caliber of the leadership in the restaurants, as I mentioned earlier. So much of the questions really gets back, from a performance standpoint, to the quality and the character of the people that you select. And we have to make sure we have a great business opportunity to attract really high caliber people, and then the discernment to make sure that you've got the right ones.

Obviously there are lot of systems and processes that have to be built in order to make sure that you're regularly, you know, testing and checking and managing and measuring and temperature checks, and on and on and on, that you have to have in place, those systems of basic business, processes and the disciplines to pay attention to those numbers and take action as needed. We invest very, very heavily in our people. Fortunately, as dad mentioned, that 97% retention rate among our operators, one of the benefits of that incredible retention we have is that we get to train and train and re-train, and get greater insights. And we just simply get better and better over time because our people stay with us for just an extended period of time. It runs circles around another business that might be down the street where they have, you know, two or three hundred percent, you know, turnover on a regular basis. It's a decided competitive advantage.

**MS. LEINWAND:** Okay, we are almost out of time. But before I ask the last question, we have a couple of important matters to take care of. First of all, let me remind our members of our future speakers. On Monday, November 16th, Debbie Hersman, chairman of the National Transportation Safety Board, will be joining us. November 20th, Jim Leach, the chairman of the National Endowment for the Humanities, will speak. And on November 23rd, Ken Feinberg, the Obama Administration's special master for executive compensation, better known as the 'pay czar' will be speaking at the National Press Club.

Second, I'd like to present our guests with the traditional and much coveted NPC mugs. (Applause.)

And for our last question, this may be our first to come from Twitter. Somebody from Twitter wants to know why you taught your cows to write, but why you didn't teach them to spell correctly.

**DAN CATHY:** These cows are so inspired to get this message out, that they must have been skippin' school when they had English classes that were there. But as I think we may have mentioned, this campaign was developed by the Richards Group in Dallas, Texas. Any of us would love to take credit for this campaign. It has recently been inaugurated into Icon Hall of Fame, if you didn't know there was such, in New York City. So these cows are represented there. They are literacy-challenged. Sometimes we do get letters from English teachers that bring to our attention the disservice for literacy in America with these cows. And we write them back that, had these cows been in your English class, I'm sure they would have known how to spell better.

But in the meantime, we're going to keep this cow campaign going. And we're going to milk it 'til the cows come home. (Applause.)

**MS. LEINWAND:** I'd like to thank you all for coming today. I'd also like to thank National Press Club staff members, Melinda Cooke, Pat Nelson, and JoAnn Booz for organizing today's lunch. Also thanks to the NPC Library for its research.

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Thank you very much and we are adjourned. (Gavel sounds.)

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