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Ray Kroc and the Advent of Fast Food – II

Lead: In the mid-1950s salesman extraordinaire Raymond Albert Kroc charmed the founders of a little restaurant chain into placing him in charge of expansion. His problem: feeble profits.

Intro: *A Moment in Time* with Dan Roberts.

Content: As the consummate marketer, Kroc was able to sell franchises at a rapid rate, but there was no mechanism to force franchisees to adhere to McDonald's business model and his obsession with "QSC – Quality, Service and Cleanliness." The

solution was to go into the real estate business. The company would buy the land and build the building and after a rigorous selection process sell the outlet to the franchisee, whom Kroc now considered his partner, at a ridiculously low rate. The conditions for operation were built into the lease for the property, the cost of which was determined by a graduated percentage of gross sales.

By 1961 Kroc's relationship with the McDonald brothers had deteriorated and he bought them out. His undisputed leadership unleashed a tremendous period of growth, due in part to his rigorous training program for franchisees later called "Hamburger University" on the site of his first McDonald's in Des Plaines, Illinois. The company also led the way in national advertising which was of inestimable value to local stores. To expand he took the company

public and by the end of the decade in part due to his carefully planned process management which insured that a Big Mac in Rhode Island would taste the same as a Big Mac in Seattle, there were over 1500 restaurants in the chain.

Seeing domestic growth beginning to contract, in the 1970s Kroc began overseas expansion with the same winning formula and intensity that taken McDonald's to the top among fast food chains. The key to this growth was business-format franchising – a big company's ability to create and sustain small businesses in highly lucrative partnerships.

Kroc remained as Chairman of the company until his death in San Diego in 1984. At that point there were upward of 7500 locations in 31 countries worth \$8 Billion. His personal fortune was around \$500 million.

Research assistance by Colleen Egan, at the University of Richmond's School of Continuing and Professional Studies, I'm Dan Roberts.

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