PECULIAR CAPITALISM: FAST-FOOD FRANCHISING AND ENTREPRENEURSHIP IN POSTWAR AMERICA

by

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of
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In History

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DEDICATION

This work is dedicated to my loving wife Melinda and our children, Aidan and Tav, in recognition and appreciation for the sacrifices this project entailed. To my parents, Nathan Brody, Ph.D., and Erness B. Brody, Ph.D., for their willingness to support me in so many ways and for being role models. To my sister, Jennifer D. Brody, Ph.D., for her encouragement and assistance in navigating the waters to help see this work to completion.

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The staff of the Smithsonian Institution Museum of American History provided an endless number of documents and led me to A. Bernie Wood's collection. The University of New Hampshire's archive staff helped me find a wealth of material relating to Dunkin' Donuts. The reading room librarians at the Science, Technology, and Business Division at the Library of Congress helped locate numerous fast-food industry publications. Jan Whitaker always found a photo or menu, and I learn a great deal from her blog, *Restauranting Through History*.

Conversations with David Kirsch at the University of Maryland led me to think more about entrepreneurship's role in America. Francine LaFontaine and Marcia Chatelain both provided time to speak with me in person and offer suggestions.

At George Mason, Paula Petrik introduced me to the canon of business history while Gabriella Petrick did the same for food studies. Throughout my graduate school days, Michael Hugh O'Malley made me see history in a new light, as did Randolph Scully and so many others. I owe an enormous debt of sincere gratitude to Zachary Schrag, not only for teaching me so much about urban and other histories but for being so patient. I never heard him offer anything but fair and honest criticism, and I am a better writer and a better person for it.

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Peculiar Capitalism: Fast-Food Franchising and Entrepreneurship in Postwar America

This dissertation uses business history and food history to tell the story of a peculiar form of capitalism, in which entrepreneurs find themselves inhabiting a liminal world. Franchising exists as a hybrid form on a continuum between independent businesses and corporations. Throughout the postwar era, fast food franchising was at the center of legal, political, and social debates. This study covers the period from the 1953 creation of the Small Business Administration to the passing of the 1978 FTC Franchise Rule. It relies on franchise brochures, industry magazines, company records, and government documents.

This work begins with suburban growth during the 1950s, when the baby boom, new highways, and processed foods helped to usher in the drive-up fast food restaurant era. Emerging companies turned to the sale of business format franchises to meet their need for new capital. In so doing, they focused on recruiting, training, and servicing their local outlets. Despite adopting systems, technology, and management science, many

failed, and even well-known companies like Kentucky Fried Chicken could not expand to new business lines. Attention to these failures challenges existing historiography that emphasizes successes, such as McDonald's.

This study argues that by the 1960s, the numerous failed enterprises show an industry beset by risk while defending its declining reputation. The franchise industry was complicit in overselling the promise of success. Many potential entrepreneurs fell victim to fraud, while others encountered a powerful industry propaganda machine. Some firms, such as Carvel Ice Cream and Dunkin' Donuts, did succeed.

The barriers for aspiring entrepreneurs, whether franchisors or franchisees, are much more significant than previously documented. This applied to celebrities, working people, and those with prior food service experience. People of color faced prejudice and systemic barriers. Government programs became mired in red tape or politicized. Concurrently, consumers attacked fast food as unhealthy and opposed new outlets.

This work recovers the inherent tensions during franchising's growth phase to show a fragile and contingent business model. Given the number of closures, the needed infrastructure, and changing consumer tastes, franchising's reality deviated from its popular image.

INTRODUCTION

It is nearly impossible to be a consumer today and not interact with a franchise delivering goods or services. Indeed, we take this ubiquitous business model for granted. This quintessentially American form of enterprise came of age during a pivotal time in United States business history.[1] During the postwar era, franchising was at the center of legal, political, and social debates, and its long-term viability seemed uncertain. [2] Despite this, the country experienced tremendous growth in the number of both successful and unsuccessful licensed businesses. Thus, the story of modern business history must include the franchise industry, an intersection not visited by many scholars.

This work tells the story of a peculiar form of capitalism, in which entrepreneurs find themselves inhabiting a liminal world. This dissertation argues that franchises are a hybrid form existing on a continuum between independent businesses and corporations. Although franchises differ from chain stores, they also share many attributes. Failed enterprises show an industry beset by risk and uncertainty while defending its declining

[1] Product franchising grants rights to sell a product, the classic nineteenth century cases are Singer sewing machines and McCormick reapers while in the twentieth century, auto dealers and gas stations are typical product franchises. In a business franchising model, the franchisor sells the business strategy and materials or a 'turnkey' system.
[2] William Leach and others have documented much of the twentieth century's consumer movement without explicitly looking at the franchise. Recent work includes Marcia Chatelain. *Franchise: The Golden Arches in Black America* (New York, N.Y.: Liveright Publishing, 2020). The best known work consists of case studies in different eras and looks at franchising as an economic concern. See Thomas S. Dickie. *Franchising in America: The Development of a Business Model, 1840 to 1980*. (Chapel Hill, NC: University of North Carolina Press, 1992) The other useful text is more journalistic and has a broad franchise focus. See Stan Luxenberg. *Roadside Empires: How the Chains Franchised America* (New York: Viking Penguin, 1985)

reputation. The barriers for aspiring entrepreneurs, whether franchisors or franchisees, are more significant than previously imagined. Ultimately, government intervention is required to address these inequities. My findings show fragility and uncertainty in a period generally associated with unbridled economic growth. This project covers the years between the 1953 creation of the Small Business Administration and the 1978 Federal Trade Commission Franchise Rule.

From drive-in to drive-up to drive-through, fast food outlets became a worldwide symbol of American enterprise, capitalism, and preeminent business model. [3] Franchising addresses architecture, automobility, class, economic cycles, food changes, government regulation, mass marketing, race, suburban growth, technology, and new patterns of leisure and consumption.[4] It is also the story of fraud, discrimination, racist tropes, gender bias, class antagonism, and stereotyping.

Franchisors and franchisees are ordinary and exceptional, remarkable, and unremarkable, making them an ideal study subject. Franchises exist as hybrid models, somewhere between a corporation and an independent business with complex forms and functions. Through the lens of franchising, we can complicate our understanding of service delivery, retailing, small business, and food systems.[5] While many people

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3. A drive-in typically has a canopy under which cars can park, if there was a parking lot, it is still considered a drive-in if patrons had orders taken in or from the car. The term drive-up is used later in time to mean a location in which the patron gets out to place an order and a worker hands the food to the patron in the car.

[4] There is nothing new about fast food. In the nineteenth century, Harvey House fed railway travelers in fifteen minutes while the 1920s saw smash and grab lunch counters.

[5] For a model of chain stores, see Marc Levinson, *The Great A&P and the Struggle for Small Business in America* (New York, N.Y.: Hill and Wang, 2011) in which he argues that A & P was attacked because of its market dominance while the Federal government reacted to a growing concern about chain stores as monopolies. This is a political and business biography more than social history. See Bethany Moreton. *To Serve God and Wal-Mart; The Making of Christian Free Enterprise* (Cambridge, MA: Harvard University Press, 2009) which traces the conservative values that came to dominate the management culture. For a longer treatise and more social history, see Joshua Greenberg**.** *From*

consider small businesses and big businesses, entrepreneurs and established corporations to be opposites, the purchaser of a franchise is both. He or she is at once a small business owner and a cog in a larger machine. Franchisees find themselves filling the role of manager and subordinate responsible for following a bureaucratic manual.[6] These potential entrepreneurs inhabit a psychological space between the security of *The Organization Man* and the independence of Jefferson's yeoman farmer. In the popular imagination, the local operator's hard work would combine with the corporation's power to ensure success.

Many of these potential small business owners found the odds stacked against them. While some franchisees did go on to open additional units or become wealthy, many find themselves trapped, working long hours with marginal returns and yielding profits back to the holding corporation. Unlike a chain store where a manager made suggestions, most franchisees attempted to exercise some form of control. Potential franchisees relinquished autonomy in exchange for security, although the battle over agency played out at many levels.

Firms that were successful in franchising needed a method to reproduce the original model. Fast food companies needed reliable infrastructure to achieve national prominence. By shifting some risk to others, firms could remedy capital scarcity and

Betamax to Blockbuster: Video Stores and the Invention of Movies on Video. (Cambridge, MA: The MIT Press, 2008). A shorter model of new retail social scholarship is Joshua Clark Davis. "For the Records: How African American Consumers and Retailers Created Public Space in the 1960s and 1970s", *Southern Cultures*, Winter, 2011. 71-90.
[6] Zachary Schrag in e-mail to Ann Ardis 10-21-2019.

preserve precious fiscal resources. [7] As a result, their business strategy changed to focus on promoting growth and expansion. Scouting locations, managing real estate, building units, developing equipment, supplying materials, and promoting the brand become the new priorities. Corporate headquarters needed to attract and train potential partners to become owner-operators. [8] Despite having replicable systems, parent companies soon learned that one business line's success did not guarantee success in another. Firms large and small, from Dunkin' Donuts to Kentucky Fried Chicken, learned just how contingent the fast-food marketplace could be.

This thesis title begs the question of how best to situate capitalism. At least one definition of capitalism suggests it as a private enterprise not controlled by the state. [9] The answer seems as problematic as the question. Franchising is a hybrid system, and thus while it is a private enterprise, it came to be regulated and supported by the state. Through the lens of franchising, free enterprise allowed opportunities for some while vigorously denying others. In the period under study, no firm launched a successful spin-off. Nor is it possible to say with any certainty the reasons for failure. This recounting of franchise fragility and vulnerability counterbalances the oft-repeated founding story of Ray Kroc and others.

How should the early years of fast-food franchising be remembered? I believe that

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[7] This definitional approach suggested by to David A. Kirsch, Ph.D., Robert H. Smith School of Business, University of Maryland. Conversation with author on 04/10/2013.

8 Typically most franchisees fit the owner-operator model, most owners then bought more franchises and became owners, hiring managers and others to run the outlets. This was the pattern that allowed fast-food outlets to grow quickly.

[9] Capitalism - an economic system in which a country's businesses and industry are controlled and run for profit by private owners rather than by the government. Oxford Dictionary.

the essential promise of America is the ability to remake oneself. The franchise filled a psychic space by allowing people to believe that it could be a pathway to riches. At the same time, potential business owners knew the risks but chose to proceed, hoping the corporation would guide them. By focusing on the origins of fast food, I conclude that both franchisors and franchisees experienced the same economic upswings and downturns and were more co-dependent than previously documented. This work follows the belief that being an owner-operator had more potential for failure than success. Once a franchised business begins to show signs of trouble, the franchisee cannot innovate and becomes trapped in a binding legal agreement. In the end, the landscape became littered with broken dreams and unfulfilled promises.

Organization

Chapter One, “Priming the Pump for Fast Food,” recounts the four significant trends that enabled franchising to move from existing practice to a distinct industry. The economic changes taking place in the postwar world meant a return to normalcy in the business cycle. New patterns of leisure and consumption allowed for shared experiences, including meals. Americans with disposable income could once again follow the neon sign to a drive-in and order a hamburger, fries, and a shake.

The move to suburbia reflected the confluence of planning, policy, and technology that propelled extant trends that had begun in the nineteenth century. As people moved out of the cities to the suburbs, the poor get left behind. When the amenities and services moved to the outer ring, it enabled the growth of franchise businesses. The changes in suburban housing and retail space allowed fast-food restaurants to follow the new subdivisions and take advantage of evolving trends. [10] Simultaneously, the new interstate highways meant traveling Americans started to encounter national brands away from home. A Howard Johnson's or other early franchise was a familiar and perhaps welcome sight. While the city center or downtown had always played a role as a marker of modernity and civic pride, small business owners found the new roads bypassed downtowns and Main streets. Restaurant franchising would help rearrange commercial space in its relentless search for prime locations.

The baby boom meant more young families with children and the need for quick and easy meals. Large franchisors used targeted promotions to capture the family trade. As one observer noted, "the invention of the teenager created a 'teenage palate' served by a new fast-food industry." [11] The ascendance of social psychology also meant that firms could advertise to select demographic groups. Ironically, chains like McDonald's wanted children and especially hungry teenagers as customers but worked hard to prevent them from loitering. Young people also found work in these new quick-service outlets, and the high turnover rate is evidence of the numbers whose first job was in fast food.

In the mid to late 1950s, America officially entered the age of processed foods

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[10] One paradigm in suburban history is built around three core ideas, " embeddedness: this inscription and landscape; urban morphologies: modifying the built and social fabric; interactive ecology: the re-consumption and production of social spaces." See Ruth McManus and Philip J. Ethington. "Suburbs in Transition: New Approaches to Suburban History" *Urban History,* 34, 2 (2007). 317-377

[11] Gerald J. Fitzgerald and Gabriella M. Petrick. "In Good Taste: Rethinking American History with Our Palates. *Journal of American History* (September 2008): 392-404. p. 395

with the introduction of the tv dinner. To find these foods, consumers, who were mostly women, shopped in the new supermarkets. They chose from an almost dizzying array of new formats, multiple vendors, and new larger family sizes. [12] New promotional methods using advertising and recipes to encourage experimentation using canned ingredients or packaged mixes. Men barbecued hamburgers, hot dogs, and chicken in the back yard. Processors manipulated livestock and poultry breeds to meet demand. The availability of the cold chain enabled national distribution from manufacturer to consumer.

Chapter Two, "The Hunt for Efficiency: Systems, Technology, and Management," tells the story of an expanding fast-food industry looking to achieve its primary goal of expansion. Headquarters hoped that having an organized, hierarchical, well-documented process would overcome any problems in the field. Hamburgers are not widgets, and a sixteen-year-old is not an engineer. What worked in a complex environment like the nascent aerospace industry did not translate to the food industry. Nevertheless, national suppliers began specializing in serving company-owned and franchised locations and bringing a concept to fruition. National wholesalers like Sysco developed specialty items while serving dedicated customers and competitive outlets.

The need for national distribution and quality control was more than an idea. Bulk purchases, shipping cost, spoilage, and delivery costs impacted the bottom line. Companies derived a large revenue stream selling equipment and supplies to their owner-

[12] See Tracey Deutsch, *Building a Housewives Paradise: Gender, Politics and American Grocery Stores in the Twentieth Century*. (Chapel Hill, NC: University of North Carolina Press, 2010).

operators. [13] Firms began to experiment with emergent technologies, with at least one company creating an automated drive-in. The Radar Range promised to revolutionize kitchen work, and these appliances eventually moved from fast food to home kitchens. The ability to reproduce the same product in every outlet was more problematic than imagined. Not because of the system, the human element became the unknown variable.

National and regional franchisors struggled with the difference between quantitative and qualitative data. The new computing machines improved central accounting, inventory, and payroll systems but also antagonized franchisees. After all, the home office could easily monitor sales and set goals at the store level. A new and expanded role for middle management was franchisee motivation. Movies, filmstrips, and multimedia devices helped corporate manage operations. The ultimate enforcement came in the contract and penalties that it spelled out.

If the systems worked and franchisees followed them to the letter of the law, any fast- food outlet was just like any other, including its competitors. The industry was inbred as firms followed the successful pattern of category leaders. Product differentiation depended on branding and marketing. Many of the things we take for granted today, like an embossed napkin, are the brainchild of marketing and advertising inventor A. Bernie Wood. It was Wood who helped move McDonald’s from the Speedy character to its modern logos.

Chapter Three, “Franchising” defines the various forms of franchising and

[13] These practices would be called into question, especially the mandate to use proprietary supplies.

franchised businesses. While it seems straightforward, the generally agreed-upon legal definition of franchising in the 1950s and early 1960s differs today. Essentially, the question of whether or not franchises are independent businesses or are corporate subsidiaries needed to settling. This dispute had a broad-ranging impact on the business model and employees. Despite the uncertainties, tens of thousands of Americans wanted to enter the fast-food business. Lured by ads promising great wealth or picking up a brochure, potential owners quickly encountered the industry propaganda machine.

The ideal franchise business owner was a white, suburban male with a willingness to follow the rules. Most franchisors preferred people with no food experience or limited management background. Some self-selection also took place based on income and demographics as franchisees had to meet minimum credit and liquid asset goals. Despite this, there were legitimate, low-cost, entry-level opportunities, like ice cream truck vending. Even then, the potential profits are overstated and do not account for individual factors. The most common form of hyperbole existed in industry magazines. This chapter classifies them by type, ranging from unlimited riches to solving personal problems.

Potential entrepreneurs had to learn how to separate legitimate from fraudulent offers, an almost impossible task. Could the franchisor deliver the operational integrity needed to ensure a profitable outlet? National franchisors launched secondary product lines that were viable and profitable and then failed. As franchising spread, individuals had to decide not just on fast food; they also had to choose a product category, such as roast beef. It was a bet on the company, the location, and the product.

Chapter Four, “Accidental Entrepreneurs,” compares and contrasts two self-made franchisors, each of whom followed a different path to success. Tom Carvel started with a roadside stand and went to found an ice cream system. He remained true to his working-class roots, and his gravelly-voiced advertisements became a staple in the Middle-Atlantic states. His story is enigmatic because he launched a hamburger franchise that should have survived and prospered but folded. The Operations Manual for Carvel’s Hubie Burger survives and provides insights into a franchise's daily operation. I use Carvel’s newsletter to show how Carvel would encourage and scold his employees.

Bill Rosenberg, the founder of Dunkin’ Donuts, came to franchising from an extremely lucrative lunch business. His industrial feeding company used mobile trucks, a central commissary, and other innovative techniques to service factories and plants. Realizing that coffee and donuts formed the bulk of his business, he opened one donut shop and started franchising. His enthusiasm and involvement led him to work extensively with the International Franchise Association. Despite his decades of foodservice knowledge, he also had failed attempts starting hamburger outlets. Both Carvel and Rosenberg shunned the corporate boardroom in favor of a hands-on approach to growing the business.

Chapter Five, “No Guarantees” probes the reasons some organizations found success while others failed. By the late 1960s, roast beef appeared to be the new hamburger and generated excitement in the franchise community. Once again, investors looking for opportunities faced a variety of choices. Many entrants in the roast beef sandwich sector learned that a system did not automatically make a concept viable. Start-up chains like NEBA and others encountered problems when moving to new areas or found themselves locked into bad decision making. [14]

The roast beef wars showed how the smallest differences, such as sandwich toppings, could impact customers. As it turned out, roast beef was more subject to price fluctuations than hamburgers, nor could there be a frozen equivalent. Roast beef shrunk and had to be kept hot and lost longevity once sliced. While some national players, like Marriott, found success with its Roy Rogers brand, the small players leave the marketplace. The vagaries of the market seemed to be never-ending.

Given the popularity of fast-food franchises, it should not be surprising that many celebrities chose to trade on their fame to establish a company. Some, like the football player Gino Marchetti, founder of Gino's, became wealthy. Many others saw their ventures disintegrate despite their assertions that they actively participated. I conclude that despite systems, capital, or even prior experience, it was still possible to fail selling fast food in America.

Chapter Six, "Race, Fast Food and Capitalism," problematizes the issue of race and opportunity in the fast-food industry. Blacks faced redlining, discrimination, and racism at almost every turn. Discrimination was rampant in the restaurant industry, and New York City was no exception, as one study uncovered. Fast food locations, especially in the South, continued some of their segregation practices. I conclude that a hostile and

[14] Said to stand for Nicest Eating Beef Around, NEBA was an Albany, NY chain that went bankrupt.

hegemonic system meant that the door to fast food franchising was closed to minorities, as they were then known. Even when opportunities are made available, Blacks and others find themselves placed in abandoned inner-city locations. There they faced issues that suburban outlets did not have, such as broken equipment and crime. To be offered a franchise, Blacks often had to take on White partners.

In light of such an antagonistic system, debates ensued about the best path forward for Black capitalism. Surprisingly, the franchise industry did reach out to be more inclusive, including publishing lists of sympathetic firms and making special offers. I tell the story of some individuals who are especially committed to equal rights when it was not the norm. The federal government offered programs with franchising suggested as the best path forward. This offering came at a time when the industry found itself in decline and facing market saturation. Once fast food does take hold in the inner-city, it never leaves and becomes a health crisis for residents.

Like Brady Keys, founder of All-Pro Chicken, some Blacks developed a flourishing concept, while others did not survive. In the same way that Whites hoped to trade on their names, Black celebrities also entered the marketplace. The vast majority of these ventures quickly folded, and I argue that capitalism intensified its hostility against people of color. Echoing the Black Power movement, the idea of soul as a unique selling proposition gets tested. Some of the gains that individuals make get erased in the urban riots that plagued inner cities.

Chapter Seven, “The Shakeout,” begins with the story of Hardee’s, a Southern chain looking for a strategy for the 1970s. One reason fast-food corporations began to question their viability is what one industry analyst called the endless shakeout. He makes this claim because, by the mid-1970s, fast food restaurants existed in nearly every part of the country. Competition had increased to the point that franchisors looked to rural areas and cities to expand.

Franchisees testified at Congressional hearings to expose industry practices they felt were unfair. As the first or second generation of franchise agreements come up for renewal, many corporations took back stores and made them company-operated and managed locations. The conflicts centered on issues of central control over local outlets. The franchise industry lobbied Congress to resolve cases under contract law, seen as more favorable to large corporations, a move opposed by franchisees. The relaxing of anti-trust vertical integration law ultimately favors the franchisors. Significant to both parties is that franchising gains legal recognition as a unique method of doing business. New laws and regulations meant official validation that franchising's business practices became entrenched in the American business lexicon.

In addition to consumer backlash, franchisees protested new policies and requirements. As firms fought for market share, new products required new equipment, placing a financial burden on outlets. As the drive-through became commonplace, stores had to be remodeled and updated. One author has called this the browning of America to reflect the harvest color schemes companies chose. The recession and economic downturns impacted the entire quick-service industry. Franchisee dissatisfaction also created a demand for legislation and government oversight. As Congressional hearings proved, the contracts and practices of fast food and other franchisors needed to be regulated. While some states already had existing legislation, the FTC Franchise Rule took effect in 1978 to stop industry abuse by requiring 23 required disclosure items.

Even though the fast-food industry found itself the object of scrutiny, some companies, like Dunkin' Donuts, grew and expanded overseas. On the contrary, mergers and acquisitions meant that some companies experienced multiple corporate owners. Relatively new entrants, like Wendy's, gained market share by diversifying menus or customizing burgers. Burger Chef, Chicken Delight, once common franchise names passed into oblivion. The cost to own a franchise rose steadily, and this discouraged individual ownership. The tide had shifted, and the multi-unit operators controlled large territories and even held competing brands in their portfolios. The economic downturns of the 1970s led to several rounds of reorganizations, corporate mergers, and buyouts or a shakeout.

Historiography

Writing about fast-food restaurants means recognizing the closely aligned fields of economics, food studies, sociology, urban history, law, and politics. In this study, the term business history energizes the specific role that historians play in analyzing events and explaining change over time. Specifically, this work picks up where Thomas Dicke, Luxenberg, Shook and Shook, and others left off writing general franchise history.[15] It

[15] Marcia Chatelain. *Franchise: The Golden Arches in Black America* (New York, N.Y.: Liveright Publishing, 2020). The best known work consists of case studies in different eras and looks at franchising as an economic concern. See

also engages George Ritzer's classic work on McDonald's and more recent fast-food studies by Marcia Chatelain, Paul Freedman, Chin Jou, and Andrew Smith. This work focuses on fast-food restaurants and their stories of success and failure.

Conversations with and the recent work by Marcia Chatelain taught me a great deal about McDonald's and fast food in Black America. Thomas Sugurue's work on civil rights and Bay and Fabin's work on race and retail challenged my pre-existing ideas. All of these works and my heritage resulted in an emphasis on the Black experience in franchising. Ideas about entrepreneurship helped me focus on small business and entrepreneurial ventures. As one journal noted by "reestablishing the entrepreneur, not only as a central actor in the history of business but also as a determinant of wealth and poverty," business historians can again become leaders in the field. [16] Kenneth Lipartito's supposition, "that business is the most important cultural construct of the recent past," is still resonant today.

Joyce Appleby, Stanley Buder, Bhu Srinivasan, and Benjamin Waterhouse made me more aware of the links between capitalism and business's social aspects. *What's Good for Business: Business and American Politics since World War II*, edited by Phillips-Fein and Zelizer, reshaped my understanding of the relationship between the state and private enterprise. A lecture by Francine LaFontaine and her franchising study made it possible to dip my toe in the economics pool. Harvey Levenstein's *Paradox of*

Thomas S. Dickie. *Franchising in America: The Development of a Business Model, 1840 to 1980*. (Chapel Hill, NC: University of North Carolina Press: 1992) The other useful text is more journalistic and has a broad franchise focus. See Stan Luxenberg. *Roadside Empires: How the Chains Franchised America* (New York: Viking Penguin. 1985).

[16] "Business History: Time for Debate" *Business History Review* 85 (spring 2011) 1-8.p. 1

Plenty: A Social History of Eating In America showed how food processing and tastes changed. Lizabeth Cohen's *A Consumer's Republic: The Politics of Mass Consumption in Postwar America* turned out to be among the most dog-eared books on the shelves. I admire her ability to combine narrative and analysis to explain trends in consumerism. Roger Horowitz's *Kosher USA: How Coke Became Kosher and Other Tales of Modern Food* provided an excellent model for combining business studies, social history, and food narrative.

Archival and other sources included annual reports, company newsletters, Congressional hearings, contemporary books, industry publicity, franchise agreements, magazine articles, newspapers, and operating manuals. The Smithsonian's A. Bernie Wood papers contained a treasure trove of materials, including prototypes and hand-marked documents from people discussed in this work. Access to the Carvel collection brought the company and the man to life. The Rosenberg archives at the University of New Hampshire made it possible to write about Dunkin' Donuts. Regrettably, the International Franchise Association did not allow me access to their collection. Engaging with these works and many others caused me at different times to consider franchises as borderlands, capitalism at its best or worst, an economic barometer, a health crisis, a social movement, and a threat to independent businesses.

This work aims to shift the current emphasis in the historiography away from consumers and toward the relationship between franchisees and their parent companies. Fast food restaurants deserve to be named the most critical piece of American retail infrastructure. As the food writer Andrew F. Smith says, “the single most influential culinary trend of our time is fast food. It has spawned an industry that has changed eating, the most fundamental of human activities.” [17] Susan Strasser, Charles F. McGovern, William Leach, Roland Marchand, and many others have contributed to my understanding of how selected industries and mass markets developed. Alison Isenberg, Robert Fogelson, and Richard Longstreth studied how retail shaped the built environment. Firm-level and outlet level experiences help differentiate between the successes and failures of either party. [18] This narrative asks to what or to whom do we ascribe influence: the firm or the franchisee?

Historians like William Leach and others have documented much of the twentieth century’s consumer movement without explicitly focusing on franchising and franchisees. Product franchising grants the rights to sell a product. Consider the Singer sewing machine or McCormick reapers in the nineteenth century and auto dealers and gas stations in the twentieth. Starting in the nineteenth century or earlier, debates about fair trade practices have been ongoing.

A franchisor sells a business strategy and brand name and location or territory to an individual, often calling it a turnkey system. A franchise is not a chain store, although the two are often confused. In like manner, fast food corporations also run company outlets. The existing academic chain store literature focuses on the role of government

[17] Smith goes on to say it is a model that works everywhere, I disagree. Andrew F. Smith. *Fast Food: The Good, the Bad and the Hungry*. (London, U.K.: Reaktion Books. 2016). 7
[18] The idea that data examined in outlets versus firms is significantly different is established in Roger D. Blair and Francine Lafontaine. *The Economics of Franchising* (New York: Cambridge University Press, 2011). 44-45

relations with industry. Despite the growing number of innovative place and trade studies, there is still room for additional works that recover franchising's role and impact on individuals and the community. [19] Territorial and multi-unit franchisees acted as businesses within a business, a practice especially prevalent in the quick-service industry. The smaller regional or local conglomerate firms' importance means they deserve attention from business historians.[20]

At first, I believed that the food would be of critical importance. I thought a lot about food as the unspoken dialogue between the firm and the consumer. While the eater's voice may be absent, menus stand-in for the lack of data. Later, I realized that uniformity is one of fast food's defining characteristics. Today, franchised restaurants sell their products in grocery stores or online. While many operators see this as unfair competition, companies see this as expanded marketing or building brand value. Artificial product differentiation and marketing aim to overcome this sameness. Roland Marchand reminds us that this type of marketing has its roots in corporate public relations. [21]

Food matters to business history because fast food franchisors helped invent or improve standardized production and distribution systems. [22] Modern American restaurants evolved from roots in the nineteenth century and reinvented themselves when

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[19] Bethany Moreton's *To Serve God and Wal-Mart* help us understand how firms work at the from the corporate level.
[20] This will be a possible focus of inquiry, especially as it relates to minority franchising.
[21] An idea advanced by in Roland Marchand. *Advertising the American Dream: Making Way for Modernity, 1920-1940*.(Los Angeles: University of California Press, 1985)
[22] The idea of 'clustering' represents locating competing outlets within the same geographic area, is also used by automobile dealers.

they encountered new consumption patterns. [23] Ever since the early days of Horn and Hardart's, Child's Cafeteria's, and White Castle, restaurants have worked hard to provide a consistent experience while maximizing profits through efficiencies. [24] Sociologist George Ritzer credits McDonald's with creating a global rationalization process. He suggests that "McDonaldization involves an increase in efficiency, predictability, calculability, and control through the substitution of non-human for human technology." [25] Indeed, the prefix "Mc" implies such thoughtless duplication.[26]

Long before Tom Carvel, Brady Keys, Ray Kroc, Bill Rosenberg, or Harland Sanders, Americans experienced capitalism in various ways. Starting at the time of the American Revolution, T.H. Breen argues that Americans increasing consumption of British goods created a shared identity that led to a consumer revolution, namely the invention of choice. [27] This exercise of choice ultimately allowed for the politicization of goods, boycotts, and other movements. Looking at early America helped me understand eateries and taverns' social functions. The debates in Jacksonian America about money,

[23] Andrew Haley argues that restaurants became more accessible to accommodate and then cater to a new middle class. Andrew Haley, *Turning the Tables: Restaurants and the Rise of the Middle Class, 1880-1920*. (Chapel Hill, N.C.: University of North Carolina Press, 2013).

[24] In addition to those mentioned, Pig Stands, Howard Johnsons and A & W were concerned with the most effective way to grow business while retaining controls. See Philip Langdon. *Orange Roofs, Golden Arches: The Architecture of American Chain Restaurants* (New York: Alfred A. Knopf, 1986). Chapters 1 and 2 detail the growth of the early chains.

[25] George Ritzer. *The McDonalidization Thesis* (Thousand Oaks, CA: 1998) p. vii. He joins the ranks of James Twitchell author of *Branded Nation: The Marketing of Megachurch, College, Inc., and Museum World* (New York, N.Y.: Simon and Schuster, 2004) and others who believe that society is moving in a dangerously homogenous direction.

[26] Consider the pejorative term "McMansion " as one example, defined as a large tract house that is considered ostentatious. See Ritzer, p. 74 for his ideas about culture and fast food. There are several works that look at McDonalds in other countries.

[27] T. H. Breen. *The Marketplace of Revolution: How Consumer Politics Shaped American Independence*. (New York: Oxford University Press. 2004)

banking, and business showed that these questions still resonate today. [28] I agree with Edward J. Balleisen, who argues that antebellum America was fraught with risk, and once family ties were severed, the culture of capitalism took over. All businesses had to navigate a complex and confusing world of commercial credit. During the nineteenth century, panics often led to ruin. [29] In *Born Losers: A History of Failure In America*, Scott Sandage ties business failure to self-worth during the nineteenth century as individuals measured themselves against America's promise of economic renewal. [30] The same is true in postwar America.

Social historian Oliver Zunz credited the corporate world with creating the new middle class in the late nineteenth century. He claimed that the modern corporate bureaucracy actually "contributed to the homogenization of the different segments of American society." [31] Here I see the marriage of social and business histories with attention to class and gender. [32] Even though he does not include race, I followed his ideas and methods. Works in this genre provide a vertical articulation that had been missing in the historiography. I tried to recover the ways franchisees interacted with and within the context of a large organization. In franchising, local owners suggested new products or practices to the parent company. In theory, this helped create an internal

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[28] See Kym S. Rice. *Early American Taverns: For the Entertainment of Friends and* Strangers (Chicago, IL: Regnery Gateway, 1983) and Mark A. Noll. *God and Mammon: Protestants, Money and the Market*, 1790-1860. (New York, N.Y.: Oxford University Press, 2002).

[29] The 1841 Bankruptcy Act was another example, people became "bankrupts' a social title. See Edward J. Balleisen *Navigating Failure: Bankruptcy and Commercial Society in Antebellum America*. (Charlotte, N.C.: University of North Carolina Press. 2001). Introduction passim.

[30] Scott Sandage. *Born Losers: A History of Failure in America*. (Cambridge, MA; Harvard University Press. 2005)

[31] Oliver Zunz. *Making America Corporate:1870 – 1920*. (Chicago, IL: University of Chicago, 1990) 10

[32] His work helped me think about a variety of archival sources. He used trade cards, pamphlets, company magazines, photographs, pay stubs, local genealogies and oral history to make his case that the workers controlled the corporate workings, not middle and upper management.

dialogue and break down bureaucracies while reinforcing franchisee autonomy.

Franchises are owned and operated by people, many of whom describe themselves as entrepreneurs. Management scholars have also identified the need for understanding the intersection of franchising and entrepreneurship. Kirstie W. Seawright and others have identified an essential question. She asks, "on the one hand, empirical research suggests, 'that the purchase of a franchise is unlikely to reduce the risks facing a new business startup'; and on the other hand popular press articles continue to assert that 'a franchise business lowers the risk because someone else has already pioneered the concept, tested the ideas, made the inevitable mistakes and found out what works and what doesn't.'" [33] As the breadth and number of franchised businesses increased in the postwar period, conceptual thinking changes. The industry sells it as the preferred gateway to entrepreneurship.

In addition to looking at the role of mid-twentieth-century academic business and management literature, I debated where to situate entrepreneurship. Is it a category of analysis or an independent field of study? This work supports the supposition that entrepreneurship is a category of analysis. It does useful work by exposing franchising's aspirational elements. [34] One difficulty faced by this study regards the ability to determine the norms, values, and attitudes that may have influenced franchisees and their

[33] Kirstie W. Seawright, et.al. "Exploring Entrepreneurial Cognition In Franchisees: A Knowledge Structure Approach. " *Entrepreneurship: Theory and Practice*. March, 2013, Vol. 37, Issue 2. P. 202. Thanks to Nathan Brody, Ph.D., for validating the statistical references and study methodology. See also Combs, et.al., "Franchising Research: Major Milestone, New Directions, and Its Future Within Entrepreneurship." *Entrepreneurship: Theory and Practice*. May, 2011 Vol. 35,. P.413

[34] See Olav Sorenson & Toby E. Stuart "Entrepreneurship: A Field of Dreams?", *The Academy of Management Annals*, (2008): 12 2:1, 517-543

beliefs about being independent business people versus semi-autonomous corporate employees. While some franchisees testified about their negative experiences, original motivation proved challenging to determine. Several of the contemporary books based on anonymous surveys offered at least some insights.

Business historians are now paying more attention to failed enterprises as one way to understand the marketplace. Daniel Raff suggests seeing business history as a series of choices rather than outcomes. He suggests one way to understand change over time is by "illuminating the alternatives the historically situated actors faced and how actors made sense of them." [35] Arturo Sandoval-Strausz agrees that "we need to consider the human geography of capitalism: the ways in which the development of markets shaped the relationships between people and places." [36] It is these relationships that seem most compelling and absent from the historical narrative. While there is existing scholarship studying fast food, much of it is dated, company biography, or focused on the health aspects.

This study brings business history and social history to the forefront to supplement an expanding food studies literature.[37] So, too, it seeks to contribute to studies of capitalism by exposing how a variety of individuals interacted with contemporary business practices and institutions. Historians need to learn more about cafeterias, convenience stores, diners, and especially restaurants. While some large firms,

[35] Daniel M. G. Raff. "How to Do Things with Time: Reflections on Method and Practice in Business History" p. 35 . Address to be given May 18, 2012 at Hagley Museum and Library. Advance copy courtesy of the author.
[36] Arturo Sandoval-Strauzs. *Hotel: An American History.* (New Haven, CT: Yale University Press. 2007). p.5
[37] See Paul Freeman, *Ten Restaurants That Changed America*. (New York, N.Y.: Liveright, 2016)

like McDonald's, fit the Chandlerian model of corporate giants acting to dominate the market, franchisees wanted to act like independent retailers. Many set up in towns, small cities, and the newly expanding suburbs. These owner-operators invented promotions, helped set pricing, and fueled new product development. Franchisees lead us to a better understanding of working people's history and more insight into the social forces at work in American entrepreneurship.

Franchising emerged alongside the new suburban sprawl and the interstate highway system. Identical food outlets began the process of replicating experience across the country. The industrialization and standardization of food continue to be of great interest to food scholars.. Arguably, while franchising, especially in fast food, brought a level of safety and hygiene to travelers, it brought sameness to many places and eroded and undercut local choice and business. By the early 1960s, fast food restaurants had cemented their place as the most popular licensed business format. The expansion of the quick-service industry unleashed a tidal wave of disaster, discrimination, and disappointment.

CHAPTER ONE: PRIMING THE PUMP FOR FAST FOOD

"Americans will eat anything if it is toasted and held together with a couple of toothpicks and has lettuce sticking out of the sides, preferably a little wilted." - Raymond Chandler, *The Long Goodbye*, 1953

Changes Leading to the Acceptance of Fast Food: The Economy

Four significant changes led to the acceptance of fast food in the American postwar era. The end of World War II meant a return to normalcy as well as new pathways to prosperity. First, a booming economy meant more disposable income for millions who could once again enjoy activities like eating out in restaurants. Second, automobiles and the new interstate highway system gave rise to an expectation of familiar food choices across town or the country. Third, the baby boom meant young suburban families needed quick meal options. Finally, changing food habits cemented the nation's taste for processed foods, salt, sugar, and fat.

The economy's growth, much of it from the corporate sector, did the most to pave the way for fast food. Looking to the new year of 1955, U.S. Secretary of Commerce Sinclair Weeks said, "more of the good things of life will be available to the American people next year and this nation will reach a new peak in its standard of living."[38] The Gross National Product rose from $212 billion in 1945 to $900 billion in 1970, with the

38. John Radford, Editor. "Speaking Out" , *Fountain and Fast Food*, January, 1955. 29. Courtesy of the Library of Congress.

conglomerate corporations leading the way. [39] The largest companies in America controlled a disproportionate amount of wealth. For example, "in 1965, General Motors made $2 billion in profits, after taxes – a sum greater than the general revenue of forty-eight of the fifty states."[40] Monopsony shaped the postwar experience for large and small firms as companies like Kraft, Heinz, Kellogg's, and General Mills offered new products. [41]

Business magazines and newspapers published good news about the economy, making their case with statistics, reports, graphs, surveys, and special supplements. Circulation of *The Wall Street Journal* expanded sixteen-fold to nearly 800,000 readers by 1961.[42] Current and future business owners understood a meta-narrative of American exceptionalism. Journalists became "enamored of the story line that postwar America, because of its economy, was a qualitatively new world, measurable by its economic achievements."[43] Aspiring entrepreneurs came to believe in the idea that society could provide endless moneymaking opportunities. Not everyone could be successful, however, if you were not a producer, you could be a consumer.

Demand for all types of goods and services increased based on evolving ideas

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39. This was especially true during the 1950's and 1960's, and despite downturns in 1953, 1957, 1958, and 1960, there were few periods of high unemployment or inflation.
40. Howard Zinn. *Postwar America 1945-1971*. (Indianapolis, IN: Bobbs-Merill, 1973) 93
41. Monopsony is the market condition that exists when there is a single purchaser. This is not an unusual practice in the twenty first century when products are custom made for single retailers like Wal-Mart or McDonalds. Shane Hamilton. "Supermarkets, Free Markets and the Problem of Buyer Power in the Postwar United States" in Kim Phillips-Fein and Julian E. Zelizer, eds. *What's Good for Business: Business and American Politics Since World War II.* (New York: Oxford University Press, 2012) 191
42. The role that newspapers, books and magazines played can't be overstated. *The Wall Street Journal* had 50,000 subscribers in 1941. Andrew L. Yarrow. *The Big Postwar Story: How Economic Growth Came to Define American Greatness in the Late Twentieth Century* (University of Massachusetts Press, 2010) 104
43. Andrew L. Yarrow. *The Big Postwar Story: How Economic Growth Came to Define American Greatness in the Late Twentieth Century* (University of Massachusetts Press, 2010) 103

about spending. The economy underwent a change from "an age of production to an age of consumption." [44] Progress came to be associated with materialism and the possession of goods. [45] Popular culture and the mass media - first radio and later television helped spread these new social values. Historian Roland Marchand calls these changes visions of classlessness. As Lizabeth Cohen has evidenced, consumerism equated to good citizenship.

Many consumers could meet basic needs with less monetary outlay than before the war.[46] It also meant that consumers could spend more than they could afford thanks to things like installment credit. The middle third of citizens had become the stereotypical wage earners and consumers. In 1953, wage earners averaging between $4,000 and $7,500 made up the middle third, accounting for 57% of all Americans.[47] While millions of Americans still lived in poverty, the upper fifth learned $20,000 to $30,000 per year and the bottom fifth lived on $2,000 to $3,000 per year.

In 1955, when *Fortune* magazine published its influential look at economic and social changes in America, the new demographics made headlines. The use of the term baby boom has come to mean many things, such as a generation's personality. Like the

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44. David Riesman, et. al. *The Lonely Crowd : A Study of the Changing American Character.* (New York: Doubleday Anchor Books, 1953 original 1950). p. 21. Riesman identified the inner and outer directed types, who are at odds with each other in society and he claimed that consumerism mediates these marginal differences.
45. David Riesman, et. al. *The Lonely Crowd : A Study of the Changing American Character.* (New York: Doubleday Anchor Books, 1953 original 1950). p. 21. Riesman identified the inner and outer directed types, who are at odds with each other in society and he claims that consumerism mediates these marginal differences.
46. Roland Marchand. "Visions of Classlessness" in Robert Griffith and Paul Baker, ed. *Major Problems in American History Since 1945.* (New York: Houghton Mifflin, 2d. edition, 2001)
47. Fortune. "*The Changing American Market: The Economic and Social Forces That Are Reshaping the Face of America*" (Garden City, NY: Hanover House, 1953) . 53. The income in 2015 dollars is $35,000 to $65,500. CPI Inflation Calculator from US Bureau of Labor Statistics. Retrieved 02/14/2016 http://data.bls.gov/cgi-bin/cpicalc.pl

vague middle class, it can be a problematic definition beyond the statistical facts.[48] Not only were there more new families, but women also had more children, with a record number of nearly 4,000,000 children born in 1953. This number had a profound impact on the economy and helped propel the consumer revolution. Elaine Tyler May argues that the real changes in the population began during the war years, fostered by a strong belief in pronatalism and the many marriages after the war. These trends cut across all groups in society.[49]

Baby boom families with young children joined in the new shared mass culture of consumption, watching television, eating the same foods, and visiting amusement parks.[50] Disneyland, which opened on July 17, 1955, became the quintessential family experience.[51] With almost twenty food choices and seventeen fast food outlets, the restaurants served as many as 100 customers in one hour. Reporting on the innovations, *Fountain and Fast Food* noted hamburgers for sale in various venues from the Yacht

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48. According to the US Census Bureau, it is anyone born between mid-1946 and mid-1964. Colby, Sandra L and Ortman, Jennifer M. "The Baby Boom Cohort in the United States 2012 to 2060" Current Population reports. May 2014. U.S. Department of Commerce. Economics and Statistics Administration, U.S. Census Bureau. 1 https://www.census.gov/prod/2014pubs/p25-1141.pdf 09/25/2015
49. Elaine Tyler May. *Homeward Bound: American Families in the Cold War Era* (New York, N.Y.: Basic Books, 1999) 121
50. In 1955, just 63% of houses had television but by 1965, 90% of households did. The number of televising stations also rose to meet the demand from 411 in 1955 to 569 by 1965. "Statistical Abstract of the United States: 1999" U.S. Census Bureau. http://www.census.gov/prod/99pubs/99statab/sec31.pdf September 14,2014. Once the idea of single company sponsorship of a program was dropped or greatly reduced, new shows could have many advertisers and it was commercials that sold new products and brands to consumers. For a good mapping of how televisions networks followed the social movements of the time with various types of programming and how this was linked to other media and trends, see LeRoy Ashby. *With Amusement for All: A History of American Popular Culture Since 1830.* (Louisville, KY: University Press of Kentucky, 2006). This analysis found in Chapter 10 "Popular Culture and 1960's Ferment".
51. "Disneyland is about mid contentment and the overarching reassurance that there is an order governing the disposition of things." The most satisfying work on Disney is Karal Ann Marling, ed. *Designing Disney's Theme Parks: the Architecture of Reassurance* (New York, N.Y.: Flammarion, 1997) Quote from Karal Ann Marling, "Imagineering the Disney Them Parks" , p. 83 Archival footage of ABC coverage on Opening Day is at https://www.youtube.com/watch?v=JuzrZET-3Ew Retrieved March 9, 2016.

Club to Tomorrowland. The trade magazine noted, "eating places add greatly to the atmosphere of the man-made world of make-believe." [52] Corporate sponsors included the Quaker Oats Aunt Jemima pancake house and the Chicken of the Sea Pirate Ship. Reminiscent of the automat, the Space Bar in Tomorrowland dispensed food via vending machines. All of the outlets used a counter and register model, where hungry white families queued up for service. Standard quick service menus offered burgers, hot dogs, cheese and tuna sandwiches, ice cream, and sodas. Then, as now, they appeared to be slightly more expensive in the park.

Fast food restaurants recognized an opportunity and targeted young children with new food products and promotions. In 1960, a junior sized burger and scaled down beverage helped boost a Seattle drive-in boost sales from $77,000 to $140,000 annually. New items like flying saucer ice cream sandwiches are known as novelties in the ice cream trade.[53] As time went on, new products, like toy giveaways, became essential brand differentiators.

Teenagers formed a vital target market, and nearly four million would come of age during the baby boom. These young people were ready to spend and to earn. Ad hoc child care became a gendered occupation for suburban teenage girls. By 1957, nearly half of all teenage girls worked as babysitters, giving them an independent income source.[54]

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52. n.a. "Fast Feeding in Disneyland", *Fountain and Fast Food*, September, 1955. p. 50. Courtesy of the Library of Congress.
53. The flying saucer was a Carvel ice cream product. Jerri Quinzio *Of Sugar and Snow: A History of Ice Cream Making*, Berkley, CA: University of California Press, 2009). 174-175.
54. Some boys did babysit as did older women and others, see: Miriam Formanek-Brunell. "Truculent and Tractable: the Gendering of Babysitting in Postwar America" in Sherrie A. Inness, ed. *Delinquents and Debutantes: Twentieth Century American Girls' Cultures*. (New York: NYU Press, 1998) 76.

The publishers of magazines like *Seventeen* (1944) targeted young women and helped them navigate the new world of consumer goods. Both genders read teen rock 'n roll magazines like *Dig*. For teenage boys, work as a soda jerk gets replaced by jobs like flipping burgers or cooking hot dogs that required minimal skills. Nearly one-third of teenagers worked for hourly wages by the late 1950s. Consequently, boys had $8.26 each week to spend by age sixteen while girls a few dollars less, and both genders received allowances.[55] These teenage workers could afford to and did spend their money on food and consumer items.

Teenagers with money to spend often chose fast food items such as burgers, sodas, and fries. *Fountain and Fast Food* reminded readers that when school opened in the Fall, fast food shops needed to be ready. Some schools had no cafeterias but offered a forty-minute lunch period, allowing time to go out and eat a sit-down meal. Many of these shops served as a place for high school students to buy lunch. These luncheonettes still used a traditional model where diners sat at wait staffed tables, and most customers walked in or parked nearby. Owners calculated the time that young people spent at a table relative to purchases and menu priced accordingly. The industry cautioned that "items like jukeboxes, not only discourage other patrons but could also encourage loitering."[56] A new model was needed that would cater to young children, teenagers, adults, and

55. Glen Atschuler. *All Shook Up: How Rock "n Roll Changed America*. (New York: Oxford University Press, 2003). 100, 123-25.
56. The use of the term fast food shop is interesting as it connotes the older malt shop rather than the newer usage. Doris H. Zumsted. "Teen-Agers Eat Where Their Tastes Are Catered To". *Fountain and Fast Food,* vol. 54, #8, August, 1955.Courtesy of the Library of Congress. 28-29.

family trade.

Changes Leading to the Acceptance of Fast Food: The Automobile

The majority of immediate postwar restaurant owners chose to open diners, dairy bars, lunch counters, coffee shops, and drive-ins. The leading industry publication, *Fountain and Fast Food* magazine, (1902), ran with the subhead, the "magazine serving counter, and fountain restaurants." Counters and fountain represented a model that had been in place since the turn of the century. Drive-ins food outlets have existed since the 1920s as an outgrowth of other types of services. Richard Longstreth claims that consumers had a preference for drive-in retail because it was convenient.[57] The new and different postwar models featured a limited menu, more parking, and rapid service.[58]

Drive-ins proved to be a popular form of quick-service outlet and operate all over the country. Drive-ins did particularly well where the climate offered nine months or more in a season. As other businesses moved from the old Main streets to the new automobile suburbs, drive-ins opened at strategic intersections. As one foodservice publication noted, "the general acceptance and popularity of drive-ins is a phenomenon of our age." This statement could have applied to movies, churches, weddings, and fast food outlets, or as one author defined them, "curb-service drive-in restaurants."[59] Tray

57. Richard Longstreth. *The Drive-In, Supermarket, and the Transformation of Commercial Space in Los Angeles, 1914-1941*. (Cambridge, MA: MIT Press, 2000) 38.
58. The drive-in industry depended on it and worked hard to improve operations to be more efficient and maximize profits. Lewis Collins, owner of Collins Drive-In in Topeka, Kansas told *Fountain and Fast Food* that the keys to success were three to five minute service, a standardized menu and a streamlined well lighted environment and closely supervised personnel. From Lewis B. Collins as told to Grier Lowery. "3 to 5 Minute Service Formula Here Founded on Assembly Line Techniques." *Fountain and Fast Food*, February, 1955. Courtesy of the Library of Congress. 48-49.
59. Alfred N. Califano. "Curb Service Drive-In Restaurants" *Cornell Hotel and Restaurant Administration Quarterly*. 1965:6. May, 1965. Califano was a hotel industry consultant.

service restaurants had very limited or no inside seating. Most had a fixed menu of all or some choices from burgers, dogs, chicken, fish, french fries, sodas, milkshakes, ice cream, and associated items.[60] Drive-ins also had high turnover, carhop harassment, dirty parking lots, teenage cruising, and vandalism.

Despite the risks, investing in a drive-in meant higher profit margins and a better return on investment than similar eateries, such as diners. Start-up costs ranged from $10,000 to over $200,000, depending on location and size. Some outlets saw annual sales of $200,000 to $400,000 and earned profits ranging from $23,000 to $56,000. Labor proved to be a significant expense, requiring twenty to thirty-five part-time employees, most of whom prepared food. For full-time employees, fringe benefits, in the form of vacation and sick pay, and payroll taxes added more costs. It could provide a good living.[61] In some cases, net profits after taxes averaged 14.01% in drive-ins versus 5.21% in general restaurants.[62]

Many drive-ins found success when Americans started eating more meals away

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60. The *Cornell Hotel and Restaurant Administration Quarterly* defined drive-ins as:
   1. eing under five years old
   2. having an average annual volume over $200,000 with 50 car stalls, 59 tables and 12 counter seats.
   3. placed off center on an inside lot (not a corner).
   4. averaging 3442 sq. ft. with 1659 sq. ft. devoted to food prep.
   5. locating near a shopping center, school, industrial park or state highway.
   6. seeing 20,000 cars pass by daily.
   7. having a brand name identification.
   8. locating in the central portion of the country

After Alfred N. Califano. "Curb Service Drive-In Restaurants" *Cornell Hotel and Restaurant Administration Quarterly*. 1965:6. May, 1965. 88

61. It is unclear what profits meant, assuming after fixed capital costs and food costs, profits may mean pre-labor. Using that formula and the average sales, monthly income would have been equivalent to the new professional technical class, such as an accountant, chemist, or engineer. This is pre-tax income and except in the Sunbelt, many drive-ins were seasonal, which may have driven down income. Wages from U.S Department of Labor. *National Survey of Professional, Administrative, Technical and Clerical Pay*. February-March, 1965. Bulletin No. 1469, October, 1965. Table 1. Average Salaries. P. 21. http://www.bls.gov/ncs/ocs/patc_1965.pdf April 3, 2016.

62. Armon Glenn, "Thriving Drive-Ins: They Are the Hottest Thing in the Restaurant Business Today". *National Business and Financial Weekly,* June 5, 1961; 41, 23.

from home. In 1959, eating out accounted for $11.7 billion in sales, reflecting a 17.4 % increase in eating establishments and a 5.9% gain in sales over the prior year. That meant over 135,00 restaurants and lunchrooms, and more than 25,000 refreshment stands. These outlets recorded national average sales of over $91,000 per location.[63] It would appear that the drive-in offered a good living in what was a booming economy.

As the number of highway miles increased, these new roads bypassed downtown corridors. When some drive-in owners feared losing business, the federal government and states responded that new interstates and ring roads would attract traveling motorists. Small establishments still counted on people exiting the highway to looking for places to eat near the exit ramps. Some drive-in owners began to suspect that people preferred the consistency of the highway options. Despite local opposition, national outlets expanded and made real and lasting contributions to communities by bringing in new business and infrastructure.

The drive-ins also found themselves competing against each other for passing highway traffic. The federal government sold the Highway Act of 1956 to citizens and the business community. Short promotional films like the 1956 "Highway Hearing" helped quell community fears and garner support. The film takes place in the fictional town of Connorsville, based on the real home of an early Dow plant, Midland, Michigan.[64] In the opening sequence, the entire community turned out for a new highway

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63. Jay M. Gould, "Eating Out Volume in 30 Top Sales Areas" *Fountain and Fast Food*, August, 1960. Pp. 31-35. Courtesy of the Library of Congress
64. "Highway Hearing" Universal International, Sponsored by Dow Chemical, c. 1956. Prelinger Archives: and https://archive.org/details/HighwayH1956 and https://archive.org/details/HighwayH1956_2

ribbon-cutting ceremony. The highway had rerouted traffic through town. Bob Harris from the Chamber of Commerce expressed his fears since "he makes a living from people driving down Main Street, seeing our signs and stopping. What we need is more people driving down Main Street, if you don't have traffic, you don't have business." He pleads for "improving roads that will bring more people into Connersville" and earns a round of applause.[65] The meek elementary teacher wins over the crowd saying, "this highway is a whole new way of life for the children."[66] Ironically, it would turn out to be those same children who would go on to decry the destruction of the environment, the gas-guzzling cars, and the sameness of American roads. The film ends with the expected rousing music and a flashback to the celebratory ribbon-cutting ceremony.

On the other hand, drive-ins offered an alternative to the identical interstate highway rest stops. Historian Gary Cross points out that "the war experience had acclimatized Americans in war factories and at the front to standardized food."[67] This idea of sameness is a crucial part of the narrative of consumers' acceptance of fast food. Restaurants would go to exploit this by creating systems designed to ensure uniformity. Built between October 1952 and October 1955, the Ohio Turnpike covered 241 miles, and one year later, some ten million cars had used the system.[68] The highway had sixteen rest stops with standardized exteriors, fuel, restrooms, parking, and playgrounds. Each

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65. Highway Hearing" Universal International, Sponsored by Dow Chemical, c. 1956. Prelinger Archives: and https://archive.org/details/HighwayH1956 and https://archive.org/details/HighwayH1956_2 00:50 to 1:16.
66. Highway Hearing" Universal International, Sponsored by Dow Chemical, c. 1956. Prelinger Archives: and https://archive.org/details/HighwayH1956 and https://archive.org/details/HighwayH1956_209:30 to 4:45.
67. Gary Cross, *An All Consuming Century: Why Commercialism Won in Modern America.* (New York, N.Y.: Columbia University Press, 2000) 103.
68. "From Babylon to Westgate: A History of the Ohio Turnpike". http://www.ohioturnpike.org/about-us/history March 6, 2016.

restaurant included counter service, dining room, and separate truckers room. [69] Friendly kitchen staff may have served Blacks from the back door. Typical sit-down entrees included meatloaf, ham, fried chicken, fish, or roast turkey, while the counters most likely offered hamburgers or sandwiches. Today, motorists take such rest stops for granted and often decry the uniformity. The early food and fuel areas made interstate travel comfortable.

The new suburban drive-ins attracted local and traveling families while serving as a destination and impromptu choice for meals. Places like Fairfax, Virginia in the Washington, D.C. suburbs experienced growth in the late 1950s and 1960s. Federal workers and their families moved out of the older areas of Arlington and Falls Church to new homes in a suburban setting.[70] Fairfax Circle, a major traffic intersection, connected several roads and was home to a Howard Johnson's, already an industry powerhouse. Tops Drive-Inn was a local chain founded by Jim Matthews, a World War II veteran who gained industry experience running the Hecht's department store luncheonette. Starting with one unit in 1953, he eventually expanded to eighteen drive-ins in the D.C., Maryland, and Virginia areas. Topps Drive-Inn was popular with white families and nearby Fairfax High School students.[71] As in any traditional drive-in operation, cars pulled up and gave orders via an intercom to be delivered by uniformed carhops, who

69. n.a. "Across Ohio State – There no Slowing Up When it Comes to Food Service on the Turnpike", *Fountain and Fast Food*, September, 1955. Courtesy of the Library of Congress. 52-55.
70. The author is a resident of Fairfax, living in a subdivision split level built in 1960.
71. Fairfax High School has Johnny Reb as its mascot, and FCPS did not fully integrate until 1965. Daniel Duke. *Education Empire: The Evolution of an Excellent Suburban School System.* New York: SUNY Press, 2000) pp. 17-21

also diners seated inside.

Tops Drive-Inn typified the local drive-in. Tops promoted itself as the home of The Sirloiner, an impish character in a top hat. The signature Sirloiner was two burgers on a toasted sesame seed bun with lettuce, cheese, special top-secret sauce, and a pickle. Photographs show this on the menu in 1962, five years before the Big Mac.[72] Other items included a fish sandwich, shrimp boat with fries and slaw, and a kids shrimp meal with a toy boat to take home, an early example of children's premiums. A Tops' favorite was the trademarked Jim Dandy ham sandwich with Swiss cheese, tomato, and secret sauce on a Grecian bun. Drinks included shakes and Coca-Cola, Orange, root beer, and Hi-Spot Lemon Soda, with desserts showing some Southern influences, such as pecan pies and icebox pies. Mathews also partnered with Colonel Sanders to bring Kentucky Fried Chicken to the area and purchased the D.C. area's franchise rights. Eventually, the chain became part of Gino's based in Baltimore, MD. Tops Drive-Inn showed how one entrepreneur expanded from a single outlet to a small chain.

Changes Leading to the Acceptance of Fast Food: New Food Habits

The exodus to the suburbs showed that Americans had enough confidence in the long-term economic forecast to purchase a home. Individuals and families were pulled and pushed to the suburbs for many reasons, such as needing more space or moving out of overcrowded apartments. Once people stop living with extended family, they left deep-rooted ethnic enclaves behind, and city neighborhoods lost social capital. Jane Jacobs

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72. Special thanks to Page Johnson for his e-mail correspondence. William Page Johnson, II. "Tops Drive-Inn", The Fair Facs Gazette, Vol. 4, Issue 3, Sumer, 2007. 1-7

would go on to identify this as the death of the city.

Owning a home became the most visible symbol of the new prosperity, with nearly one-third of Americans living in a suburban area by 1953. With nearly 7,000,000 new dwellings, demand increased for new goods, services, and retail stores to serve these homeowners.[73] As Kenneth Jackson points out, the postwar suburbs shared common characteristics, not all of them positive, yet, "the creation of good, inexpensive housing on an unprecedented scale was a unique achievement in the world."[74] This new housing stock got promoted as one way to fulfill the American dream and become part of the amorphous middle class, evidenced by a white picket fence or plot of grass.[75] These houses looked to both the future and an invented nostalgic past and borrowed from various architectural styles and vocabularies.[76] Items like knotty pine furniture in the rec-room expressed a quasi Western theme. The boomerang Formica kitchen table expressed a futuristic style. This hybridity reached its apex in places like the new Disneyland with its Frontierland and Tomorrowland.[77]

Levittown came to represent the quintessential desire and ability to own a home.

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73. Fortune. "*The Changing American Market: The Economic and Social Forces That Are Reshaping the Face of America*" (Garden City, NY: Hanover House, 1953) Plate 7.
74. The five characteristics are a peripheral location to a major metropolitan area, low density housing, architectural similarity, easy availability and purchase advantage over rent, economic and racial homogeneity. See especially Chapter 13, "The Baby Boom and the Age of the Subdivision" in Kenneth Jackson. *Crabgrass Frontier: The Suburbanization of the United Sates* (New York, N.Y.: Oxford University Press) 1985. 245.
75. Books like *The Levittowners*, by sociologist Herbert Gans were aimed at the "upper middle class" whom he claims were the policy and decision makers who needed to understand lower middle and working class people better as one way to make sense of new housing patterns.
76. Builders tried to upgrade the homes based on experience, which led to new styles and floor plans. For example, the ranch house was more popular in California and the Sunbelt, while the split-level was more widespread in the North and East, all were borrowed from a variety of architectural styles and vocabularies to create new forms.
77. Gary Cross *An All Consuming Century: Why Commercialism Won in Modern America.* (New York, N.Y.: Columbia University Press, 2000) 98

The building techniques used by Levitt and his ilk delivered an identical product every time, and his assembly line housing became a lightning rod for critiques.[78] The food industry would use these same techniques to streamline the procurement, delivery, and installation of fast-food stands. The fast-food companies would also be the target of critiques aimed at its architecture and its food.

These new suburbanites found restaurants and grocery stores filling the new retail strips and small shopping centers. Before the suburbanization era, groceries accounted for a large part of the household budget while the cost of rent accounted for less of the monthly budget.[79] In the new postwar model, food becomes less costly, and mortgage spending accounts for more of the household budget.[80] In fact, food expenditures as a part of the household budget fell from 20.2% in 1960 to 16.3% in 1972, due to rising income and stable food prices.[81] A change in food cost occurred because food moved from farms to wholesalers using new and more efficient systems. As Shane Hamilton has shown, contemporary advances in freezer technology made an improved cold chain possible. Customers saw more product diversity in stores as national delivery systems emerged.[82]

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78. The story of the contemporary environmental critics is of great interest in the 21rst century. Thomas Lundt. *Greening the Red, White and Blue: The Bomb, Big Business, and Consumer Resistance in Postwar America*. (New York, N.Y.: Oxford University Press, 2014). Also See: Adam Rome in *The Bulldozer in the Countryside: Suburban Sprawl and the Rise of American Environmentalism* (New York: Cambridge University Press, 2001).
79. See Hayden Stewart. "Food Away From Home" Jayson L. Lusk, et.al. eds *Oxford Handbook of the Economics of Food Consumption and Policy*. Oxford Handbooks Online www.oxfordhandbooks.com January 2, 2014.
80. When *Fortune* magazine published a book length study of the new American market, it noted that, "of all the violent upheavals that have shaken and transformed the American market, none have been bigger, or more baffling, than those affecting food." See Harvey Levenstein. *Paradox of Plenty: A Social History of Eating in Modern America.*(Los Angeles, CA: University of California Press, 2003) 101. The original source is extremely useful as well, see Fortune Magazine. "The Changing American Market: The Economic and Social Forces that are Reshaping the Face of America" (1955). 131
81. The data are for total after-tax income, income, family size, metropolitan area and region are also significant factors. See David S. Rogers and Howard L. Green. "Changes in Consumer Food Expenditure Patterns". *Journal of Marketing*, 42:2 (April 1978, p. 14-15
82. Shane Hamilton. *Trucking Country: The Road to America's Wal Mart Economy* (Princeton, NJ: Princeton

The new supermarket's association with modernity linked the ideas of timesaving and convenience as positive attributes related to food procurement. As Tracey Deutsch and Elaine Tyler May suggest, the supermarket is another facet of cold war domestic containment.[83] Defining shopping as a political act with implied and expressed tensions changes our thinking about the relationship between sellers and buyers. Women exercised agency in a self-service shopping model that significantly reduced or eliminated the need for these awkward transactions. This pas de deux not only occurred in grocery stores; it also happened when dining out. As most of us have experienced, the interactions between wait staff and diner can be fraught with tensions. Fast food would eliminate this with its drive-in and eventual counter service practices. The cash and carry model also alleviated credit negotiations, although it hurt struggling families. People with enough income shopped in the suburbs while people of color and the poor found themselves struggling in the inner city, where many lived in food deserts.[84] Neighborhood city shoppers suffered from abuses in small stores, using credit to pay for lower quality or overpriced items. Grocery chains like A&P had helped design the ability to locate, procure, standardize, and manage retail food outlets on a large scale.[85] Simultaneously, to survive competition

University Press, 2008).

83. Tracey Deutsch. *Building a Housewife's Paradise: Gender, Politics, and American Grocery Stores in the Twentieth Century*. (Chapel Hill, N.C.: University of North Carolina Press, 2010.) 193.

84. Food deserts are defined as urban neighborhoods and rural towns without ready access to fresh, healthy, and affordable food. Instead of supermarkets and grocery stores, these communities may have no food access or are served only by fast food restaurants and convenience stores that offer few healthy, affordable food options. Census tracts qualify as food deserts if they meet low-income and low-access thresholds: 1. They qualify as "low-income *communities"*, based on having: a) a poverty rate of 20 percent or greater, or b) a median family income at or below 80 percent of the area median family income; and 2**.** They qualify as "low-access *communities"*, based on the determination that at least 500 persons and/or at least 33% of the census tract's population live more than one mile from a supermarket or large grocery store (10 miles, in the case of non-metropolitan census tracts). USDA Agricultural Marketing Service http://apps.ams.usda.gov/fooddeserts/foodDeserts.aspx May 13, 2014.

85. See Marc Levinson. *The Great A& P and The Struggle for Small Business in America* (New York, N.Y.: Hill and Wang, 2011).

from supermarkets, rural single stores joined wholesale groups like the Independent Grocers Association.[86] If shoppers could compare prices in supermarkets, the industry had rationalized the experience.

Cookbooks, home economics courses, and food experts promoted processed food sold in groceries as superior to other preparation methods.[87] "Mrs. Consumer," to use a contemporary phrase, found herself the target of new psychologically based advertising campaigns. During the 1950s, consumers were interested in and generally open to cooking advice from various sources. In 1955, just 63% of houses had a television, but by 1965, 90% of households did. The number of televising stations also rose to meet the demand from 411 in 1955 to 569 by 1965.[88] Once the older idea of single company sponsorship of a program went away, new shows could have multiple advertisers. These new advertisers used commercials to sell new products and brands to consumers.[89]

Harvey Levenstein called this era the golden age of food processing typified by the lifeless TV dinner. Food came wrapped in cellophane, pre-frozen, or in ready to serve cans. The search for item stability drove many of these enhancements and new product

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86. IGA was a voluntary franchise association and different for business format franchising. In1958, 20% of all supermarkets were single unit outlets and 73% were affiliated independents by 1958. Tracey Deutsch. *Building a Housewife's Paradise: Gender, Politics, and American Grocery Stores in the Twentieth Century*. (Chapel Hill, N.C.: University of North Carolina Press, 2010.)
87. See extensive discussion in Chatter 7, "Babes in Comsumerland" in Tracey Deutsch. *Building a Housewife's Paradise: Gender, Politics, and American Grocery Stores in the Twentieth Century*. (Chapel Hill, N.C.: University of North Carolina Press, 2010.) 187.
88. "Statistical Abstract of the United States: 1999" U.S. Census Bureau. http://www.census.gov/prod/99pubs/99statab/sec31.pdf September 14, 2014.
89. For a good mapping of how televisions networks followed the social movements of the time with various types of programming and how this was linked to other media and trends, see LeRoy Ashby. *With Amusement for All: A History of American Popular Culture Since 1830.* (Louisville, KY: University Press of Kentucky, 2006). Chapter 10 "Popular Culture and 1960's Ferment".

development. Food processing meant chemical enhancement and manipulation of food items, such as freezing and dehydrating, and the inclusion of newly discovered additives and stabilizing chemicals.[90] The use of monosodium glutamate epitomized this era. Home cooks used Campbell's canned soups as sauces while a Betty Crocker cake mix ensured consistent results. Consumers could leave messy or dangerous items like frying chicken to experts. At the same time, frozen foods offered an easy way to expand or supplement meal choices.[91] There is little similarity between the work needed to prepare convenience foods in the 1950s and their microwave equivalents today.

Popular recipes based on prepared foods also attained widespread circulation in women's magazines, newspaper food columns, and food magazines like *Gourmet*. [92] New recipe combinations printed on labels and in small manufacturer recipe books helped establish experimentation. New permutations included Rumaki, egg foo young, tuna casserole, green bean casserole with canned onions, and stuffed meatloaf. The quintessential example is Lipton's California Dip (1954) made from dehydrated onion soup mix and sour cream– always ready for company and served in its special chip and dip bowl with the thoroughly modern corrugated chips. This dip's naming is also evocative, recalling the leisured and recreational activities that helped bring a California lifestyle to the popular imagination.

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90. See chapter 7 "The Golden Age of Food Processing: Miracle Whip über Alles" in Harvey Levenstein, "*Paradox of Plenty: A Social History of Eating in Modern America* (Los Angeles, CA: University of California Press, 2003). From 1949 to 1959, more than 400 new food chemicals emerged. 108.
91. Some of these 'experts' were themselves corporate inventions carefully managed often over long periods of time. See Susan Marks. *Finding Betty Crocker: The Secret Life of America's First Lady of Food*. (Minneapolis; University of Minnesota Press, 2005).
92. *Gourmet* was published from 1941 until 2009.

The confluence of marketing, technology, and capital investment could even come together to take an existing natural commodity and create something new. Cod became fish sticks in 1952 in precisely this manner. [93] Arguably, the most innovative prepared food item of the time was the frozen fish stick. In sandwich form, it went on to become a staple of fast food menus. In the North Atlantic, subsidized trawler fleets harvested large quantities of fish using sonar, a development from World War II. Fish sticks are so successful that Gorton's built a $1,000,000 plant in 1956 to keep up with demand. They sold their product to home consumers, institutions, and restaurants. The number of companies producing frozen fish products rose from 13 in 1953 to 68 in 1954 alone. The years between 1947 and 1967 saw a 774% increase in seafood processors. Teaming with the Massachusetts Institute of Technology Department of Food Technology, companies like Gorton's worked to improve product quality. As a result of their popularity, the Federal government created quality standards and promoted fish sticks in school lunch programs.[94]

Processed foods also transformed social practices such as the feeding of young children. The use of the term family had increasingly come to denote babies and toddlers. In the 1920s and '30s, baby food is a form of "scientifically determined nutrition" sold in drug stores.[95] By the 1950s, baby food represented big business, with demand tripling

93. Bird's Eye (General Foods) and Gorton's all introduced the item at the same time. Paul Josephson. "The Oceans Hot Dog: The Development of the Fish Stick" *Technology and Culture*, vol. 49.No. 1, Jan, 2008. 51
94. In addition to regulation, the Slatonstall-Kennedy Act (1956) helped promote the industry by giving $45 million to increase sales. See Paul Josephson. "The Oceans Hot Dog: The Development of the Fish Stick" *Technology and Culture,* vol. 49.No. 1, Jan, 2008. 55-60.
95. Amy Bentley. "Booming Baby Food: Infant Food and Feeding in Post World War II America" *Michigan Historical Review* Vol. 32, No. 2 (Fall, 2006). 74

between 1949 and 1951.[96] Commercial baby food sold in groceries is bland, mushy, sweetened pabulum, or strained meat and vegetable combinations.[97] While processed baby food may have led to a decline in breastfeeding, it became just another suburban staple. If the baby could eat from a jar, then a teenage babysitter could feed the infant while the mother worked. The appearance of frozen dinners or canned foods enabled babysitters or older children to prepare meals for younger siblings.

Contemporary social critics described postwar society as infantile, and many mainstream foods tasted either bland or overly sweet. Cocktail fare became finger food. Many suburban women tried to embrace cooking as a creative activity using the new canned and frozen foods, spurred on by manufacturers' suggestions based on the latest trend in quasi-ethnic foods.[98] As the mainstream embraced these recipes, theme meals gained traction in specialized restaurants like Trader Vic's. Church supper planners tried Polynesian, Smorgasbord, or Mardi Gras nights. At home in the suburbs, men took part in the nationwide trend of barbecuing and cooking things like hamburgers in the backyard.[99]

96. Jarred baby food was sold in pharmacies during the 1920's and 30's. Amy Bentley. "Booming Baby Food: Infant Food and Feeding in Post World War II America" *Michigan Historical Review* Vol. 32, No. 2 (Fall, 2006). 65
97. A 1954 Heinz ad for strained meats included beef heart, liver and bacon, in glass jars for freshness. http://www.vintageadbrowser.com/food-ads-1950s/6 Retrieved 09/26/2015.
98. Joshua Gitleson. "Populox: The Suburban Cuisine of the 1950s" *Journal Of American Culture* . Vol 15:3. September, 1992. P.73
99. The contemporary spelling was barbecue as opposed to the more common modern barbeque. Technically, hamburgers were grilled over the grate and barbecued foods are contained within a smoker or cooker. For more about how the California lifestyle influenced postwar culture, especially tourism, race and public policy, see Lawrence Culver, *The Frontier of Leisure: Southern California and the Shaping of Modern America*, (New York, N.Y.: Oxford University Press, 2010).

Changes Leading to the Acceptance of Fast Food: The Hamburger

Barbecuing held a special place in American popular culture as a form of suburban recreation and pride. When men cooked, they used tools so "overly large so that there could be no confusion between masculine grilling tools and the more feminine kitchen utensils they resembled."[100] Cooking in the suburban backyard presented a sanitized version of an old Black Southern tradition of smoking pork, to which it bore little resemblance.[101] The act of cooking and eating outdoors carried strong cultural connotations, such as enjoying the vanquished landscape before the subdivision came. The modern house plan had sliding doors to the patio area and a brick barbecue pit. The famed architect Louis Kahn created several outdoor kitchens, attracting notice in highbrow publications like *Architectural Forum.* These bespoke designs had expensive flagstone grills and featured soapstone and luxury features.[102] Whether simple or plain, barbecue grills provided a way to cook foods in their raw state and served as an alternative to prepackaged foods.

The meatpacking industry created what Roger Horowitz has termed convenient meats to respond to the increased demand for beef or chicken cuts that are ready to grill or cook.[103] Sadly, cattle had to be transformed via technology, chemicals, and then

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100. Timothy Miller. *The Path to the Table: Cooking in Postwar America*. (Unpublished Dissertation. University of Kansas, c. 2008) 65

101. The barbecue stand was a staple in Black and Black migrant communities, especially popular in Harlem, starting in the Great Migration. See Adrian Miller, *Soul Food: The Surprising Story of an American Cuisine: One Plate at a Time*. (Chapel Hill, NC: University of North Carolina Press, 2013) 39.

102. These were seen as dramatic ideas and while they were for his wealthy clients, the trend was widespread enough that they asked for them. See George H. Marcus, "Louis Kahn and the Architectural Barbecue" *Journal of Design History*, v. 26. No. 2. May, 2013.

103. Roger Horowitz, *Putting Meat on the American Table: Taste, Technology, Transformation* (Baltimore, MD: Johns Hopkins University Press, 2006).

shaped, which allowed them to be slaughtered and processed in a factory. This change reached back to a process of 'growing' animals, and it radically altered food choices by standardizing animal sizes. In turn, this allowed for easier processing to continue a supply chain created by the institutional and commercial markets. By 1960, companies re-engineered the slaughterhouse process by moving beef horizontally and using automated equipment to direct carcasses to specialty lines. The older producers like Armour and Swift found themselves competing with new players. Companies like Iowa Beef Packers specialized in vacuum-sealed, custom portioned meats based on customer requests known as boxed beef.[104]

Consequently, the food industry pronounced the hamburger a best selling menu staple. The July 1960 issue of *Fast Food* was devoted to increasing hamburger sales using new menu items, cooking techniques, and pairings with other foods. Ethnic suggestions included Spanish burgers (pimentos, olives, slaw), Scandinavian burgers (blue cheeses, beets, cucumbers, onion rings), or Pizza Burgers (mozzarella on English muffin) and a Hawaiian burger (filled macadamia nuts, pineapple ring).[105] The burger existed in two forms, between the bun and as an independent hamburger patty, ready to be served with canned gravy, next to a side of canned peach halves or under glass next to peas or a baked potato. Humble ground beef was everything from a child's favorite to a fast-food lunch to a sit-down meal entrée.

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104. For a history of the changes in meat consumption and production, see Maureen Ogle. *In Meat We Trust: An Unexpected History of Carnivore America*. (New York: Houghton Mifflin, 2013). Especially Chapter 6 "The Vacuum at the Top" , 158-159.
105. n.a. "Burgers Leading Off Sandwich Time" *Fast Food*, July, 1960. 38.

More and more Americans turned to the new quick and easy outlets for meals. Drive-in restaurants changed from the older full menu model to a limited menu with self-service and new drive-up parking. Richard Longstreth mapped these changes during and after the prewar era in Los Angeles and noted that the rearrangement of commercial space in that city happened on a scale and with a rapidity that mimics changes decades later in the suburbs.[106] Going back to White Castle and its buy 'em by the sackful campaign, there was always a difference between a single meal eaten on-site and a to-go family meal.[107] Thus, if consumers accepted convenience and sought quick meals, they had acquiesced to the new fast food outlets. Burger drive-ups became the most numerous, as well as the most competitive type of fast food outlet.[108]

This new suburban drive-up chain phenomenon encouraged families and others to eat in places other than in a table service restaurant. Women were entering the workforce in large numbers and looked for an easy way to feed families. The appeal of fast food "lay in helping women negotiate and resolve the contradictions of the 1950's and 1960's gender ideology."[109] Fast food provided one answer, although at a cost. Disposable silverware, packaged condiments, and hard seating reinforced a very utilitarian experience that encouraged turnover as patrons sat at small tables. Self-service at a

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106. Richard Longstreth. *The Drive-In, The Supermarket and the Transformation of Commercial Space in Los Angeles*, 1914-1941. (Cambridge, MA: MIT Press, 1999). xv, 163-180.
107. To-go, take out, and carry out are all synonymous. Growing up in New Jersey, I use the term take out, my Virginian wife uses carry out. In this study, I use the term that the individual establishments employed. For an interesting mapping of the terms, see: Harvard Dialect Survey: http://dialect.redlog.net/staticmaps/q_119.html November 11, 2020.
108. Carrols, Big Boy, Hot Shoppes, Burger Chef, White Castle, Burger King and many others were hamburger chains.
109. The same was true of the supermarkets. See Tracey Deutsch. *Building a Housewife's Paradise: Gender, Politics, and American Grocery Stores in the Twentieth Century*. (Chapel Hill, N.C.: University of North Carolina Press, 2010.) 201

window or counter was already in place and moved towards becoming the norm. Most outlets had one or more employees on duty to clean tables, wipe trays, restock items, and help diners. The new suburban quick-service chains and drive-ins gained widespread acceptance.

One author interviewed leading fast-food executives and found that the most frequent diners to be a family of four, eating out 6 or 7 times per month, traveling 3 to 5 miles, and influenced by the children in their choice of restaurant.[110] Then, as now, children also played a large role in asking for these meals once the possibility of fast food eating grew to be an established habit.[111] While the children or women may have initiated the decision to eat out, industry photographs and materials showed the father or a male ordering the meal. Nearly 50 % of businesses came from neighborhood families while teenagers spent 30% of allowances on hamburgers, fries, and Cokes. They consumed 5.2 sodas per week, nearly twice the national average. One study reported that "it cost less to eat out if you are eating hamburgers" and a dozen drive-ins (drive-ups) open each day.[112] Thus it was no surprise that families reported liking burger places for the low prices, fast service, casual dress, and not needing babysitters. Despite their popularity, projections for hamburger and pizza outlets paled compared to the growing roast beef and seafood

110. This was McDonalds, however, it easily generalizes to all hamburger chains.
111. In an interesting reversal in the twenty-first century, for better or worse, the modern grocery now stocks frozen versions of fast food and quick service favorites. Some big box and grocery retailers, such as Walmart, have Subway outlets in their stores.
112. One study cites McDonalds as a drive-in self service, however, it is really a drive-up as opposed to the typical drive-in, although there was no doubt they were opening as well. Saltman cites National Biff-Burger Systems of Tampa, FL as the source for his statistics. Gerald H. Saltman. "Hamburger Franchising Systems" . *Cornell Hotel and Restaurant Administration Quarterly*. November. 1969 10:41. 41.

categories.[113]

By the middle of the 1960s, fast food had secured its place as part of the cultural landscape.[114] Historian Nicolaas Mink points out that fast food outlets "built their identity and consumer trust on a single product, a handful of goods, or a lone commodity. In this world, a food became the brand and the brand became a food, often patented and trademarked, leaving less room in the equation for culinary flexibility and ingenuity, but more room for profit. Restaurants then engineered entire business, cultural, and culinary systems around this branded commodity."[115]

Americans had established a fast food habit and had primed the pump for a diet of salt, sugar, and fat.[116] Fast food outlets catered to the demand for consumed processed food, fried chicken, fish and chips, hot dogs, hamburgers, French fries, milkshakes, and sodas. As critics pointed out, "industrial food preparation has controlled and distorted the central ritual of daily life subordinating all of its values to profits."[117] The American

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113. Vaughn cites a "rush to open fish and chips shops" (23) but doesn't specify the companies. Seeking another source, a Food Franchises Chart (1969) data shows H.Salt, ESQ. Fish and Chips as having 102 units with no major plans to open additional units. This is an anomaly to be reconciled. "Food Franchises" – chart from *The Franchise Journal,* July/August, 1969. pp. 25-38. NMAH: A. Bernie Wood Collection. Box 4, Folder 2.
114. From humble beginnings, the burger wars have created a $574 billion global fast food industry with nearly 3,000,000 workers in the United States alone. The trend continues today with hamburger chains competing in the organic and premium categories. These creations are often topped with international ingredients, such as kimchi.[2] In the twenty-first century, social media promotes secret special menu items and applications reward loyal customers. In fact, companies risk entire businesses on subtle differences in product and approach. According to CNN Money, the fast food industry would be the 27th largest nation in the world. The fight for market share continues between Wendy's, McDonalds and Burger King. http://money.cnn.com/2017/11/08/investing/wendys-earnings-burgers-mcdonalds-burger-king/index.html Retrieved January 4, 2017.
115. Nicolaas J. Mink. *The Restaurant: Food, Power and Social Change*. Ph.D. dissertation, Madison, WI. 2010. 335.
116. For a fascinating look at how the food industry uses chemistry, marketing to create products and to understand their nutritional impact, see: Michael Moss, *Salt, Sugar, Fat: How the Food Giants Hooked Us* (New York: Random House, 2013).
117. Historian Susan Strasser points out that a nineteenth century ideal, expressed by Charlotte Perkins Gilman, of families eating meals out in pleasant surroundings would replace the family kitchen and relieve women of the burden of cooking. She points out that ironically, that at least part of this came true to some degree, but at a cost. Susan Strasser *Never Done: A History of American Housework*. (New York, N.Y.: Henry Holt, 1982) 283

economy and the industry's growth seemed to support the claim that selling fast food could be a path to riches. The exact formula for how that could happen remained a mystery.

CHAPTER TWO: THE HUNT FOR EFFICIENCY: SYSTEMS, TECHNOLOGY AND MANAGEMENT

"I put the hamburger on the assembly line." Ray Kroc, McDonald's

Growth in the general restaurant industry paralleled the growth rate in disposable personal income. Between 1958 and 1966, it hovered around five percent when calculated as a percentage of all disposable personal income. Food away from home grew from $14.5 billion in 1956 to $23.9 billion in 1966, suggesting that people continued to eat out even in stagnant economic years.[118] First, the cost of eating out rose less than the price of food at home, essentially due to economies of scale.[119] Second, labor costs in the food industry tended to be more constant due to low wages. High employee turnover meant most staff worked for the prevailing minimum wage.[120] Third, fast-food derived significant revenue from second-order effects such as people out shopping, working late, or taking children to or from activities. This countercyclical behavior suggested that fast food did not directly correlate to inflation or economic slowdowns. Potential investors took this as evidence that convenience food outlets are low-risk investments.

During the 1960s, many restaurants simply exchanged type and place. For

118. The growth rate from 1958 to 1968 disposable personal income (DPI)was 6.4% and food away from home was 6.0%. 1958 to 1968 figures averaged 4.92% of disposable personal income spent on food away from home. 1958 saw very slow growth in food away from home but then a strong increase that continued well into the late 1970's. See Robert L. Emerson *Fast Food: The Endless Shakeout* (New York Lebhar-Friedman Books, 1979). Table 2-1 The Restaurant Market.

119. The author experiences this today, especially in ethnic restaurants where the purchased cost of ingredients exceeds the cost of the meal eaten out. The more specialty items needed, the more cost effective it maybe to eat out.

120. Not all states are required to make up the minimum wage base level for tipped workers, the most recent trend is to add the cost to the meal and avoid the tip. Fast food workers are not tipped and thus earn minimum wage.

example, the old urban tearooms closed and new ethnic restaurants took their place. When Schrafft's lunchrooms closed city locations, the loss is offset by new outlets like Marriott Hot Shoppes opening in the suburbs. The total number of restaurants in the U.S showed a reasonably small increase from 229,815 in 1958 to 253,136 in 1967.[121] This increase suggested some equilibrium between start-ups and failures, although the suburbs' growth complicated the equation. This new migration pattern was part of an increased spending cycle and reflected a favorable business climate. These same trends were seen in new housings starts. As the size of houses increased, so did the size of restaurants. A new family home went from an average 1100 square feet in 1955 to 1500 square feet in 1968.[122] A larger kitchen was a desirable option in a house, and in the restaurant industry, a larger footprint served more customers.[123] McDonald's stores went from less than 1500 sq. ft. before 1965 to more than 1500 sq. ft. after 1969.[124]

As the number of fast-food outlets grew, McDonald's, Carvel Ice Cream, Dunkin' Donuts, and others needed to learn how to control field operations. The postwar business world embraced new corporate forms and practices while rapidly diversifying and learning to manage risk. The multi-divisional or M form allowed a company to own smaller companies, all feeding the parent corporation. Called a conglomerate wave, these

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121. Robert L. Emerson *Fast Food: The Endless Shakeout* (New York Lebhar-Friedman Books, 19790. Table 6-1 The United States Restaurant Population., 48.

122. Barbara T. Alexander. *The U.S. Homebuilding Industry: A Half Century of Building the American Dream* John T. Dunlop Lecture, Harvard University., October 12, 2000. http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/m00-1_alexander.pdf Retrieved April 17, 2016.

123. It would be very interesting to be able to chart the growth in home kitchen size, by the mid twenty-first century, luxury private homes now contain not only restaurant sized kitchens, they have restaurant equipment.

124. Interesting to note that by the late 1970's the average store size was more than 3700 sq.f.t. Robert L. Emerson *Fast Food: The Endless Shakeout* (New York Lebhar-Friedman Books, 1970). Table 13-3. Growing Size of McDonald's Units. 115

acquisitions meant "impersonal efficiency, rationality, decentralized management" and the "entering of unrelated sectors or industries."[125] The postwar economy leveraged this new thinking and engaged in business process re-engineering across disparate industries. The military-industrial-university complex spurred innovations creating the ideal laboratory for business innovation and risk-taking.

Systems

To retain control in the field and boost profits, fast food corporations sought standardization and efficiencies using systems thinking. As early as the 1920's, the White Castle system learned that standardization implied uniformity and sanitation.[126] This same idea resonated in mid-twentieth-century America. One need look no further than the full name for the famous hamburger chain- McDonald's System.[127] Thinking about systems greatly influenced historian Alfred Chandler. In looking at large enterprises, he saw national brands emerging because they could control all business cycle phases from raw materials to national sales and distribution[128]. As one business historian points out, "moderate Keynesianism kept the economy humming at or near full employment in the 1950s and 1960s, providing the macroeconomic backstop to good jobs

125. See Benjamin C. Waterhouse, *The Land of Enterprise: A Business History of the United States*. (New York: Simon and Schuster, 2017). 168-169.
126. Billy Ingram, founder of White Castle, built his national institution on strict policies and practices. See David G. Hogan. *Selling "em by the Sack: White Castle and the Creation of American Food* (New York: New York University Press, 1997) 40-45
127. Carroll's, Royal Castle, Steer Inn, and others actually used the word systems in their names. Harry Kursh. *The Franchise Boom* (Englewood Cliffs, N.J: Prentice Hall, Inc., 2d. ed, June 1969. Original 1968.) Appendix A, 286.
128. Chandler advanced six ideas that characterize the modern corporation: That efficiencies were accepted when they were more profitable than consumer demand only, that companies needed a hierarchy in place to invent and refine standard business practices, that technology helped enable and make made national distribution possible. He saw management as needing to replicate their processes and functions quickly and in organized manner, he noted that management became a 'science' and profession and that when Management and ownership split a business entity becomes a true capitalist firm. Alfred D. Chandler, Jr. *The Visible Hand: The Managerial Revolution in American Business.* (Cambridge, MA: Belknap Press of Harvard University Press, 1977).

and rising wages across broad sectors of the economy. The beauty of it was the economy could remain dynamic, moving resources around in light of profit and innovation. Solid, steady growth assured those who took advantage of the emerging growth areas would benefit, even if it meant leaving old ways behind."[129]

To create standardization for the customer, fast-food parent firms replicated and controlled their forms, features, and functions. As national chains expanded, they set clear expectations and created brand loyalty. If a firm could implement such a system and grow child networks, it could be tremendously successful. In theory, if central corporate management maintained tight controls over local operators and operations, they could ensure a replicable profit structure. This blueprint worked well in the business school models and manufacturing plants and companies. The National Restaurant Association wrote about planning for the future of foodservice, claiming that multi-unit growth was driving the need for automation and efficiency.[130] Fast-service food operations faced both internal and external competition. The application of systems thinking to food production seemed to hold great promise.

Another way large food companies tried to gain efficiencies involved operating multiple lines, such as fast-food restaurants, company cafeterias, and institutional locations. Some firms chose a specific sector, like SAGA, specializing in college campus dining halls, while others, like industry leader J. W. Marriott, consolidated operations in a

129. Kenneth Lipartito. "The Economic History of Trumpism or What Happened to the Creative Society?" Blog: *In the Age of Trump* https://httptrumpage.wordpress.com/ Retrieved 01/03/2017. 18-19

130. J. T. Mathews was the Director of Food Equipment and Research at the National Restaurant Association (NRA). J. T. Mathews. "Planning Today for Tomorrow's Food Facilities". *Cornell Hotel and Restaurant Administration Quarterly.* May, 1965, 6:46.

central commissary.[131] Hoping to follow the fast-food model of standardized fare, Howard Johnson's, Schrafft's Cafeterias, and others used a frozen food processing plant to provision outlets. Diners did not notice that frozen foods had been introduced in Thompson's cafeterias, resulting in cost savings. When large providers reconfigured kitchens, they employed fewer and less skilled people, maintained tighter portion control, and saw profit margins increase. This vertical integration and centralization of preparation facilities exemplified the strict control over functions.

Fast Food magazine wrote about new trends in 1960, explaining the leading systems as cook-in-bag entrees, dehydrated vegetables, and dehydro-frozen foods – which simply needed water before reconstituting.[132] As late as 1965, the National Restaurant Association reminded its members that "ready foods" such as soup mixes, frozen entrees, and other items, "which only need to be conditioned and garnished" before serving, could be cost-saving options."[133] These long shelf life entries reduced kitchen labor cost, saved weight in shipping, ensured portion control, and provided uniformity throughout a chain.

Companies needed to be able to procure, manage, and distribute inventory using regional and national networks. These ranged from the simple to the very complex. On the one hand, a Good Humor truck visited a central depot where the route dealer replenished supplies. On the other, early attempts at supply chain management formed

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131. SAGA was started by students at Hobart College in 1948 and achieved revenues of nearly $1,000,000 by 1985 when Marriott bought them. William F. Scandling. *The Saga of SAGA: the Life and Death of An American Dream* (Mill Valley, CA: Vista Linda Press, 1994).
132. "Our Industry's Food Trends", *Fast Food* Magazine, October, 1960. 70. Courtesy of the Library of Congress.
133. Most attendees at the industry convention were from traditional full service restaurants. "Our Industry's Food Trends", *Fast Food* Magazine, October, 1960.70. Courtesy of the Library of Congress. p. 46

complex webs of national distribution. There were problems, industrial warehouses and the cold chain were not fully mature, and spoilage and delays were more common than not. Most very large or bulk shipments traveled by railcar. Independent truckers then moved the majority of foodstuffs from railhead to warehouse or from farm to supermarket.[134] Historian Shane Hamilton observed that "these new forms of business enterprise that emerged in the postwar period to use technologies of efficient mass distribution, rather than mass production, to provide 'luxury for the masses' while slashing labor costs and defying government antitrust provisions."[135]

Entrepreneurs in the quick-service industry started businesses specializing in serving the new national networks by distributing fresh or frozen foodstuffs and non-food commodities. As new or existing restaurant industry customers expanded geographically, an entire parallel and subservient industry grew with them. Early players included pioneering companies like Sysco (Systems and Services Company) and Martin Brower.[136] Martin Brower began servicing McDonald's in 1956 and morphed to become a national full-line distributor, commodity supplier, and trucking company. Martin Brower doubled its sales and earnings between 1963 and 1967 by selling to a customer base of 10,00 drive-ins, restaurants, ice cream shops, and other outlets, as well as some supermarkets.[137] Typical items were napkins, plastic forks, spoons, paper towels, guest

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134. Shane Hamilton. *Trucking Country: The Road to America's Wal Mart Economy* (Princeton, NJ: Princeton University Press, 2008).
135. Shane Hamilton. *Trucking Country: The Road to America's Wal Mart Economy* (Princeton, NJ: Princeton University Press, 2008)4.
136. Sysco was founded in 1969 and grew from the initial public offering in 1970, when sales were $115 million, to $44 billion in sales for fiscal year 2013. From Sysco http://www.sysco.com/about-sysco.html May 12, 2014 Martin Brower timeline at http://martinbrower.com/our-story.html Retrieved May 12, 2014.
137. Margaret D. Pacey. "Martin-Brower Carves Solid Niche for Itself in Growing Franchise Field" *Barron's Business*

checks, and general items such as mayonnaise, dressings, ketchup packets, tarter sauces, and cleaning supplies.

As national demand grew, commodity suppliers expanded their reach and range of products. Martin Brower earned fifty percent of its revenues from McDonald's and Burger Chef. The company also made specialty containers, including donut boxes (Dunkin' Donuts), Doozy Hot Dog Bags (Tastee Freeze), hamburger, and apple pie boxes (McDonald's), coleslaw cups (Brown's Chicken), and orange paper cheeseburger wrappers (Burger Chef).[138] The new arrangements helped ensure product availability, laying the pipeline for modern supply chain logistics and real-time inventory management. Menus could also be changed to take advantage of new products such as frozen onion rings. [139] Logistics only told one side of the story. For substantive and consequential change to take place, operations still needed to be improved.

Technology

With a logistical infrastructure in place, companies turned their attention to improving operations using technology. New technologies seemed to offer solutions to common problems. For example, early outdoor menu boards used hand-placed decals with pictures showing prices on lit signs. They were hard to read in daylight, easily damaged, and costly to replace when a price changed or items added. One invention used

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and Financial Weekly. September 23, 1968, 48, 39,p. 29

138. They also opened many new distribution hubs across the country in the mid 1960's. Margaret D. Pacey. "Martin-Brower Carves Solid Niche for Itself in Growing Franchise Field" *Barron's Business and Financial Weekly*. September 23, 1968, 48, 39,p. 29

[139] The USDA sets standards for frozen onion rings in 1959. "United States Standards for Frozen Onion Rings" UD Department of Agriculture, Agricultural Marketing Service, Fruits and Vegetable Division, Processed Foods Branch, October 17, 1959. *Federal Register*. September 16, 1959 (24 FR 7435) https://www.ams.usda.gov/sites/default/files/media/Frozen_Breaded_Onion_Rings_Standard%5B1%5D.pdf Octo 3, 2020.

a printed card sandwiched between outer layers of Plexiglas to resolve environmental issues. Patent 3,068,599 (1962) entitled Menu Assembly for drive-In Restaurants included a top lighted sign holder assembly. The sign's creator, Edward J. Myerson, started a company in Washington, D.C., where he marketed, sold, assembled, and installed these signs[140]. Using direct mail and advertising in trade publications helped grow the business. He sold units to Jim Matthews and his Tops-Drive-Inns. Ed Myerson, nearly 50 years later, recalled the double hamburger as one example. Ultimately, his sign was not picked up as standard equipment by any large franchisors, many of whom manufactured custom equipment and used proprietary food pictures. [141]

New technology even promised to replace some human tasks, as the case of an automated drive-in illustrates. American Machine and Foundry (AMF) invented a computerized order management and cooking system, known as AMFARE. [142] Installed in the Fiesta Drive-In in Levittown, N.Y., the system functioned with two main components.[143] The electronic Order and Billing Systems or ORBIS managed incoming

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140. At one time, there were 40 employees. he company was located on E. 3rd St and was quite active in the industry, they had booths at International Franchise Association shows and National Restaurant Association Shows. Author Interview with Edward J. Myerson, May 8, 2015.

141. Myers went on to a career in accounting and eventually becoming a Deputy Division Head at the Small Business Administration (SBA). As part of those duties he oversaw loans to franchisees and saw directly how "lack of surety" impacted borrowers. More than anything else, Ed Myerson reminds us that the American entrepreneurial spirit is one in which success isn't always guaranteed. It is, however, noteworthy that the simple drive-in menu, now made clear and legible at anytime was once considered a high tech device. The ability to pair the menu and an intercom would be the precursor for the drive through in later years. He earned a CPA and was still practicing in 2015. Interview with Edward J. Myerson, May 8, 2015.

142. AMF was founded in 1900 as a machinery manufacturer and went on to success in the bowling industry and went on to build nuclear reactors and became a large defense contractor. Harvard University, Baker Library, Lehman Brothers Collection "American Machine & Foundry" http://www.library.hbs.edu/hc/lehman/company.html?company=american_machine_foundry_company Retrieved May 26, 2016.

143. ORBIS is the electronic Order and Billing System. Fred Madeo. "AMF's Automated Drive-In Restaurant" *Cornell Hotel and Restaurant Administration Quarterly* 1965: 6. See also https://www.youtube.com/watch?v=FmXLqImT1wE November 9, 2014.

orders. Customers spoke the order from the table or car for human entry by keypunch for each item and quantity. The ORBIS Operator hit the launch button and generated a punch card telling the system to cook the order. Once an order launched, the memory catalog debited the inventory and created receipts. Reminiscent of an atomic launch, a daily system reset could only be performed with the master key.

For a nation in the throes of the Gemini space program, hamburger automation seems not just possible but plausible. Once an order entered the system, the dupe printed at the assembly area, where a single worker gathered the drinks and foods coming down a conveyer belt. At one tray every 20 to 21 seconds, the system was engineered to challenge human capacity. An AMF Vice President promoted the product as labor-saving and more efficient, explaining that a service plan places trained on-site technicians to handle breakdowns. AMF invested $10 million to systematize what was already becoming a highly systemized food production approach. Outlets could buy the system for $125,000 or lease it for $1500 per month. It claimed to pay for itself in locations selling $250,000 per year.[144] Owners and operators had to accept new technology and machinery to remain current and competitive.

Restaurant owners learned how science and technology could streamline operations from publications, industry associations, manufacturers, and trade fairs. *Fast Food* magazine looked at new equipment as part of its series entitled "Science and the '60s." Explaining the "impact of automation," it called modern equipment "a servant not

144. Edward Rorhbach. "A.M.F. Automates Drive-In Chef". *The Chicago Tribune*, May 28, 1964.

a taskmaster."[145] The short articles appeared under the rubric of science, although automation and technology is a more accurate description. Not surprisingly, advertising promoted new items while reinforcing the cost and labor-saving aspects of mechanization.

In 1962, Raytheon advertised a commercial Radarange that promised to defrost, cooking and reheating items in seconds. The magazine explained it cooked "with microwave energy, very high-frequency radios waves."[146] The purchase of a microwave ensured "a happy comeback customer, calm cooks, and top turnover profit."[147] Other examples included the Tower-O-Matic system operated by White Castle, which allowed a customer to select an entrée from a vending machine. The microwave unit then reheated the item using a color-coded button corresponding to the selection.[148]

If restaurants could use new equipment to eliminate repetitive tasks, they would become more efficient. Typical duties eligible for mechanization included ingredient measuring, temperature control, and cook's time checks. High-pressure steam cookers equipped with infrared units allowed a chef to set a timer and move to other tasks while thermometers alarm at the desired doneness. The article claimed even "ovens are not

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145. "Science and the 60's" cover story *Fast Food* industry magazine*. Fast Food,* February, 1962. 53. Courtesy of the Ohio State University.
146. *Fast Food*, October, 1962. 54 Courtesy of the Ohio State University.
147. Raytheon began as a small engineering firm during World War II by making radio tubes and in the 1950' and 1960's they were heavily involved in the defense and space sectors. The microwave was a by product of others research. Today, the company is primarily involved in aerospace engineering and related defense contracts. See: http://www.raytheon.com/ourcompany/history/ 11/12/2016 . The Radarange ad shows an upscale restaurant and the device looks to be similar in size to a commercial oven. Radarange advertisement in *Fast Food*, October, 1962. P. 33. Courtesy of the Ohio State University.
148. "Tower-O-Matic" in Fast Food at A Glance. Foods are shipped in bulk, loaded into serving portions by a single "preparation man" and placed in the vending machines, two electronic ovens are said to prevent delays. Bill changers accept payment and make change. Photos show a unit in New York City where it may have competed with the automat or Schrafft's vending machines. *Fast Food*, October, 1962. P. 33. Courtesy of the Ohio State University. Page not known.

being left behind in the age of missile rockets" because the convection oven held food without overcooking.[149] It would merely be a matter of time before these industry innovations migrated to the home kitchen.

Management Changes

Scientific management consultants used time and motion studies to understand the workflow of fast food. Even if hamburger preparation seemed the polar opposite of manufacturing an automobile, both benefitted from a breakdown of tasks. One foodservice expert characterized a system's phases as planning, organizing, controlling, communicating, and operating. Only then could all parts work as a cohesive whole to generate profits.[150] In the planning stage, menus drove equipment choices, and only then could a rational plan be developed. In the organizational phase, management, suppliers, consultants all needed to work together. These new working groups created the structures and specific objectives and decisions that went to specify operating procedures. It also meant that parent firms could easily and closely monitor individual outlets. With human emotion removed, corporations could use systems and data to develop store-specific objectives. Headquarters staff could then make business decisions strictly by accounting measures.

During the 1960s, the use of computers and management information systems gained acceptance in large restaurant chains.[151] As a tool, computer-generated data

149. *Fast Food*, October, 1962. 53 Courtesy of the Ohio State University.
150. After David J. Berge and Leo Nejelski. "Administration of Food Service Systems" *Cornell Hotel and Restaurant Quarterly* 1969: 32.
151. Robert Gagne "Human Functions in Systems" in *Psychological Principles in Systems Development* (New York: Holt, Rinehart, Winston, 1962) quoted in David J. Berge and Leo Nejelski. "Administration of Food Service Systems" *Cornell Hotel and Restaurant Quarterly* 1969: 32. 33

simplified tasks like accounting, inventory management, and payroll. The quick-service restaurant industry struggled with automation in the same way that other businesses did. One visionary claimed the "the main shift in organization necessary to utilize these new techniques and systems capabilities will result from the integrated as opposed to the departmentalized conception of the business enterprise."[152]

Beyond the quantitative data measures, companies also looked to social psychology for qualitative information. Companies eagerly accepted new ideas and began thinking of their organizations as collective wholes. Specifically, this meant acknowledging and embracing the human element. Two industry veterans saw understanding personality and interpersonal relationships as the key to success when married to decision making within systems. Noting that foodservice equated to people service, they claimed, "the challenge is to direct change systematically toward objectives that benefit all individuals and groups involved and satisfy their needs for fulfillment and self-respect."[153] A *Cornell Hotel and Restaurant Management* article agreed and cautioned readers that "the strict structuring of behavior does not fit dynamic food services, however, because responsibility for satisfying customer needs must be shared by all members contributing to output."[154] Even if companies agreed with this advice, they could not control the attitudes of front line workers. A customer at the point of sale could always encounter a moody teenager. In such a competitive business, the poor

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152. Address to the Society for the History of Technology, Chapter 7 in John Diebold. *Beyond Automation: Managerial Problems of an Exploding Technology* Washington ,DC: Praeger Publishers, 1969). 122
153. David J. Berge and Leo Nejelski. "Administration of Food Service Systems" *Cornell Hotel and Restaurant Quarterly* 1969: 32 , 40
154. David J. Berge and Leo Nejelski. "Administration of Food Service Systems" *Cornell Hotel and Restaurant Quarterly* 1969: 32 , 40'

treatment of patrons threatened to influence broader consumer acceptance.

The new supply chains, specialized equipment, technology, and new management practices enabled a detailed breakdown of tasks to the least common denominator. By the middle of the 1960s, the hamburger business solidified its reputation as formulaic and one-dimensional. It was more problematic than that. If all fast-food restaurants represented identical operations serving the same frozen burgers, how could one chain differentiate itself in the marketplace?

Branding: The Bernie Wood Story

If fast food outlets were selling the same frozen burgers, owners needed additional ways to be easily recognized by customers. Ever since the early days of the drive-in, unique building designs and signs provided one way to attract attention. The use of dramatic nonstructural add-ons made people take notice of roadside stands. These designs flowed out of the Modern, Googie, and West Coast auto culture. According to Thomas Hine, the use of dramatic nonstructural add-ons made people take notice of roadside stands.[155] Stanley Clark Meston (1910-1992) designed McDonald's Golden Arches based on a sketch by Richard McDonald[156]. By 1960, a company newsletter was using the tagline McDonald's the Drive-in with the arches.[157] A 1963 McDonald's annual

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155. The term 'populuxe' is an invented word and a contraction of 'popular luxury' with an added '"e for class. The term refers to future looking designs as well as material objects and consumer optimism from 1954 to 1964, The boomerang and parabolic shapes are clear cut examples of populuxe design, which was the Defined on pp. 4 to 6. For a discussion of Frank Lloyd Wright and popular architecture, see pp. 156-159. Thomas Hine. *Populuxe* (New York: Alfred A. Knopf, 1987).
156. There is debate about the first use of the arches, the first stand with Arches was on Phoenix in 1953 followed by others in California. The first franchise store was in Des Plains, Illinois and is often wrongly credited with being the first arches location. Hess interviewed Meston, Meston's draftsman, Richard McDonalds and drew on building permits for his article. Alan Hess, "The Origin of McDonald's Golden Arches". *Journal of the Society of Architectural Historians.* Vol. 45, No. 1 (March, 1986)
157. McDonald's newsletter, December, 1960 – hand marked draft signed by Ray Kroc to Bernie Wood. A. Bernie Wood Papers, Coll. 962, NMAH . McDonald's Box 5, Folder 9.

report showed a map of the United States and noted 550 outlets were serving America and suggested looking for the Golden Arches as you went coast to coast.[158] As Alan Hess wrote, "Meston's design proved successful as design and icon because of, not in spite of, its commercialism." [159]

In addition to signs, firms built individual identities through using characters, such as The Sir Loiner, Bob's Big Boy, Burger King, or the Jack in the Box. These and others helped create name recognition and product differentiation. McDonald's benefitted from the redesign of its corporate image when it abandoned the original Speedy character. This change in trademark moved McDonald's away from its original roots and created a new concept.[160]

Arthur Bernie Wood (1921-1986) was a graphic designer who worked extensively with corporate design and logos, especially in the foodservice world. In the 1960s, Wood found himself an early proponent of a design package tying together disparate items to create a unifying theme for his clients.[161] As one of his sales brochures noted, he produced corporate images related to products, properties, packaging, people, procedures, and promotions.[162]

The origins of branded fast food items reveal a hidden aspect of the industry. Bernie Wood's guiding tenet said image should be the most vital form of communication.

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158. McDonald's Annual report, 1963. A. Bernie Wood Collection, NMAH, McDonalds, Box 5, Folder 7.
159. Alan Hess, "The Origin of McDonald's Golden Arches". *Journal of the Society of Architectural Historians*. Vol. 45, No. 1 (March, 1986) 67.
160. Ronald McDonald (1963) could have been a replacement character according to Phillip Langdon, *Orange Roofs, Golden Arches: the Architecture of American Chain Restaurants* (New York: Alfred A. Knopf, 1986) p. 148
161. After Collection Summary from Collection Overview, NMAH. Retrieved Aril 12, 2012 at: http://sirismm.si.edu/archivcenter/findingaids/AC0962.pdf
162. . Bernie Wood Papers, Coll. 962, NMAH A. Bernie Wood, Box 2, Folder 1.

His agency, Admart, undertook large and small projects for many fast-food chains.[163] Historian Roland Marchand and others remind us that a corporate soul or image became its public face. Early on, Wood realized his design firm could help companies build a cohesive branding strategy through physical objects. Potential patrons needed to easily distinguish their favorite hamburger choice from the many lining suburban America's roads and shopping centers. Once inside the store, embossed napkins, trays, and other items reinforced identity. Wood invented the molded Styrofoam logo tray that became a commercial success.

In addition to branding, marketers focused on market segmentation and target demographics. Admart worked on Friar Fish's Fish and Chips, an 'Old English' style fish and chips shop that used a monk as its logo. Dressed in a bright 1960s color scheme, he created a rather discordant image. Friar's wanted to locate in "existing high traffic shopping centers where people normally buy food for take-home consumption" or where the competition existed.[164] Owned by Die Wienerschnitzel, a hot dog chain, Friar Fish projected $8000 in annual sales with a profit of $2000, with a fish dinner selling for one dollar.[165] It reminds unclear why the plan failed.

Success in marketing did not always translate to success in practice. Bernie

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163. A. Bernie Wood Papers, Coll. 962, NMAH Box 1, Folder 21.
164. This was most likely a mall. Identifying teenagers as a target audience, note was made of the fact that twenty-five million of them with $18 billion in spending power. As one company brochure noted, it was teenagers, "who patronized the pizza parlors, flipped over the pancake houses and now can help to launch the fish and chips era." Quoted from *Drive-In Restaurant* magazine in the brochure. Friar Fish's Fish and Chips franchise brochure. c 1969. A. Bernie Wood Papers, NMAH. Friar Fish's Fish and Chips franchise brochure. c 1969. A. Bernie Wood Papers, NMAH.
165. Die Wienerschnitzel is still in business claiming to be the worlds largest hot dog chain. http://www.wienerschnitzel.com/ Retrieved January 21, 2018. Quoted from Drive-In Restaurant magazine in the brochure. Friar Fish's Fish and Chips franchise brochure. c 1969. A. Bernie Wood Papers, NMAH.

Wood tried his hand at operating a small business. In 1965, Wood and his wife opened Ma and Pa's Country Candy Stores, intending to have 100 stores in place by 1966. The concept was an old-fashioned candy store with a nineteenth-century look, apothecary jars, balance scales, and related antiques. According to the press release, the old-fashioned theme was popular because "psychologists and sociologists have equated it with the uncertainty of the space age. It's the same factor that has sparked the revival of early American furniture and square dancing even in the big cities."[166]

Woods engaged a partner, D.R. Conley, who owned several McDonald's locations and wanted to bring the same cleanliness and high standards to the candy stores. Gross profits are estimated to be 50% on annual sales between \$40,000 and \$100,000 with a \$10,000 investment. The franchise fee amounted to \$2750, the store build-out cost \$5750, and candy inventory added \$2500 for an estimated \$11,000 total start-up cost. Promoted as ready to operate, locations were pre-selected with interiors fully built out. The simplicity of operation is another selling point. Candy on display included small containers and bulk items. Woods' love for design also appeared in the three-dimensional pop-up box for taking home candies.

Even very sophisticated players found themselves subject to the vagaries of the business cycle. First and foremost, these candy stores were a business proposition, and both Wood and Conley knew as much as anyone at the time about marketing and operations management. The business model provided an exclusive territory, a 15 x 35

166. "Press Release" c. 1965 A. Bernie Wood Papers, 1942-2001. Archives Center, National Museum of American History, Smithsonian Institution, Collection AC0962, Box 3, Folder 12.

square foot store with all accessories.[167] Wood designed all of the Country Candy materials, including daily cash sheets, work schedules, and other documents needed for daily record keeping. A hand-marked copy of the Ma and Pa's agreement shows added details, based on the concept he created.[168] The contract specified that the licensee spends two days in training at his or her own expense, that the licensor will provide general assistance at all times, and that a manual of operations forms part of the package. All licensees needed to abide by the rules and be open at least five days a week from 9:30 a.m. to 5:00 p.m. The contract also required that uniforms be "consistent with good taste and conservative morality" in keeping with the concept.[169] The agreement spelled out the geographic area, a 3.5% gross franchise fee, minimum insurance required, a dissolution process, and other details. These agreements between owner and local operator evolved in response to changes in business practices and litigation. It is uncertain how many Ma and Pa's existed and what became of them. Wood remained active in working with other customers.

Even when created by experts, with a well developed and researched business plan, some ideas never came to fruition. Wood designed another concept called Cheese Spot Cheesery's. A chart divided cheese into very hard, hard, soft, semi-soft, including notes about natural and processed cheeses. Wood may have wanted to tap the growing interest in natural foods and sophisticated specialty items. His small store model with

167. Franchise Brochure, n.d. circa 1966. A. Bernie Wood Papers, NMAH.
168. The other concept was a store selling cheeses. "Cheese Spot Cheesery's Franchise Contract," June, 1965. A. Bernie Wood, Coll. 963, Box 2, Folders 12-17, NMAH.
169. "Cheese Spot Cheesery's Franchise Contract", June, 1965. A. Bernie Wood, Coll. 963, Box 2, Folders 12-17, NMAH.

individual attention could be an alternative to the impersonal supermarket – not yet mature or big enough to have a dedicated cheese department.[170] Wood proposed using 8 mm movies with sound to teach staff who would educate the customers. As a designer, he had proposals for counter design, lights, soffit signs, and even clouds on the ceiling. Cheese Spot's rough drawing showed a barn themed storefront, complete with a gambrel roof, hayloft, and timber shutters and door details. Proposed for the front was a tall oval sign with red lettering on a yellow 'eyes' background, perhaps recalling Swiss cheeses anchored to a stylized oval sign. [171] The proposal's intricate parts showed significant time, effort, and vision and outlined a flexible, dynamic, and scalable business model. Even so, the proposed partnership dissolved in 1966.

Despite the best plans, one could still fail selling hamburgers in America. Having recognizable buildings, signs, and characters only served to attract customers. Success in the business might come from luck, timing, product, experience, or all of these things. New entrants in the marketplace had to find start-up capital to expand and grow the brand. For many companies, this meant finding partners willing to share the risk.

170. A dairy or even cheese cold case is the predecessor of the cheese 'shop' and clerk within the store.
171. Wood looked at a potential location in Highland Park, Illinois and noted problems, including Sears needing to expand, the split pattern of foot and vehicle traffic and general small business failures in the area. The list also included positives, as he phrased them, noting that income levels were good, taste levels high and the problematic "racial groups good" which meant whites. From hand written notes, Cheese Spot Cheesery Materials, 1964. A. Bernie Wood, Coll. 963, Box 2, NMAH Cheese Spot Cheesery Materials, 1964. A. Bernie Wood, Coll. 963, Box 2, NMAH.

CHAPTER THREE: FRANCHISING

"Nowhere in America do the twin ideals of democracy and free enterprise come together more closely and more successfully than in the franchising industry" – Senator Edward Brooke, (R-MA), 1969.[172]

Franchising Defined

In the postwar period, many potential entrepreneurs found themselves questioning the values of corporate America. Books such as *The Organization Man* or *The Man in the Gray Flannel Suit* became best sellers and sent people actively search for alternatives to wage employment. It appeared that feeding people might be a pathway to a middle-class lifestyle and perhaps even great wealth, especially if one could create a blueprint or system and follow it to success. Launching a brand involved tremendous risk, even it promised a significant return on investment. A new business model that seemed to mitigate risk attracted the attention of disheartened corporate workers. The model promised unlimited earnings and allowed an individual to be his or her own boss. Trade publications, popular literature, and mass media called it a turnkey system. Enter the franchise.

Some Americans turned to franchised businesses rather than starting an independent business or seeking salaried employment. Aspiring entrepreneurs sought a free enterprise model somewhere between Jefferson's yeoman farmer and *The Organization Man*. If potential business owners actively sought new opportunities,

172. Senator Edward R. Brooke (R-MA) quoted in "Franchise System Called One Ownership Answer". *Chicago Tribune,* April 12, 1969. 7

franchises appeared to have almost infinite appeal. At its most basic, franchising is the relationship between two parties with a mutual interest and governed by a legal agreement. Franchises are hybrid or even liminal forms existing somewhere along a continuum between the large corporation and the independent business and operating with complex forms and functions.

Franchising exists in different realms, as a local outlet, as a chain identity, and mediated through prior experiences and expectations.[173] A *Journal of Marketing* article, "A Fresh Look at Franchising," explained the different franchise models. These included conventional franchises (auto dealerships), mobile (Snap-On Tools), stock or warehouse distributorships (auto parts), co-ownership in which a division of profits is obtained (Denny's Coffee Shops), co-management (Travelodge Motels), leasing in which the franchisor signs the lease (Orange Julius) and licensee (Chicken Delight), manufacturing (E-Z Campers) and services (Manpower Agency).[174]

Almost all fast-food franchisors chose the business format model as the best method to expand their businesses. Some franchisors had variations on the model, such as McDonald's, which earned profits on real estate and a 2% franchise fee. Coca-Cola sold the right to bottle its product, and thus it is a resource consolidator.[175] *The Journal of Marketing* aimed for more precision in defining franchising as opposed to wholesale

173. John A. Jakle and Keith A. Sculle, *Signs in America's Auto Age: Signatures of Landscape and Place* (Iowa City: University of Iowa Press, 2004).
174. Most restaurants franchises would probably be licensees more than co-ownerships. This implies a different sharing of profits than the normal flat fee – although it is not specified. The example of Chicken Delight may work, however, it was possible as in the early KFC model to sell the product as a compliment. Aaron M. Rothenberg " A Fresh Look at Franchising" *Journal of Marketing,* Vol. 31:3, July, 1967 p.53.
175. See Bartow J. Elmore. *Citizen Coke: The Making of Coca Cola Capitalism*. (New York: W.W. Norton & Co., 2015)

cooperatives. The retailer-owned cooperatives pay patronage dividends back to dues-paying members. A wholesale sponsor group means independent retailers agree to patronize one jobber. In return, the members receive favorable costs and retailing assistance.

The franchise business model differed from the voluntary wholesale groups. One professor theorized that new chains "exploit franchise selling as a method of gaining entrance in the marketplace" while "organizers of the voluntary chains are in the market."[176] Franchise companies derive a profit path from the sales of equipment and supplies, while voluntary groups depend on efficiencies. Lastly, the franchisors have differentiated goods or services that may or may not be price dependent. Voluntary chains targeted corporate competition, which may or may not be franchised outlets. A business school professor also emphasized two terms: "service sponsors" to describe the franchisor to franchisee relationship and "parental guidance," implying continuing oversight.

Highly respected journals like *The Cornell Hotel and Restaurant Administration Quarterly* became boosters of the food-related franchises. The *Cornell Hotel and Restaurant Administration Quarterly* commented that 80% of the leading 400 foodservice organizations are involved in franchising or have franchise subsidiaries.[177] Industry

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176. This article has an academic author, Leonard Konopa was in the Marketing Department at the University of Iowa and a University of Pittsburgh Ph.D. Leonard J. Konopa. "What is Meant by Franchise Selling?". *Journal of Marketing*, April, 1963. Vol 27. No. 2. p37

177. While the focus of the article is hamburgers, note that KFC led commercial sales with $430.1 million (1968). The author, Saltman was a South African who conducted a study of hamburger franchising with case studies from 1967-68. Gerald H. Saltman. "Hamburger Franchising Systems" , *Cornell Hotel and Restaurant Administration Quarterly*. November. 1969 10:41.

leader Edward J. Smith called these changes a quiet revolution in foodservice, marveling at the pace of changes and comparing them to a Buck Rodgers world. Smith also warned, "Main Street is changing, so is the restaurant," and with these changes came new approaches to production, distribution, and costing bracketed by new management practices designed to control costs.[178] In reality, most new entrants in any fast food category simply followed the dominant player's model in that specialty.

Propaganda

Industry publications like *Modern Franchising* unabashedly promoted franchising as the best way of doing business. The magazine ran with the tagline "Own a Franchise in America's Future." It would be hard to imagine that readers did not see these stories as pure propaganda. Ads featured everything from carpet cleaning to leadership development. In the many advertisements, stiffly posed white executives gaze off into the distance, trying to evoke seriousness and a sense of purpose. Themes such as personal independence and the potential for unlimited earnings formed the direct headline or subtext in the franchise offerings.

Some testimonials in *Modern Franchising* magazine emphasized rags to riches stories. The headline, "Once on Relief: John Kazik Now Has it Made," supports this claim. Kazik explained his philosophy of life, "If you keep trying and keep fighting – you

178. Smith is Food and Beverage Manager for J.R Thompson which owned restaurants and cafeterias and a frozen food processing plant. Edward J. Smith. "The Restaurant and The Quiet Revolution". *The Cornell Hotel and Restaurant Administration Quarterly*. May, 1962: 3. P. 7. Note that the J.R Thompson Company was sued for its refusal to serve Blacks in D.C., See: 346 U.S. 100 (73 S.Ct. 1007, 97 L.Ed. 1480).

are sure to win out eventually."[179] Lacking an education, at age 52, he started a house cleaning business using the Deterger machinery from Von Schrader Associates. Mr. Kazik had no formal education, hauled coal in the Winter, and sought welfare relief assistance in the past. Thanks to a franchise, he is earning thousands of dollars by specializing in wall cleaning, which ironically may have come from coal heat. He reported earning $7000 per month since adding rug and upholstery cleaning to his services. Since he no longer hauls coal, he finds his asthma cured. Kazik showed his two rental homes in Florida, with one for his retirement. Naturally, he thanked Von Schrader Associates for giving him the help he so sorely needed.

John Kasik's story emotionalizes the way he overcame his background. In a photograph, John Kazik cleans while wearing a white dress shirt, suggesting he has abandoned his blue-collar roots. John's story is said to be all the more remarkable since he an 'inadequate' background. This metaphor suggests blackface coal haulers brought to white daylight. Kazik's transformation is also an assimilation story. His Eastern European name suggests some immigrant roots or war displacement, which hints that even ethnic franchisees can be successful, particularly if paired with ethnic franchisors. By making the walls of people homes whiter, he has transformed himself and earned a reputation as a trustworthy, dependable businessman

Other types of testimonials spoke to the desire to become an independent business owner. James Ferguson "worked hard, but all he had was a job." Eventually, he "felt that

179. Charles E. Stillwell. "Once on Relief: John Kazik Now Has it Made" *Modern Franchising,* January/February, 1963, 12. NMAH -A. Bernie Wood Collection, No. 962, Box 2, Folder 1.

feeling of defeat that many ambitious men have."[180] The answer was a National Credit Service franchise in which he earned $2000 in three months of part-time work after training with the company president. He earned commission on sales and overrides on his salesmen's accounts, suggesting a laddered sales model. Ferguson eventually established a local office and was given the franchise for all of Oregon. National Credit processed credit cards using one paper form to manage them. Mrs. Ferguson, the story notes, was also helpful in accounting and running the office. Ferguson benefitted from the increasing use of new credit cards, such as Diner's Club. National Credit represented an early business-to-business model.

Retirees are said to make excellent potential franchisees. In Gary, Indiana, Ed Voss was a former management supervisor with Youngstown Sheet and Tube looking to start a business that would fit his profile. He claimed "his skills were limited to management," and he searched for three years before choosing Dunkin' Donuts. His decision originates in what "we could afford, what we liked, and what we had the proper background for."[181] It is uncertain how his plant background prepared him to make donuts. Voss attended the company training for six weeks in Massachusetts and had a mentor when he returned to open his local store. Voss gets portrayed as an ideal franchisee because he worked hard.

The story continues by noting the financial rewards that can accrue to franchisees who follow the system. Claiming it is "improper to reveal his actual income," *Modern*

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180. "One Year of Franchising Brings His Own Business" p. 10. *Franchising World*. NMAH -A. Bernie Wood Collection, No. 962, Box 2, Folder 1.
181. Nikki Fink. "Steel Company Executive Now Says – My Business is Donuts" in *Modern Franchising* October/November, 1965. p. 15. NMAH -A. Bernie Wood Collection, No. 962, Box 2, Folder 1.

Franchising reports he grossed over $100,000 in eight months and made the 15 to 20% that Dunkin' promised him. Voss and his wife are "sticklers for quality control and immaculate neatness" with a "fetish about only selling fresh donuts." Selling stale products is a reference to inferior, yet unnamed, competitive shops. [182] Ed claims a positive relationship with the Midwest manager and is excited to be "one of the country's 200 franchise owners." The closing paragraph reminds readers that the Voss's are "perfect examples of modern day business couples. They proudly operate their own business under the care and direction of a large company who is there to help them with their problems."[183] One moral is that franchising does not have to interrupt the family structure and that wives could be welcome business partners. Of course, there is a stereotype at work and in the staged photograph, Mrs. Voss is pouring coffee and performing as a hostess.

Many published franchising success stories equated happiness with some form of financial freedom. One article boasted, "The Franchise That Gave Me A New Husband," authored by Mrs. Warren Deaton. Franchising gave her the ability to "enjoy living with an exciting new husband while they retain the advantages of the old one."[184] Topping that superlative, she then quoted Lord Chesterfield, claiming that Warren moved from being the man he is to the man he wants to be. [185] Wilma Deaton had a college degree and

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[182] This could be Mr. Donut, Spud Nuts or local chains. It is unlikely that Krispy Kreme was that far North at the time.
183. Nikki Fink. "Steel Company Executive Now Says – My Business is Donuts" in *Modern Franchising* October/November, 1965. p. 30. NMAH -A. Bernie Wood Collection, No. 962, Box 2, Folder 1.
184. Mrs. Warren (Wilma) Deaton, "The Franchise that Gave Me a New Husband" *Modern Franchising,* January/February, 1963, p. 11. NMAH -A. Bernie Wood Collection, No. 962, Box 2, Folder 1.
[185] Unable to directly attribute the quote, in original text. 185. Mrs. Warren (Wilma) Deaton, "The Franchise that Gave Me a New Husband" *Modern Franchising,* January/February, 1963, p. 11. NMAH -A. Bernie Wood Collection, No. 962, Box 2, Folder 1.

worked as a secretary to a bank President when she met Warren, and they married. By the time of this article, they had three children ages 9, 11, and 17, all supported by Warren's company job. She went on to say that her happiness prevented her from comprehending how miserable her husband was in his career. Even though this type of self-blame may seem unnatural to modern sensibilities, it existed as common language at the time.

In addition to freedom, some stories suggested that franchises could solve personal problems. For example, Warren's old sales job used outdated methods, and Mrs. Deaton was powerless until she sent away for a franchise brochure. She even went so far as to 'fold' the magazine with the franchise ad and place it by his favorite chair until he noticed and sent away for the literature. Of course, she endorsed the idea and did not feel guilty when he quit his job and moved on to enjoy many hours camping and spending time with his family. The new job helped him gain the freedom to "progress and grow at any rate he chooses."[186] The best part is that Wilma now has the ideal husband due to the American franchise dream. The family is now prosperous with a steady income, and Warren can give back to the family. Left unsaid is that the Deaton's already had a middle-class life, assets, and education.

The idea of franchising as a form of family freedom also suggested new roles for women. Many women experienced the franchise landscape first hand when they shopped or journeyed out with their families. While some women chose to be working partners in franchises, they did not appear to be owners in great numbers. One reason was they had

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186. Mrs. Warren (Wilma) Deaton, "The Franchise that Gave Me a New Husband" *Modern Franchising,* January/February, 1963, p. 11. NMAH -A. Bernie Wood Collection, No. 962, Box 2, Folder 1.

to work against the stereotype that women were too nervous for business. Even the one book written by a woman assumes that the businessman will choose the right franchise for him.[187] Many determined and educated women, against great odds, succeeded in having both families and careers. Additional exploration may help explain why fast-food franchisors did not target more women.

The franchise press continued to define women within gender bound spaces. Critics like Betty Friedan fought back against these ideas. Research findings in the Kelley Longitudinal Study pointed out that many women sought more than being housewives.[188] *Modern Franchising* wrote an article entitled "Women's' Role in Franchising: How to Fit Self Check Quiz," in which it suggested that women participate in a franchise within constrained responsibilities.[189] One could be as a franchisee in women's industries such as cosmetics or wearing apparel. Another role could be as a silent investment partner, and the last is as a secretary and goodwill ambassador. While some companies did target women, they were linked to direct sales more than franchises. Avon was the clear leader in direct cosmetic marketing, with sales reaching over $100 million in 1957 and serviced by 100,000 women worldwide.[190]

Some women found success operating businesses from companies willing to take

187. Her work is Jan Cameron. *The Franchise Handbook: A Complete Guide to Selecting, Buying and Operating* (New York, N.Y.: Crown Publishers 1970).
188. This was the nomenclature in use at the time. The KLS study followed people starting in the 1930's and was most detailed in 1955. See Introduction in Elaine Tyler May. *Homeward Bound: American Families in the Cold War Era*. (New York, N.Y.:Basic Books, 1999).
189. David D. Seltz. "Women's' Role in Franchising: How to Fit Self Check Quiz" *Modern Franchising*, December /January, 1969. 28. Courtesy of the Ohio State University.
190. For a journalistic take with heavy emphasis on the 20th century and internal company politics, see Laura Klepacki. *Avon: Building the World's Permier Company for Women.* Hoboken, N: John Wiley and Sons. (2005). 24, 244-45.

on female franchisees. Deeya cosmetics specializes in cosmetics and beauty products.[191] Mrs. Ruth Almand had her cosmetics studio, "in a small but progressive Texas city."[192] Praising the brand, Mrs. Almand pointed out that the "light-textured base " is the best I have ever seen."[193] While many Deeya outlets located in hair salons, Almand's stand-alone store also sold accessories, jewelry, and gifts [194]. Qualified applicants received a Deeya a franchise at no charge in a profit-sharing arrangement. The model's success was due to the on-going education plan and regional training, which introduced new business trends. The Deeya franchisees still operated in the women's sphere targeting Southern white women. It capitalized on new beauty products and makeup, the stigma of which had faded in prior generations. In the *Modern Franchising* article, Ruth Almand is positioned as exceptional because "Mrs. Almand is an acknowledged go-getter," speaking before groups and working with live models and the "teen set."

Franchise magazine testimonials followed a similar plotline, in which a business or personal problem gets resolved through franchising. The idea of risk mitigation popularized the idea that franchising lessened the chances of failure. Repeating the

191. Dorothy Rickey. "The Thrill and Profits Of Her Own Cosmetics Business". *Modern Franchising,* NMAH -A. Bernie Wood Collection, No. 962, Box 2, Folder 1
January/February, 1963, p. 11. NMAH -A. Bernie Wood Collection, No. 962, Box 2, Folder 1.
192. Waxahachie is 30 miles South of Dallas and does not appear to have had any progressive influences, unlike Austin or even other college towns. According to the official website, in 2014 Waxahachie is 75% white, 12% Black and 24% Hispanic. They also break out ethnic data by proximity to Elm and Main Streets and it is 75% White within a 5 mile radius and 80% White in a 10 mile radius and 46% White and 62% Black or Hispanic within a 20 mile radius. This implies a strictly divided racial boundary. Retrieved September 29, 2014 from the Official City of Waxahachie website, Economic Development page
.http://www.crossroadsoftx.com/SiteLocationCenter/Demographics#OtherBoundaries.
193. Clearly these products were aimed at white women. Dorothy Rickey. "The Thrill and Profits Of Her Own Cosmetics Business". *Modern Franchising,* NMAH -A. Bernie Wood Collection, No. 962, Box 2, Folder 1
January/February, 1963, p. 11. NMAH -A. Bernie Wood Collection, No. 962, Box 2, Folder 1.
194. Remarkably, she ran this business for nearly thirty years and received recognition from the Chamber of Commerce in the 1980's for her accomplishments, her shop was a fixture on the downtown square. This insight in to the earliest days helps us understand how little the face of retail has changed in rural or small town America.

themes of individual ownership and guaranteed success, proven is the word that appears most often. *Modern Franchising* articles are similar to dramas. The first act introduces the characters and dramatic tension, such as job dissatisfaction or a limited future. The second act resolves the conflict, always by investing in a franchises business. By the last act, the characters have a new lease on life.

In addition to publishing positive stories, trade journals solicited testimonials. Modern Franchising paid a $100 Grand Prize for the best telling of a franchise story. The editors asked, "how you first heard, where you checked the deal, what established franchises were visited, how much money was put down, how much working capital was retained and how much of that capital was needed, what training was received, how customers liked the product or service and what the future might look like." All of this in 300 to 400 words with the advice to add anything of interest, "as long as it is the truth."[195]

Advertisements in publications oversold the potential profits that may have been possible in turnkey franchising. Headlines like "Take the Ceiling Off Your Earning Power" tried to position franchising as a sure bet. The Success Motivation Institute promised $300 to $600 profits the first week of selling the Personal Success Planner. The Institute billed itself as the "world's foremost producer of recorded executive, sales training and personal development courses."[196] Readers could easily find proof of business success when they turned a few pages.

Statements such as 35% of small businesses fail in the first year, while only 2% of

195. *Modern Franchising*, January/February, 1965. p. 2. NMAH – A. Bernie Wood Collection, No. 962, Box 2, Folder 1.
196. *Modern Franchising*, January/February, 1965. p. 5. NMAH -A. Bernie Wood Collection, No. 962, Box 2, Folder 1.

franchises folded, reinforced the franchising idea as a low-risk venture. Set up to "steer you from the pitfalls" franchise packages "have the signs that point to the well-paved highway to where your investment and work will become a profitable business." Promotional anecdotes quoted a recent industry meeting that blamed "management incompetence" for the general business failure rate because the "future has a way of repeating the past."[197] Experienced franchisors could work against this problem by providing training, opening support, home office contacts, proper record keeping, and cost accounting. Franchising claims to be a cure-all. Despite the potential pitfalls, risk, and hype, thousands of Americans entered the realm of franchising.

Taking a Risk

Potential investors, owner-operators, and others initially learned about franchise opportunities in a variety of ways. Quite cleverly, the franchise industry established itself as the subject's authority because postwar America embraced experts' advice.[198] As early as August of 1957, a *Challenge* magazine article surmised that franchising "fit in the "general current" of suburban stores" while describing it as "affiliation without subordination" and noted that franchises were not always easy to recognize because of "that chain-store look." [199] During the late 1950s and by the early 1960s, most cities and

197. *Modern Franchising*, January/February, 1965. p. 4. NMAH -A. Bernie Wood Collection, No. 962, Box 2, Folder 1.
198. See Chapter 1 "Containment At Home: Cold War, Warm Hearth" for more about experts and studies during this time. Elaine Tyler May. *Homeward Bound: American Families in the Cold War Era, (* New York: N.Y.: Basic Books. 1999). 21
199. The author was a marketing professor at NYU. Alfred Gross, "Franchised but Independent", *Challenge,*

towns had franchised businesses. Advertising in billboards supported this change to the built environment. Soft drinks, ice cream, hamburgers, and fast foods are said to "be getting enthusiastic promotions by franchise groups."[200] The pull of owning a business combined with apparent endless prosperity tapped the entrepreneurial current. By the middle of the 1960s, the franchise boom is in full force.

One source of information was an industry newsletter, the multipage *National Franchise Reports* (NFR) published by the International Franchise Association (IFA). The IFA started in 1960, intending to improve the reputation of franchising. NFR billed itself on its masthead as the "Clearing House of Franchise Information" promising, "nationwide coverage of meritorious new offers: distributorships, dealerships, agency operations for selectivity in sales opportunities."[201] As a compact definition, this represents a pivotal moment in time, as the older concepts like distributorships (Singer sewing) and dealerships (Ford) meet the business format franchising operations (Chicken Delight). NFR aims primarily at potential owner-operators or people not in the management ranks.[202]

Newspapers also carried ads under the heading Business Opportunities or Franchise Offerings. Typical businesses listed are Sunoco gas, Baskin Robbins, a car rental, and an unspecified selling job. *The New York Times* also had a subhead and listed

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August-September, 1957, 67.

200. Another way to read that sentence may be A&W, Carvel, McDonalds, Dunkin' Donuts. Alfred Gross, "Franchised but Independent", *Challenge*, August-September, 1957, 69.

201. All indications point to this being the publication of the International Franchise Association, likely started in 1963, This monthly newsletter self describes as a news and listing service and claims to try and verify its information, but also cautions potential franchisees to investigate all opportunities closely. An annual subscription was $12.00. *National Franchise Reports*, (Chicago, IL) June, 1964. hereafter NFR in NMAH, Coll 962, Box 1.

202. The term that comes to mind is 'middle class' and without a solid definition its use is problematic.

Carvel, Snap-On tools, and a Farmer Boy wholesale provision route.[203] Thirty ads in the *Los Angeles Times* included computer dating, Amigos Mexican restaurant, Chicken Delite, Savon Cleaners, Little Johns Fish and Chips, Winchell's Donuts, car washes, print shops, and others. Many franchise locations displayed brochures in stores, although companies incurred the risk of unhappy franchisees undermining sales.

Besides being familiar with franchises as consumers, people discovered new franchise trends by reading popular books. Starting in the 1960s, potential entrepreneurs looked to mass-market books for help in choosing the right business. The most famous, *The Franchise Boom* by Harry Kursh, covering nearly five hundred pages. Much of the book is devoted to company listing, sample contracts, and an especially revealing chapter about the franchise industry's successes.[204] These works often followed a consistent format explaining what franchising is, where to look for offers, evaluating the proposal, contracts, training, advertising, and spotting frauds. One cautionary note reminded readers to be wary of enterprises and individuals acting as 'franchise consultants.'[205] *The Franchise Boom* warned readers not to rush to any conclusions about the merits of a franchise offer.

Potential franchisees learned that franchising carried inherent risks, conflicts, and tensions at every relationship level. This risk was most apparent when parent companies

203. Classified Ads, Page L, *The New York Times*. April 12, 1969
204. Harry Kursh. *The Franchise Boom* (Englewood Cliffs, N.J: Prentice Hall, Inc., 2d. ed, June 1969. Original 1968.)
205. Examples include: Robert M. Dias and Stanley I. Gurnick *Franchising The Investor's Complete Handbook* (New York, NY: Hasting House, 1969. Dias was the Presidents of the National Association of Franchised Businessmen. Izraeli writes in Britain, however, the content is much the same except that franchising is not as well known or popular in Britain. Dov Izraeli. *Franchising and the Total Distribution System*. (London: Longman Group, 1972.)

have to rely on the franchise model to raise capital before revenue. The franchisors had to convince potential partners that investments would pay off and that the semi-autonomous model would allow them the freedom they sought. The firms promised support, not interference from the home office. The franchisee versus franchisor relationship is a see-saw, where equilibrium is possible but not always sustainable.

The franchise industry claimed that franchises could not fail. In practice, franchise ownership transfers from one operator to another. In some cases, the parent company took over to resell the unit or make it a company store. These franchise turnovers are not counted as failures by the company, allowing them to resell slow or marginal outlets several times.

Owning a franchise was neither more nor less a guarantee of success. Closings got handled in a manner that did not count them as failed locations. The rates of franchise failure did not prove to be lower than individual start-ups. Closures included successful but short-lived franchises. In other cases, franchised chains are absorbed by competitors or bought by conglomerates. Franchises changed hands many times and for many reasons, equating with the ups and downs of the business cycle.

Potential business buyers needed to make informed choices but sorting out legitimate offers became a difficult task. Many potential franchisees wondered if industry publications were trustworthy. The reality is more complicated than a simple yes or no or even a hopeful maybe. A successful franchise needed both a good location and a viable concept. Some fast food outlets had excellent concepts in the wrong sites and vice versa.

In 1964, an industry attorney noted that franchising had grown up, and with it came a whole host of new legal issues and problems. One headline read, “Contract cancellations causing complaints,” in which franchisees claimed they are “unfairly terminated without cause.” The article links franchising complications with “small franchisors, groping for growth and, “filling his franchise with every restriction legal ingenuity could conceive and contrive.” [206] Despite the alliteration, the point is exact, small and unsure franchisors are bad actors. The larger and established franchisors used simple and more straightforward contract language.

Reports of fraudulent activity plagued the franchise industry. The Postal Service listed these frauds as one of the most common areas for complaints and investigations. For that reason, the August 1964 issue of *NFR* cautioned against salesmen in hotels and motels where potential franchise owners could be pressured to sign a contract. The newsletter wrote that the “naïve prospect is still around” at a time when more and more legitimate businesses are available.[207] Even as late as 1970, at a Congressional Hearing, the Chief Postal Inspector reported, “in the past five years, we have investigated 612 cases of franchise fraud which in total have occasioned the loss of 27,000,000 dollars.” [208]

A shift to individual responsibility sought to convince franchise buyers that the system is not flawed. Instead, a few unscrupulous operators sought to victimize potential buyers. By 1969, *The Chicago Tribune* was using this disclaimer. “This individual

206. *National Franchise Reports*, (Chicago, IL) June, 1964. hereafter NFR in NMAH, Coll 962, Box 1.
207. *National Franchise Reports*, August, 1964, p. 1 NFR in NMAH, Coll 962, Box 1.
208 Quoted in Gilbert Lyle Magee. *Fast Food Franchising : The Better Way?* Thesis, The George Washington University, June, 1971. 47. Quoted in U.S.Congress. US Senate. Select Committee on Small Business “Impact of Franchising on Small Business”. S. Rept 91-1344. 91rst Congress, 2d Session, Washington, D.C. 1970. 2

classification was created because of the growing number of business opportunities available in this field. Franchising has increased and grown in recent years and today operates over 400,000 outlets throughout the nation. As in all business ventures, it is suggested each investor should carefully evaluate the franchise, the market and his own ability and experience before becoming a franchisee." [209]

People who found themselves the victims of franchise frauds had little recourse. All of the advice books had cautionary tales and examples. There were pyramid schemes in which investors had to recruit other investors to make money, often tied to a geographic distributorship. Another form of fraud was selling equipment such as vending machines, after which the seller would not continue to support the franchisee. Mail fraud was becoming more common, in part because of the emerging use of computers to send direct mail offers. Distributorships, product schemes, and direct selling accounted for the majority of the fraudulent complaints. All of the advice books contained sample questions to ask the franchisor and suggested hiring attorneys and meeting other franchisees.

Even owner-operators who signed with legitimate companies had to work long hours for minimal returns. They also used family members to lower labor costs. Unlike being a chain store manager limited to making suggestions, franchising gets sold as a semi-independent autonomous local business.[210] Besides having to comply with changing rules and regulations, franchisees lived with company inspections and performance

209. Classified Ads, p. W, B11 *Chicago Tribune*, April 12, 1969.
210. For example, staying open from 7 a.m. to 11 p.m., giving the Southland Corporation its convenience stores name, 7-11.

feedback. We do not know the psychological toll that these businesses took on owners and operators, nor can we fully recover ways the franchisees manipulated the system. There is evidence that they did so by not adhering to pricing or using outside ingredients.[211] Local operators did not do this out of malice but often out of economic necessity. Potential franchisees were more than willing to relinquish autonomy in exchange for security, although the battle for agency continues today. While some franchisees did go on to open additional units or become wealthy, many are trapped. They found themselves the victims of ever-changing company demands.

In like manner, franchisees in the field fought back against central corporate control. Middle managers mediated between the headquarters and the local outlet, maintaining some equilibrium.[212] The balance of power tilted to the field for information gathering, evolving trends, and local knowledge. The roles of analyzing, understanding, and implementing trends resided in the home office. There is an inherent tension in the relationship based on the franchisees' assumption that their initial investment buys a voice in running the company.

Knowing the local market also meant protesting when new national products required costly changes at the store level. These products included new menu items, additional equipment, or remodeling costs.[213] As both player and coach, franchisees were

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211 These practices became the subject of numerous lawsuits. See *Susser v. Carvel*, 381 U.S. 125 (1965).
212. These tensions between franchise and franchisors could lead to either greater centralization or greater decentralization. and the best role for middle management was not unanimously defined. One agreed upon new role for middle management was to document processes and replicate them across large corporations while allowing for local autonomy.
213. One example is the McDonald's Hula Burger (1962), a pineapple on a bun, designed during Lent, it was replaced by the Filet-O-Fish. K. Annabelle Smith. "The Fishy History of the McDonald's Filet-O-Fish Sandwich" http://www.smithsonianmag.com/arts-culture/the-fishy-history-of-the-mcdonalds-filet-o-fish-sandwich-2912/?no-ist November 14, 2014.

always choosing between opposing wants and needs and resisting the very systems they helped create. Many new products like McDonald's Big Mac (1967) are invented locally and become successes. More than anything, these entrepreneurs wanted to be part of a brand that is so successful it moved to the national stage.

Franchising was no guarantee of success as both local and national chains had failed enterprises. Failure is attributable to various reasons or, in some cases, to no specific reason. Some vendors tried to break into over-saturated markets while others confused customers with the same branding and different offerings. KFC did this when it launched its Kentucky Roast Beef and Ham. Carvel, an early franchisor, who had an established and successful infrastructure, could not sustain his hamburger offering called Hubie Burger. A. Bernie Wood helped McDonald's and many others. He also worked on brands, like Friar Fish's, that have long since disappeared.

Despite the risk, many potential entrepreneurs entered the restaurant business believing they had a chance at success. The net profits for fast food also helped attract recruits because fast food profits averaged 12.5% versus 6.6% for regular restaurants. Once selected, operator training began and typically lasted for three weeks. Unlike students in culinary programs, franchisees learned how to operate cooking equipment, not prepare food. At the same time, they undergo corporate indoctrination. Training programs conducted in the home office or the field served to foster strict compliance with the system. Franchisors also visited, called, or sent filmstrips to locations whenever they felt "boosts" were needed to "strengthen the franchisees' morale."[214]

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214. Gerald H. Saltman. "Hamburger Franchising Systems" . *Cornell Hotel and Restaurant Administration*

The quick-service franchise companies sought aspiring business people with no prior restaurant experience and thus no preconceived notions of running the business. The most critical factor in choosing a potential franchise owner seemed someone willing to make a long-term commitment and satisfied with a constant income stream instead of rapid earnings. While thousands of people entered the franchise industry as owner-operators, other individuals followed a different path to success.

Quarterly. November. 1969 10:41. 49

CHAPTER FOUR: ACCIDENTAL ENTREPRENEURS

"My family was of modest means. If modest means poor, then we were extremely modest." William "Bill" Rosenberg, founder of Dunkin' Donuts.

Bill Rosenberg and Dunkin' Donuts

One man whose company reflected his personal experiences is William "Bill" Rosenberg (1916-2002), founder of Dunkin' Donuts. A Depression-era childhood encouraged him to find work early, and he chose the food business. According to his autobiography, Rosenberg grew up in a poverty-stricken Jewish family in the Dorchester section of Boston, where his father owned a small market.[215] Dropping out of school at age fourteen, he became a Western Union boy and eventually went to work for the H.P Hood dairy. There Rosenberg helped deliver milk, eventually joining an ice cream firm called Simco. He drove a variety of ice cream routes while increasing his sales. Rosenberg seemed unafraid of the poor or Black neighborhoods, which may have been his advantage, relating to people with whom he shared a similar upbringing.

As a young manager, Rosenberg learned more about how depot vending worked and saw the profit potential in food sales. Sometime after 1933, he opens an operation for the Simco company in Connecticut, where Good Humor is already heavily established. He managed a fleet of ice cream trucks and oversaw a business that counted on others to

215. See Chapter 1, "Modest Means" in William Rosenberg and Jessica B. Keener. *Time to Make the Donuts* (New York, N.Y.: Lebhar-Friedman Books, 2001)

ensure his success. The owner, Harry Simberg, bought an H.P. Hood factory and provided the drivers with Jack and Jill branding and a consistent product. An early and meaningful experience came around 1940 when he began placing vending machines in factories.

After working in shipbuilding during the war, Rosenberg returns to Boston to open Industrial Lunch Service (ILS), initially a coffee vending route.[216] Expanding to sandwiches, the company grew and became one of the larger caterers in New England. An early photo shows a stainless steel cart of wrapped goods in a plant with working women lining up to purchase coffee and snacks during a break.[217] In the 1940s, the company pioneered the use of a stainless steel factory cart.

Rosenberg developed the infrastructure needed to support the Industrial Lunch operation. As Rosenberg's biography points out, ILS "had developed a system of delivering fresh batches of coffee to central points-relay points-where the trucks met to pick up the fresh coffee in the early morning and again for the lunch hour." [218] At the time, coffee choices consisted of black or cream and sugar, a far cry from the almost endless beverage choices that fall in the modern coffee universe.[219] Industrial Luncheon went beyond a dedicated commissary by using custom trucks and machinery to keep food warm in transit. These trucks are the grandparents of modern food trucks, although

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216. See Chapters 3 to 7 in William Rosenberg and Jessica B. Keener. *Time to Make the Donuts* (New York, N.Y.: Lebhar-Friedman Books, 2001).
217. Stainless steel had always been seen as hygienic and a note on the photo says ILS was the first to use these carts. Box, Envelope 66. William Rosenberg Papers, 1940-2002, MC 187, Mine Special Collections and Archives, University of New Hampshire Library, Durham, NH, USA. Hereafter UNH Rosenberg.
218. William Rosenberg and Jessica B. Keener. *Time to Make the Donuts* (New York: Lebhar-Friedman Books, 2001) p. 100
219. Box 3, Envelope 54. William Rosenberg Papers, 1940-2002, MC 187, Mine Special Collections and Archives, University of New Hampshire Library, Durham, NH, USA.

mobile food carts have a long history.

Industrial Luncheon Service (ILS) also operated traditional cafeterias in factories using a central commissary to plan and portion items.[220] Offering a hot lunch relegated the hamburger to a sandwich offering. ILS lunch choices included an entree, roll, salad with the promise of french fries every day. The salad and lighter offerings may have been gender or white-collar focused, while some of the heavier items with potatoes filled the high caloric needs of manual labor in a factory setting. New England standards such as corned beef and cabbage mixed with quasi-ethnic dishes, such as chicken Chow Mein or Hungarian Goulash. At one point, Rosenberg would be grossing $3,000,000 in the industrial feeding business.

After recognizing that 40% of his ILS revenues came from coffee and donuts, Rosenberg opened a retail coffee and donut shop called Open Kettle Donuts. The first opened in 1948 in Quincy, Massachusetts. Open Kettle changed its name to Dunkin' Donuts in 1950. Buying out a partner, Rosenberg moved forward with his idea to sell many different flavors of donuts. He wrote that he looked to Howard Johnson's and their ice cream flavors for inspiration.[221] He would have been keenly aware of Howard Johnson's or Friendly's brands that expanded rapidly in New England and Mid Atlantic states. By 1958, Johnson grossed over $150,000,000 and had more than 500 restaurants,

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220. Prices ranged from 50 to 80 cents. Menumat Items, 1967, Box 1, Folder 24, William Rosenberg Papers, 1940-2002, MC 187, Mine Special Collections and Archives, University of New Hampshire Library, Durham, NH, USA

221. His former partner was his brother in law, Harry Winkour, who went on to found Mr. Donut. See http://mister-donut.com/welcome.htm and Chapter 7 "the First Five Stores" in William Rosenberg and Jessica B. Keener. *Time to Make the Donuts* (New York: Lebhar-Friedman Books, 2001).

two-thirds of them franchised.[222] Cleverly, Rosenberg noted that if a HoJo's location failed, they could be in trouble. On the other hand, "if a Dunkin Donuts doesn't do enough volume, we at least have a production plant in the back room." [223] Like others, Dunkin' Donuts had a retail location system, using it to scout settings, looking at accessibility, kids bikes, nearby retail, and demographics.

Rosenberg started selling franchises for Dunkin' Donuts in the middle 1950s. In his autobiography, the chapter on Dunkin' Donuts franchising subtitled "the epitome of entrepreneurship and free Enterprise" clearly reflects his belief that this was his business's future. Rosenberg appeared utterly committed to his franchise model. He compared the United States to a franchise, claiming that citizens "are franchisees. We're franchisees of our government, state government, and municipality. In return, it charges a fee to support those services. It calls that fee 'taxes' instead of a franchise fee. Instead of calling us franchisees, it calls us citizens."[224] Patriotic hyperbole aside, Rosenberg had years of experience closely followed the franchise industry. Rosenberg would later go on to become a founding member of the International Franchise Association.

It seemed that Dunkin' Donuts would be a key player in the fast-food business. Calling franchising a "cash cow," Rosenberg built an infrastructure to support his stores. He used his suppliers to help finance store expansion by getting 120 day credit terms or other incentives.[225] Dunkin' Donuts overcame the problem of construction financing by

222. Jack Alexander. "Host of Highways" *The Saturday Evening Post*, July 19, 1958. Vol. 231, Issue 3. 48
[223] William Rosenberg and Jessica B. Keener. *Time to Make the Donuts* (New York: Lebhar-Friedman Books, 2001)104
224. William Rosenberg and Jessica B. Keener. *Time to Make the Donuts* (New York: Lebhar-Friedman Books, 2001) 129
225. William Rosenberg and Jessica B. Keener. *Time to Make the Donuts* (New York: Lebhar-Friedman Books,

getting builders to lease back. He also started a realty company. As a result of Rosenberg's creative management, Dunkin' Donuts had 100 restaurants by 1963 and 300 by 1966.

Dunkin' Donuts advertised for potential owner-operators in its stores. In a 1963 long card designed for in-store use, Dunkin' Donuts claimed that a franchisee "can make from $20,000 to $40,000 a year." Based on other franchises, that appeared to be gross annual sales. The flyer promoted the 52 varieties and the fact that Dunkin' was the nations leading coffee pourer with over 210 million cups sold. [226] By 1966, sales increased fifty percent, and a company newsletter showed staid white males ready to open new stores, many of them in New England. One newsletter from November of 1966 pictures African American Eaxton Fuller from the Hartford, CT location. He is a manager of what must have been a company store and not a franchised location. Significantly, there are also three welcomes listed for existing stores under new ownership. Despite some turnover, it seemed that Rosenberg could not fail.

The sale of Dunkin' Donuts franchises inspired Rosenberg to test the waters with a hamburger outlet. In 1960, Rosenberg opened Gulp and Gallop, a hamburger business that did not last long. He attributed the failure to not being able to keep up with the demand for nineteen cent hamburgers. Claiming he did not want to pre-cook his burgers and was afraid of inferior quality, Rosenberg later admitted this was a mistake. It seems

2001) pp.119-121

226. "Dollars from Donuts" franchise brochure, n.d. Box 1, Folder 25. William Rosenberg Papers, 1940-2002, MC 187, Mine Special Collections and Archives, University of New Hampshire Library, Durham, NH, USA. Object Dated by return post card for more information, saying apply 4 cent stamp, historical rates at: http://about.usps.com/who-we-are/postal-history/postcard-rates.pdf

an ironic position for someone whose core business had been premade sandwiches sold from a mobile truck. Dunkin' had captured the breakfast segment, and Rosenberg should have captured a portion of the lunch and dinner burger business.

Trying again, Rosenberg started Howdy Beefburgers and looked to adapt the practices of McDonald's and others. According to Rosenberg, he wanted to have two outlets under one roof because he could then "outbid Howard Johnson's and gas stations for better locations."[227] His idea of co-locating Dunkin and Howdy Beefburgers made good business sense.[228] To encourage repeat visits and leverage efficiencies, where possible, Howdy Beefburger and Dunkin' Donuts shared the same parking lots. Howdy had both company-owned and franchised locations, yet Howdy went out of business in 1970. Goodlight English Fish' Chips, the Dunkin' entry in the seafood category started in the late 1960s and failed. The little remaining evidence shows a Goodlight English Fish and Chips store with a young woman dressed in a serving costume. Given Rosenberg's strong New England presence, its failure seemed an unlikely turn of events. [229] These unsuccessful enterprises demonstrated the difficulty of breaking away from the core business.

227. William Rosenberg and Jessica B. Keener. *Time to Make the Donuts* (New York: Lebhar-Friedman Books, 2001)p. 125

[228] Today, many Dunkin' Donuts locations are co-located with Baskin-Robbins stores, although they exist under one roof.

229. There is also a photograph of a Goodlight English Fish and Chips with a young woman dressed in a serving costume with archival note it was started late in the 1960's. The archives do not hold any additional information beyond a few photographs and whatever is mentioned in the company newsletters. Goodlight English Fish & Chips is not mentioned in Rosenberg's autobiography. Original photo located in Box 3, Envelope 102. William Rosenberg Papers, 1940-2002, MC 187, Mine Special Collections and Archives, University of New Hampshire Library, Durham, NH, USA.

Thomas Carvel: Working Class Ice Cream Franchisor

Tom Carvel started with a single trailer and founded a chain of franchised ice cream outlets bearing his name. Born in 1906 to Greek immigrants, Thomas Andreas Carvelas grew up in New York City. After trying his hand at several different jobs, he showed mechanical aptitude, including a stint on the carnival circuit and repairing cars. Sometime in the late 1920s, he borrowed $1000 and built a frozen custard trailer.[230] In 1929, his rig broke down, borrowing nearby electrical power, and Carvel set up in a parking lot near Hartsdale, New York. Reportedly grossing $6000 that year, Carvel permanently parked his trailer and started his custard business.

Like his contemporary Ray Kroc of McDonalds fame, Carvel became a subject matter expert to grow his business. He observed the practices or malpractices of other operators which his future business decisions. Carvel learned that highly prescribed processes, equipment, and ingredients could be one or perhaps the only way to ensure a consistent product. He started the Carvel Ice Cream company in 1934 and filed for corporate status in 1936. By 1947, Carvel is in the store based franchise ice cream business and actively looking for owner-operators.[231] By 1950, there were Carvel stores in Miami, New York City, Long Island, Ft. Bragg, N.C., White Plains, N.Y, and Hartsdale, N.Y., among other places.[232]

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230. Based on the photograph, it would appear that this was a ready-made trailer retrofitted to hold ice cream products. It is unclear if he was on the carnival circuit with this rig or not.
231. After Carvel history, Carvel company web site : retrieved April 4, 2012 at http://www.carvel.com/our-fresh-story/our-history and from Carvel Ice Cream Records, 1934-1989, National Museum of American History. NMAH Carvel Collection http://sirisarchives.si.edu/ipac20/ipac.jsp?&profile=all&source=~!siarchives&uri=full=3100001~!227458~!0#focus June 11, 2016.
232. NMAH Carvel Collection 488, Box 16, Folder 2.

Carvel first began by manufacturing ice cream freezers under the name Custard King. Since the family was in the machinery business, his brother helped Tom manufacture ice cream freezers. Selling for $2900 each, it is unclear where the seed money came from or who designed the machines. [233] The first model freezers go to independent retailers, some of whom would become his franchisees and others his future competitors. Carvel gained efficiencies by stocking spare parts, repairing units, training operators, and selling out competing products. Some sources have credited him with inventing the first soft service ice cream machine. [234]

Next, Carvel entered the mobile ice cream vending business, calling his creations the Carvehicle. Designed to sell hard ice cream and fit smaller city streets, they competed with companies like Good Humor.[235] Retrofitted Volkswagen vans held his proprietary equipment in a specially designed truck body with a large cone and Carvel branding on the sides. Features included a dispensing machine, storage cabinets, fountains and signs, center aisle, sinks, and the custom mix pump and freezer, all powered by a 220-volt generator. In January 1959, Carvel obtained a patent for a soft ice cream vending vehicle. [236]

According to the trade journal *Ice Cream Field*, Carvel wanted 800 to 1000 mobile units in the New York, New Jersey, Pennsylvania tri-state area. Perhaps taking a

233. He obtained a patent and sold 71 freezers in 1947. Carvel Ice Cream Records, 1934-1989, National Museum of American History, Smithsonian Institution. April 4, 2012 http://americanhistory.si.edu/archives/d7488.htm

234 Like many popular foods, several people claim to be the first to invent soft serve ice cream. Carvel was manufacturing the machinery. For the Carvel claim, see: https://www.carvel.com/about-us .

235. NMAH, Carvel Collection 488, Box 11, Folder 3.

236. All teachers earned an average of $4995 (1959-60). "Estimated average annual salary of teachers in public elementary and secondary schools: Selected years, 1959-60 through 2005-06". National Center for Education Statistics. https://nces.ed.gov/programs/digest/d07/tables/dt07_075.asp June 11, 2016.

queue from the Cold War aerial refueling tanker aircraft, Carvel had plans to refill depleted inventory via a mobile refrigerated truck that could canvas an area. Finally, a special note emphasized cleanliness with trucks washed each night and drivers wearing uniforms.[237]

At the same time, Carvel accumulated information about other mobile and store-based ice cream vendors. These were companies such as Dairy Queen (1940), Tastee Freeze (1948), Good Humor (1920), Friendly's (1938), H.P. Hood, and the regional chains and independent locations.[238] According to Carvel's Vice President, Tom Hubner, Carvel saw Dairy Queen as their main competitor. Carvel and Hubner believed that they sold an inferior product: ice milk, with less texture and fat than ice cream or custard.[239]

Based on claims in sales brochures, ice cream truck routes made $10,000 per year or twice what a secondary school teacher earned. Carvel annotated many competitive brochures, such as a 1957 Mister Softee ice cream truck flyer that promised earnings "between $8,000 and $11,000 per year" while Carvel's handwritten note indicated "opened 150 units in 1957."[240] The claim is suspect given the fact that teaching and vending are not year-round commitments. In the Northeast, ice cream vending is limited to an eight or maybe nine-month season at best. Mister Softee, originating in Philadelphia, operated in Pennsylvania, Maryland, and Virginia. The idea of working part

237. May, 1958 *Ice Cream Field,* clipping in NMAH, Carvel Collection 488, Box 11, Folder 3.
238. Op.cit., pp. 184-193. Howard Johnsons was also in the ice cream business, however, they were also restaurant focused. There were also many local independents, such as the Frozen Dairy Bar in Falls Church, VA which opened in 1950.
239. "Oral History Interview with Frank Hubner, April 15, 1994". Interview by Tom Wiener.
Carvel Ice Cream Records, 1934-1989, Archives Center, NMAH, Smithsonian Institution, Collection 488, Box 17, Folder 14.
240. Carvel Collection No. 488, Box 1 at large. NMAH.

of the year could be another selling point, although dealers would have to work every day, especially in the busy summer season. Mr. Softee claimed this was a great living with an average wage of $3855.80 at a time when average real income rose 6% and prices had barely moved.[241]

Mister Softee also claimed tremendous growth and pointed to the predicted rise in children aged seven to fourteen. Experts predicted 17% more young people and 10% more homes before the year 1960. Furthermore, the company claimed they had never failed dealers and that nationally the number of dealers increased 600%. They noted that because Mister Softee brought the ice cream to the customer, its routes do not compete in the same territories. [242]

A Mister Softee brochure provided a sample breakdown of profits.

Table 1 Mister Softee Dealer No. 5 Profit Statement

Sales: Soft ice cream	$16841.40	
Purchases: Mix, milk, toppings, flavors, cones, papers, etc.	$6001.90	35.8%
Gross Profit	$10,839.5	64.2%
Operating Expenses – gas, oil, insurance, garage rent, laundry, miscellaneous expenses, and supplies.	1218.79	7.2%
Net Profit[243]	9620.71	57%

241. National Social Security wage index, at: http://www.ssa.gov/oact/COLA/AWI.html and Department of Commerce, Bureau of the Census, "Current Population Reports: Consumer Income of Families and Persons in the United States -1959." http://www2.census.gov/prod2/popscan/p60-035.pdf January, 1961, Series p-60, No, 35. April 4, 2012.

242. "“Mister Softee" Sales Brochure circa 1959. NMAH, Collection 488, Box 17, Folder 8.

243. "“Mister Softee" Sales Brochure, circa 1959. NMAH, Collection 488, Box 17, Folder 8.

The profit statement did not account for many expected costs. Most dealers borrowed money to finance the vehicle and have some initial seed money. The brochure quoted one dealer as having sunk his life savings of $4000 into buying his Mister Softee business.[244] It did not consider the number of hours required for paperwork, taxes, cleaning, and other losses, such as spoilage. A ten-hour day would result in a potential hourly wage of $3.81 or $1.00 per hour more than a union truck driver.[245] While this tenuous accounting does not account for any sunk costs, it seems to match other business opportunities at the time.

Mr. Softee and Carvel competed based on different business models. Mister Softee sold licensed dealerships, and Carvel chose to sell franchises. Mister Softee is a route sales or distributorship – the right to sell or service a product in a given territory. Another key difference is that the company does not typically own any outlets. Route sales are owned and operated by an individual or a few individuals at most. The intersection with franchising occurs in recruiting and marketing as in the "own your own business" campaigns.[246]

Both Carvel and Mister Softee used very similar equipment and faced similar challenges. Despite Carvel's proprietary freezers, manufacturing equipment, and generators, Mister Softee also mentioned local and regional factory-trained refrigeration technicians. These services were essential because compression and refrigeration

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244. "Mister Softee" SalesBrochure, circa 1959. NMAH, Collection 488, Box 17, Folder 8.
245. Assume 8 months, 4.5 weeks/month, 70 hours week, 36 weeks x 70 hours or 2520 hours / 9620.71 = $3.81/hour. Truck wages from Thomas S. Mobley., "Union Wage Scales in Local City Trucking" .Monthly Labor Review, April, 1960, 83. P. 367
246. "Mister Softee" Sales Brochure circa 1959. NMAH, Collection488, Box 17, Folder 8.

equipment had to be continually maintained and serviced. According to the National Association of Home Appliance Manufacturers, frost-free refrigerators debuted in 1958.[247] In addition to vehicle maintenance, Mister Softee promoted market analysis, sales training, newspaper and television advertising, monthly promotions and premiums, and an easy bookkeeping system.

While Carvehicles and competitive trucks prowled neighborhoods, Carvel looked for opportunities in the suburbs. Both Carvehicles and his ice cream stores sold the same products, such as the Flying Saucer (1951), to their mutual benefit. Carvel pointed out that they had over 3 billion cones served since 1934.[248] Designed to attract potential investors to Carvel, McDonald's used the items sold number strategy to attract customers on their iconic signposts.

Aside from the custom vehicles, Carvel management focused on stand-alone stores using a glass front model borrowed from McDonald's. In 1959, McDonald's had opened its 100th store in Fond Du Lac, Wisconsin, a fact that would not have gone unnoticed in Carvel's headquarters.[249] Despite their need for many multi-mixers having shakes on its first menu, McDonald's did not offer soft-serve ice cream until much later in the 20th century. [250]

According to at least one oral history, Ray Kroc and Tom Carvel talked about a joint business venture, but talks never progressed further.[251] Carvel may also have

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247. Appliance Milestones, AHAM, Washington, D.C. http://www.aham.org/ht/a/GetDocumentAction/i/1408 Retrieved July 15, 2014.
248. Carvel Collection No. 488, Box 1 at large. NMAH
249. From McDonalds official website: Retrieved April 4, 2012 at: http://www.aboutmcdonalds.com/mcd/our_company/mcdonalds_history_timeline.html
250 https://corporate.mcdonalds.com/corpmcd/about-us/history.html September 26, 2020.
251. Carvel Collection,NMAH, Collection 488, transcriptions.

wanted to expand as he had a mostly seasonal business and needed to retain franchisees. Many early franchisors with a developed distribution network sought to diversify the product lines. The idea of combined ice cream and hamburger offerings already existed. By 1955, Dairy Queen had more than 2600 stores, and in 1958 they introduced their Brazier concept.[252]

In 1959, Carvel started a franchise hamburger chain choosing the name Hubie Burger after Carvel executive Frank Hubner. With typical braggadocio, the press release pronounced, the "Big H Shoppe" is launched by "the most successful chain operation in the East" and promised to use automation and labor savings to increase profits. The first franchisee, Mr. D. Izzo, had also owned a Carvel Store for the last ten years.[253] Here is the first time individuals at Carvel franchised different brands within the same corporate structure. Horizontal integration stood out as a harbinger of the future. Multi-unit franchising would spread not just within one company but also across geographic areas with area franchises. It is not at all uncommon today to see co-located multiple brands under one roof.

Hubie Burger used an architectural vocabulary that was already well established in the fast-food industry. The cantilever architecture used the striped Carvel design and a futuristic angle handlebar topped with the words H-Burger by Carvel. These non-structural elements were made possible by the use of new technology for walls and roofs.[254] While the large plate glass windows filled the store with light, the design also

252. From DQ official site: http://www.dairyqueen.com/us-en/Company/About-Us/?localechange=1& Retrieved August 22, 2014.
253. NMAH Collection 488, Box 16, Folder 1.
254. For a complete discussion of the evolution, see Chapter 4 "Handlebars, Boomerangs and Arches that Flash

helped disguise the fact that these were A-frame buildings. Quickly erected and reproduced, H-Burger was echoing the most popular design of its rivals. The use of pre-fabricated franchise buildings in aluminum for ice cream, hamburgers, and outdoor drive-in booths was common.[255] If having distinctive architecture was important, H-Burger was unique. The sign was a large circle faced symbol on top of a square body, which did not fit the aerodynamic image. It is also unclear if that was "Hubie" and if so, precisely what message H-Burger was trying to convey.

Archival photos show H-Burger patrons lined up at order windows with a register in the center and no pace for interior dining. Another photo shows a crowd of about a dozen customers, two of whom are Black, crowded around the register. [256] Based on geography, evidence suggests that these may have been workers at the GM Chevrolet assembly plant located about 20 miles away in Sleepy Hollow, NY. Another archival public relations photo shows the grand opening of the Tarrytown Road store in White Plains, NY, in November of 1959. Frank Hubner is giving a radio interview with someone dressed in the Hubie Burger costume in the background.[257]

The Hubie menu choices ranged from twenty-five cents for the plain hamburger to seventy-five cents for the double cheeseburger burger and fries. These hamburgers use fresh, not frozen, beef.[258] There are platters, including barbeque or southern fried chicken

in the Night" in Langdon, *Orange Roofs, Golden Arches: the Architecture of American Chain Restaurants*. p. 96

255. Endure-A-Lifetme products advertised ready made structures in *Modern Franchising* magazine, January-February, 1965. Ads. p. 16. NMAH, Coll 962, A. Bernie Wood, Box 2, Folder 1.

256. Photo Collection, Carvel. NMAH Coll 388, Box 17, Folder 3 "1959"

257. Press Release and Invitation, Hubie Grand Opening, NMAH, Coll 488, Box 16 , Folder 1.

258. Royal sandwiches included grill cheese, cream cheese and chopped nuts, cream cheese and fruit charade, tuna, chicken and a king size twenty-five cent frank. Of particular interest to our modern sensibilities, a fifty cent lo-cal salad platter was cottage cheese, lettuce, tomatoes and a roll. The H-Burger Manual, circa 1960 -1962, claims they were delivered fresh and contains detailed instructions for icing and storing poultry items. *H-Burger*

with fries and a roll, tuna, chicken, and flounder seafood platter. Special orders included onion rings, three sizes of fries, fried shrimp, and fried clams. Hubie may have been playing to a larger theme of ice cream associations with beach foods or backyard cookouts or picnics, or perhaps this is a shot across the bow at Howard Johnson's.[259] Notably, the generic sodas are listed as cola and root beer, reminding us that this was before the days of exclusive sponsorship.

In keeping with its ice cream roots, Hubie served a full menu of ice cream and shakes. One featured item was the Pam "Belgium Fair Style" Waffle. Named after Tom's daughter, this waffle gets filled with soft ice cream and strawberry or apple pie topping and sold for ninety-five cents. Despite the sugary appeal, no children's menu existed. A spot on the menu reminds customers that "any item on this menu may be packaged for take-home" and lists two phone numbers.[260]

While the menu has broad appeal and appeared to be in line with others in the quick-service business, the marketplace could be notoriously unpredictable. Success in one location might not be lasting. As one example, in his handwriting, Carvel noted: "that the Hubie shop in Conn was grossing $200,000 and McD was then grossing $175,000."[261] The use of the word shop is noteworthy as these new hybrids did not yet have a ready-made name.

Shoppes Manual, H-112. NMAH, Collection 488, Box 16, Folder 5.

259 Howard Johnson or HoJo's was also founded on ice cream and was famous for its 28 ice cream flavors. HoJo's is better categorized as a full service restaurant, despite the popularity of its take out business. See Anthony Michael Sammarco. *A History of Howard Johnson's: How a Massachusetts Soda Fountain Became an American Icon*. (Charleston, S.C.: The History Press, 2013).

260. All menu information from originals found at NMAH Collection 488, Box 16, Folder 7.

261. Hubie Shop in Conn, Photo Collection, 1958. NMAH, Coll. 488, Box 17, Folder 4.

The Operations Manual

Workers at Hubie's and other fast food outlets used a printed manual to ensure the product came out the same way each time. The operations manual became the bible of the industry as they spelled out every detail in painful minutiae. These manuals reveal contrasts, such as taking on an authoritarian versus encouraging tone, being quite specific versus quite general, or formal versus conversational. The specifications tell us that it an evolutionary moment. These manuals had not yet become the hundreds of pages of the small typeface used by the modern franchise companies. The name changed over time, from operations to franchise manuals.

The operations manual contained every process needed to order, store, prepare, create, and serve the food. In the case of Hubie Burger, processes could be referenced in a bright red with gold embossing, called the "manual for success." The handbook recounted franchising's milestone activities, reminding operators they had received help with real estate selection, construction of a building, a large sign, custom equipment, ingredients, promotional materials, trained supervisors, and quality control. The instruction manual sets out the standard operating procedures and is the "guide to sales and profits" and in underlines all caps, the omnipresent reminder that to customers, "you are H-Burger."[262] The franchise agreement spelled out the actual policies, consequences, and remedies and gave insight into corporate ethos and interests.

The introduction reminded franchisees, called dealers that results depend on how faithfully operators follow the instructions. Dealers must allow the H-Burger agents to

262. H-Burger Shoppes ManualH-112. NMAH, Collection 488, Box 16, Folder 5. Section A, pp. 1 -2.

inspect the business to ensure compliance with their obligations. The franchisee manual started with a reminder of daily housekeeping and explains that H-Burger Shoppe is a year-round business but that hours are adjustable for seasons, weekends, or local events. In an age when data processing time and access to large mainframes is limited, businesses relied on paper processing. The H-Burger Daily Report Form listed inventory, items sold, selling prices, number of employee hours, and simple directions for completing the forms.[263]

Corporate emphasized the importance of the H-Burger sign, saying that it must be well maintained and lit as it "assists in winning the public's desire."[264] According to Stefan Osdene, these ubiquitous lit signs replaced neon in an attempt to influence consumer choices.[265] Franchisees were also encouraged to use newspapers, radios, drive-in movies, and other local media, which the H-Burger manual says added to the "brightness of that beacon."[266] Dealers are encouraged to be active in the local community.

A Hubie franchisee also had to maintain good credit as Carvel sold $4,460,689 worth of supplies, equipment, and machinery in 1960 alone. By doing so, he created a perfect triangle of machinery, supplies, and recipes.[267] The Operations manual clearly s spelled the ten-day credit policy to keep the dealer in good standing to receive

263. *H-Burger Shoppes ManualH-112*. NMAH, Collection 488, Box 16, Folder 5. Section C, pp. 1-2.
264. *H-Burger Shoppes Manual H-112.* NMAH, Collection 488, Box 16, Folder 5. Section D, p. 1
265. For an interesting discussion of the decline of neon signage see Chapter 5 "Darkness on the Horizon: Neon's' Decline During WWII and the Postwar Period, 1941-1970" in Stefan Osdene, *American Neon Signs: Illumination and Consumerism*, Ph.D. Dissertation, 2014.
266. *H-Burger Shoppes Manual* H-112. NMAH, Collection 488, Box 16, Folder 5. Section D, p. 1
267. From *Susser v. Carvel*, 322 F.2d 505, 509 (2d Cir 1964)

merchandise. Once a dealer was delinquent, they had to pay C.O.D. Carvel headquarters assured the franchisees that "this is usually only a temporary situation developed to help the dealer get over a "rough" spot, and as soon as he resumes smooth going, the account is returned to its normal credit basis."[268]

In one of the few mandates to franchisees, Carvel required purchasing certain products directly from the company or approved suppliers. Shakes, burgers, fries, drinks, "must be purchased by the dealer from H-Burger approved sources of supply only."[269] Salt, pepper, spoons, bactericide, and cleanser were all required purchases, along with plastic spoons. The manual stated that some supplies, such as napkins imprinted with the H-Burger name and insignia, *may* also be purchased.[270] The mandate is essential because Carvel had revised its standard operating procedures for ice cream stores in 1955 because of litigation. This case would reach the Supreme Court as *Susser v. Carvel*, where the question of required purchases or 'tying' arrangements gets finalized.[271] Here we see issues of agency playing out in formal and informal arenas. Carvel's franchisees are acting in their self-interest while also trying to comply with the corporate mandate.

The parent company reminded its owner-operators that quality and portion control are of the utmost importance. Saying "that procedures must be followed exactly and that the portions of the finished products are correct and not scant."[272] Some margin of error existed, and items like the French fry portion scoop are not yet in widespread use.[273]

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268. *H-Burger Shoppes Manual* H-112. NMAH, Collection 488, Box 16, Folder 5. Section H, 1.
269. Emphasis in original, *H-Burger Shoppes Manual*,H-112. NMAH, Collection 488, Box 16, Folder 5. Section H, p2
270. Emphasis added – the items must meet H-Burger quality, design, etc.
271. *Susser v. Carvel Corporation,* 322 F. 2d 505, 508 (2d Circ. 1964)
272. H-Burger Shoppes Manual H-112. NMAH, Collection 488, Box 16, Folder 5. Section I, 1.
273. The fry scoop may have been invented in the mid 1960's. See: French fry scoop at

Mant items get packaged, "as though being eaten off your premises" or what we know as to go. H-Burger had the same concept as its competitors, drive-in, park, order, and drive away. Noting that "speed of service" was the key to success, the manual instructs employees to close and pack items securely and then place the entire order in one bag.

By taking the guesswork away from employees, the manual tried to ensure a consistent experience for Hubie customers. While it may seem unusual today that a manual needed this specificity level, it confirms the idea that Americans were still learning the new rules of eating at these outlets. For example, placing all items in one bag becomes common across the chains. The bag policy recalls older ideas from the first chains like White Castle selling them by the bagful. The most crucial element is the food, and most of the manual contained recipes with detailed instructions.

Cooks had to follow the directions and have some experience or rudimentary skills. They learned what medium-rare meant, how to spread sauce on the buns, and garnish the burger. A hybrid system evolved in which the equipment and ingredients were standardized with final cooking and finishing left to the individual cook. French fries also required manual intervention, as automatic devices had not obtained widespread use or distribution.[274] In today's fast-food environment, special devices ensure consistent results. The condiment extruder places the perfect amount of ketchup on the burger, with the fry scoops places an identical quantity in the bag.

Employees used fresh "chopped meat patties" delivered daily, indicating that the

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http://americanhistory.si.edu/collections/search/object/nmah_1126944 August 31, 2014. This is also recounted in John F. Love. (*McDonald's: Behind the Arches,* New York: Bantam Books, 1986).
274. *H-Burger Shoppes Manual* H-112. NMAH, Collection 488, Box 16, Folder 5. Section G, 1-2.

distributors are local. The meat cooked on a stainless steel electric or gas griddle and the cooking surface cleaned with a griddle scraper. One integral piece involved the assembly and wrapping table, which featured heated strips, heat lamps, and bag dispensers. Rolls also arrived daily and are placed in a special warmer and stored nearby. Recipe #6 says to place a raw burger on the grill, place the bottom roll on top, cook the burger until medium-rare and finish with 1/8 oz. of burger sauce. When placed in the custom burger bag, the hamburger sold for fifteen cents. Likely, this was an industry standard-sized burger of about 1.5 ounces. Off to the side of each recipe in the manual is the line art. Instead of cooking steps, illustrations show the finished burger, bag, and rolls.[275] Hubie Burger customers were given salt and pepper as a choice, yet there did not seem to be a process for special order hamburger orders.

The kitchen staff needed to pay special attention to perishable items. Things like potatoes get stored on a wooden platform and out of the sunlight. In the later 1960s, McDonald's worked to create the frozen peeled raw potato.[276] H-Burger used the newest kitchen technology, and the electric Number H6003 Potato peeler had a fifteen pound capacity with rollers and an abrasive compound to remove the skins. While automation may have peeled the potatoes, they still need to be portioned, and a manually operated heavy-duty potato slicer had a 200 to 500-pound capacity. A potato drainer held up to 24 fry baskets. Fryers came in a two basket gas model and a four basket electric model, both with thermostats.

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275. . H-112. NMAH, Collection 488, Box 16, Folder 5. Section I.
276. Simplot was a company that worked with McDonalds to create these. See Karen Hess "French Fries: Historical Overview" and Andrew F. Smith "French Fries: Twentieth Century" in Andrew F. Smith, ed. *The Oxford Companion to American Food and Drink* (New York: Oxford University Press, 2007). 236-237

A fresh chicken could also be a problematic and delicate item. Chickens arrived daily and needed to be iced and kept in the walk-in refrigerator. Selling for a relatively high $1.29 whole chickens roasted in a tray until "golden brown" and sold from the display case. Leftover chickens went on sale for a discounted price at the end of each day. The manual cautioned " to use chickens the following day would produce an inferior product and will eventually destroy your chicken trade."[277] While there is no record of the wholesale cost, chickens represented a risk. Managing and predicting inventory levels represented one of the most challenging aspects of running any restaurant.

Acronyms such as "clean, cool and covered" also ensured product safety for dairy items. Milkshakes came in two flavors, vanilla and chocolate. Using premade formulas in ten-gallon containers allowed vanilla flavor to be stirred directly into the mix. Chocolate required hot water to be added to a cocoa powder mix, cooled, and then carefully re-added to the shake mix to not sour the mix. All dairy products needed to meet the "sanitary codes of your local and state health authorities."[278] These shakes may have been ice cream, milk, or some combination and one drawing shows a soft-serve machine used for shakes. The milkshakes may be the same or formulated version of the Carvel ice cream products, and some Hubie franchisees had experience with these formulas. Milkshakes get blended on the industry workhorse and item of legend, the Multi-Mixer five spindle unit.[279] Sodas were 2 ounces of cola, orange and root beer syrup, and 9 ounces of carbonated water, and then 11 ounces are dispensed in a 12-ounce cup.

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277. H-Burger Shoppes Manual H-112. NMAH, Collection 488, Box 16, Folder 5. Section G, 1-2.
278. *H-Burger Shoppes Manual* H-112. NMAH, Collection 488, Box 16, Folder 5. Section 1, 4.
279. The history of this item is well documented, however, it was Multi Mixer salesman Ray Kroc who first went to see the McDonalds brothers in operation based on an order for several multi-mixers.

In addition to food handling instructions, the Hubie manual provided stringent guidelines for counter service staff. A linen service helped keep uniforms crisp and white. This lining of white with hygiene began in the White Castle days: it is certainly not a practical choice. The uniform for men featured a bowtie, a big H on the jacket and a chef's hat, apron with white pants, shirt, and shoes. In the summer, a short-sleeve white shirt and a paper cap replaced the standard attire. Women had a very similar uniform with a skirt and matching uniform. Personal hygiene stressed trimmed nails, shaved faces, short and neat hairstyles, and a women's hairnet. This attention to appearance continues today in all quick-service outlets.

Once patrons entered the restaurant, employees engaged in the process of upselling. The manual said that "each customer should be addressed with the intention of doing a 'selling job' rather than permitting the customer to do a 'buying job.'"[280] For example, an order of fries added a dime to the sale, as did suggesting a larger size. Here is at least one documented account of the infamous, "do you want fries with that" question. While we may never know its effectiveness, it is an important question because one of the success measures in restaurant franchises, like other retail businesses, is the increase or decrease in same-store sales.

It seemed that Carvel had the winning formula needed to grow his brand. Instead, Hubie Burger closed with no explanation. Hubie and Carvel had franchisees, an infrastructure, a strong brand identity, and technology. Market inertia should have pushed Hubie forward. Given the limited information, it may have been possible that H-Burger

280. *H-Burger Shoppes Manual* H-112. NMAH, Collection 488, Box 16, Folder 5. Section D, p. 3

was a very limited local destination or that some patrons may have been confused by the standalone identity and not associated it with Carvel Ice Cream, for better or worse. Tom Carvel proved that one could rise from working-class roots and a roadside stand to become a franchisor.

The Carvel Company Newsletter

A company newsletter or house organ falls along a continuum from admonishment to accolades and is a unique look at how headquarters and the field negotiate agency. The inclusion or omission of issues and an analysis of photographs is a valuable way to understand the corporate ethos. I suspect franchisees also studied them carefully to be informed, look for new ideas, and stand out to headquarters management.

There is very little diversity in the early years, and certainly less attention to underrepresented groups than our modern experience expects. Tom Carvel continued his folksy way of communication in newsletters just as he did in his television commercials. According to one source, Tom Carvel is fascinated by media and was the first franchise to advertise on television (1949) and the first CEO to record commercials. He often bragged, “we only do one take and we don’t rehearse or write copy.” [281]

281. Ronnie Teller. “Carvel’s Commercial Charisma” Marketing Communications, November, 1981. n.p. NMAH Carvel Collection 488, Box 1.

Carvel publishes a company magazine, starting in May 1963 entitled *The Shoppers Road*, with the byline "your exclusive magazine." It contained reprints from other sources as well as some advertising and Carvel specific articles.[282] A note claimed it is a pocket-sized newsmagazine or, as he puts its, "a kind of something for everybody publication. Something for Mom, Dad, teenagers and yes, even small fry."[283] The name comes from the fact that Carvel is "in business to serve auto-transported shoppers who patronize merchants and stores located at well-known highway intersections and mushrooming suburban shopping centers away from the canyons of the big city."[284]

A 1963 issue dedicated to merchant Princes contained articles about Macy's, Penny's, Korvettes, and Carvel. Asked about his success, Carvel replied, "when you seek new sites, drive out to suburbia, when customers drive out to find you, that's the secret to success."[285] Jenni Grossinger of the resort hotel gets a profile, and franchisees can win a chance to win a four-night stay in the Catskills. These are decidedly average American stories and heroes. Carvel looked for celebrity status, and he appears playing golf with Sammy Kaye, Jack Philbin, and Jackie Gleason.

Ads for new products are featured, such as a Carvel missile, coated ice cream on a stick, or new ice cream flavors like licorice. In a column called Ice Cream Tidbits, a South Seas special is diced pineapple and strawberries served over strawberry ice

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282. Masthead claimed it was published by the North American Public Relations Association, however, it carried Carvel's local headquarters address and more research is needed to confirm that this was a turnkey template that was sold to local businesses. NMAH Carvel Collection 488, Box 4 , Company Magazine Folder.
283. *Shoppers Road*, May 1963. NMAH, Collection 488, Box 4, Company Magazines Folder.2
284. *Shoppers Road*, May 1963. NMAH, Collection 488, Box 4, Company Magazines Folder. 5
285. *Shoppers Road*, May 1963. NMAH, Collection 488, Box 4, Company Magazines Folder, 5.

cream.[286] There are kitchen tips for Mothers and calls for entrants in the Little Miss Half Pint beauty pageant along with jokes, car care, and news from Hollywood.[287] His company newsletter is *Reader's Digest* for Carvel storeowners with the same demographic.

The Shoppers Road, however, increasingly becomes more of a traditional company magazine. Typical 1964 articles featured new store openings, interviews with an ice cream expert from Cornell University, and tips on preparing the store for the upcoming Fourth of July holiday. There are also warnings to franchise owners to obey the company policy and fulfill the "dealers obligation."[288]

By 1965, the tagline "a newsletter devoted to free enterprise" has joined the masthead along with a white family driving a car, looking brightly ahead. The cover story explains how owners are experiencing their best year ever, and among the sea of white older male faces, there are a few women. However, it is unclear if they are managers or franchisees are from the New York area. A leading article explained how the Wilton, CT store used radio broadcasts from inside the store to increase sales.

Another newsletter issue provided a rare glimpse into Carvel's corporate social responsibility when the corporation donated a dairy freezer to the State University of New York Agricultural and Technical Institute in Farmingdale, Long Island. A section entitled "Strictly Between Us"' is news of marriages, births, and tales of giant ice cream

286. *Shoppers Road*, May 1963. NMAH, Collection 488, Box 4, Company Magazines Folder, 22.
287. These flavors were mint, licorice, egg-nog, chocolate chip, chocolate chip mint. *Shoppers Road*, May 1963. NMAH, Collection 488, Box 4, Company Magazines Folder. 17
288. *Shoppers Road*, July, 1964. NMAH, Collection 488, Box 4, Company Magazines Folder n.p.

cakes for special events.[289] Readers learned about success stories in area stores, advertising tips, seminars, and company events.

In February of 1966, Senator Robert F. Kennedy appeared on the front cover as part of a Carvel promotion to brighten Christmas for New York's needy. Carvel teamed with the City of New York and neighborhood organizations to give away more than 1000 free sundaes throughout the boroughs. Pictures show black and brown children enjoying treats. Carvel notes that "holiday parties have long played a major role in the Carvel organization's policy to take part in activities on the community level."[290] By the late 1960s, Carvel is paying ten dollars for articles and photos for the magazine. The Shopper's Road has also updated its byline to read, "news from the Carvel family of stores." [291]

By 1971, *The Shoppers Road* had given way to *The Carvel Way*, a newspaper formatted publication. The franchising success theme is never far away, and various owners get highlighted, each of whom had turned a profit in six months by taking over a store that "had not operated to its full potential."[292] It is a risky move, but at least some acknowledged what many franchisees knew, that not all stores could be successful. There are stories about large cakes and survey results showing that most stores are open from ten a.m. to Midnight and blurbs about promotions of all kinds. By 1971, Carvel has taken

289. *Shoppers Road*, April, 1965. NMAH, Collection 488, Box 4, Company Magazines Folder n.p.
290. "Sen. Kennedy, Council President Screvane and Carvel Organization Team Up to Brighten Holiday Spirit for Kiddies" The Shoppers Road, February, 1966. Vol. 23 p. 2 NMAH, Collection 488, Box 4, Company Magazines Folder. 2.
291. *The Shopper's Road* March-April, 1968. Vol. 44 NMAH, Collection 488, Box 4, Company Magazines Folder. 2
292. *Shoppers Road*, July, 1968.

to the airwaves, and his gravelly voice blankets the airwaves in the tri-state New York area where his ads ran on radio and television.

Intentionally or unintentionally, *The Shoppers Road* did reflect some diversity, perhaps because of the number of stores in New York City. In April 1971, a photo of Alberta Aris in Queens, N.Y., shows a person of color, and her bio simply says she and her daughters will run the store. The featured dealer is Bill Clinco, who became a carpenter after high school and worked as a contractor for Carvel building stores and built his store on Long Island. He had also served on the Carvel Board of Governors since 1961 and received credit for pioneering the television co-op advertising idea. Having been in the system for fourteen years, this is the type of long-term franchisee that Carvel sought. One who would willingly try new products, suggest new ideas and promote the company line. A special note indicated his willingness to add a new supermarket account, which some dealers feared might be a risky move, as it could take sales away from their ice cream cakes in particular.[293]

By 1971, Carvel had expanded from his original local area to the West Coast. In May of 1971, the first store opened in Chula Vista, California, and an Asian family smiles among a sea of white faces. However, a reminder of the times is that Carvel is said to be “loved by the Oriental” appearing underneath a picture of a store in New York City’s Chinatown.[294] Another featured dealer is the Asian-American family, the

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293. *The Carvel Way*, Vol. 44 NMAH, Collection 488, Box 4, Company Magazines Folder..6-9
294. *The Shopper’s Road* May, 1971. Vol. 44 NMAH, Collection 488, Box 4, Company Magazines Folder p. 9

Tashiro's, who operate their store seven days a week year-round in Bethpage, Long Island.

Like the franchise industry publications, immigrant stories receive prominent coverage. Hans Schussler is a German native who had worked as a master plumber with his own business “for nearly twenty-five years, interrupted only by the war years.”[295] He immigrated to the United States in 1957, found an ad in a German-language newspaper, although it is not clear if Carvel targeted these publications. Schussler started a Carvel franchise in the Bronx, which he later sold, and after a brief stint in Carvel company sales, he opened another store in Hartsdale, N.Y. with his wife, Irma. They live in a two-family home’ in New Jersey and visit Germany in their vacation time. The moral of the story is, “the Schussler’s story is also the story of Carvel. The only ingredient necessary for success in our business is a will to succeed. The Schussler’s posses this will.”[296] Strangely, there is no mention of his wartime activities in Germany, nor how we may have mastered the English language and why the plumbing field no longer appealed. The Carvel message is unequivocal throughout the magazine; a strong work ethic would bring profits. This idea may have originated in his working-class roots and former days on the carnival circuit.

While these newsletters may typify business public relations pieces, they wholly ignored current events in America and abroad during a turbulent time in our history. Most telling is that in July of 1968, while America was dealing with My Lai, the death of Dr.

295. The Carvel *Way*, NMAH, Collection 488, Box 4, May 1971. 10
296. The Carvel *Way*, NMAH, Collection 488, Box 4, May 1971. 101.

Martin Luther King, Jr., and race riots, Carvel focused on the importance of decorating stores for the holidays. If the chain lost stores in urban areas or business stopped, it has not been well recorded.

One way to interrogate the Carvel company newsletter's various generations is as an insular publication focused on profits. Furthermore, the various iterations focused on reinforcing the message that franchisees are not alone. I read a constant rebirth and validation theme for franchisees, especially in the biographies of new dealers, most of whom are ready and eager to open stores and become successful in business. Carvel is trying to find commonalities and remind existing franchisees of their own stories and initial excitement. Whether deliberate or not, this is a successful strategy as the demographics seem similar for all franchisee biographies, especially in the New York City tri-state area. Carvel the man and Carvel the corporation may be inseparable, and these newsletters reflect that fact.

Dunkin and Carvel

Despite lacking education, Carvel and Rosenberg found a path to entrepreneurship by playing to their strengths. Carvel seems to have leveraged mechanical know-how and used that to his advantage in franchising. Rosenberg was the consummate salesman and always seemed to win when competing with others. Both companies grew by relying on trusted associates to guide them in managing what became fairly complex corporations. Both Rosenberg and Carvel are examples of this. These men were COO’s, not CEO’s. They focused on the operations, allowing them to grow beyond what one would have expected. Today, we would laud the lean management structure.

Dunkin' had regional managers as the only line between corporate and stores, while Carvel did not seem interested in middle management.

Each man looked for a form of public recognition and legitimacy as corporate owners. Carvel hosted his television and radio commercials and sought out celebrities. Rosenberg bought a farm and became a thoroughbred racehorse breeder and owner and used his money to fund charitable works.[297] Since 2002, the University of New Hampshire has been home to the William Rosenberg Center of Franchising. Rosenberg published an autobiography and left his papers to the University of New Hampshire. Carvel left his business inventory to the Smithsonian Institution.

Both men seemed to be interested in expanding beyond the current product line but abruptly gave up on expanded brands. The companies may have found more success with their mainlines or learned they could not compete against the industry powerhouses. As founders, Carvel and Rosenberg can credit their immediate business success to systems and the idea that control of production and tight management ensures a consistent product. In the case of Carvel, custom machinery and proprietary ingredients brought reliability to his soft serve. On the other hand, Rosenberg simply borrowed from his manufacturing customers to bring his ILS best practices to Dunkin' Donuts. There is no doubt that both entrepreneurs sustained their core business models and grew them.

More than anything else, the Carvel and Dunkin' Donuts stories remind us that in the post-war era, the food industry moved from single outlets to franchised locations. The system emphasized consistency and almost blind allegiance to the following of process

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297. Rosenberg endowed a chair at Dana-Farber Cancer Institute at Harvard.

and procedure. After all, this was the franchising mantra. If these two men with such humble starts in life could become wealthy in the fast-food franchise business, others could surely follow in their footsteps.

CHAPTER FIVE: NO GUARANTEES

"Quick-service restaurant chains either do well soon or become highway tombstones." The New York Times, November 21, 1968.

More Than a System

Less well known is that Mister Softee made an unsuccessful foray into the hamburger business. Mister Softee named their stores Jimbill's after the founders, brothers Jim and William (Bill) Conway. According to company archives, Mister Softee promoted a drive-up restaurant with a "uniquely designed building to distinguish it from other drive-in restaurants. " A large sign in front proclaimed "division of Mister Softee" under the name Jimbill's.[298] The idea may have come from Howard Johnson's. By the 1960s', HoJo's had switched to "a lower profile hipped roof, still clad in orange tiles." The red tiles and roofline at Jimbill's used a very similar architectural vocabulary.[299] Exterior photos showed a white concrete building with a red low profile slight mansard roof.

An ad soliciting Jimbill's franchisees promised a "painted picture" of the proposed profit and loss and noted that a good location is a "MUST." The company offered help to choose a site while promising places that did not conflict with established outlets. The franchisee added the "turn the key" operation promised a 70% margin on ice cream and a 65% return on food items for a whopping 80 to 200% average return on

298. "Begin Your Own Business Show Publication", Sept 4-7, 1969. P. 19. Mister Softee Archives via e-mail Gail Kiewell. 08/05/2104.
299. If the cupola were removed from HoJo's the buildings might be indistinguishable. Chester H. Liebs *Main Street to Miracle Mile: American Roadside Architecture*. (Boston, MA: Little, Brown, 1985). 201

capital investment.[300] According to the Food Franchise list, twenty-one franchised locations and two company-owned locations existed.[301]

Jimbill's targeted Dairy Queen's Brazier and other limited menu quick service outlets. Customers could dine in or take out, and the menu featured charcoal-broiled beef burgers, hot dogs, steaks, fish, chicken, and fries with the promise of Mister Softee ice cream. As food historians, we can only speculate about quality or taste. However, given Mister Softee's experience with ice cream and freezers and a rising supply of pre-made food items, quality should not have been a contributing factor to its demise. Mister Softee returned to its roots focusing on soft serve trucks and some stand-alone locations. [302]

A & W Root Beer chose to debut its newest limited menu concept at the 1964-5 World's Fair. A&W introduced the "root beer garden" to compete with the fair's official drink, Orange Julius. Beyond the fair, A & W was looking to fill a niche in the metropolitan market with walk-in snack shops. Using the ubiquitous "forward look" and a pylon sign, the building was designed to fit within existing structures, signaling that the urban markets are still viable. A&W claimed to have the largest drive-in franchise in the nation with more than 2000 locations.[303]

A & W distinguished itself with its concept of menu freedom or quasi-freedom. Franchisees bought selected items from A&W, such as root beer, drinks, hot dog sauces,

300. Chester H. Liebs *Main Street to Miracle Mile: American Roadside Architecture*. (Boston: Little, Brown, 1985) p. 201
301. "Food Franchises" – chart. *The Franchise Journal,* July/August, 1969. pp. 25-38. NMAH: A. Bernie Wood Collection. Box 4, Folder 2
302 As of 2020, Mister S0ftee has 625 trucks and 350 franchises in 18 states. https://mistersoftee.com/about-us/ Sep. 27, 2020
303 http://www.aw-drivein.com/aw-restaurant-history/ October 5, 2020.

beef barbeque, and other items. No franchise fee applied since the company made money from the sales of syrups and food supplies. An owner-operator would gross about 30% of sales with an income of $10 to 25,000 per year, depending on location. An average-sized 140 square foot store required a $30,000 investment, which puts the cost of a franchise in the upper brackets.[304] A&W may have capitalized on recent court rulings requiring franchisees to buy essential items from the company, including proprietary root beer syrup. While many other similar firms collected a straight percentage of sales as the franchise fee, they did not. A&W's scheme sends an unambiguous message that name recognition, root beer, in this case, could be the workable basis for a business model. More than name recognition as A & W prided itself on its unique root beer taste.

Claiming that a limited menu restaurant earned more, some companies created cafeteria-style outlets focused on a specific product. A *Restaurant Management* article claimed that steak was a regional favorite and one of the most popular items when dining out. The Char-Steak franchise developed a hybrid quick service sit down model based around Early American decor.[305] Based in Pittsburgh, Char-Steak aimed to provide a sirloin strip steak, potato, salad, and a roll for $1.29. They attempted to cut costs by employing a small but gender specified staff of, "manager, grill man, salad girl, two kitchen people, and two busboys." The $1.29 price point was what a chicken dinner sold for about the same time. Quality concerns aside, the steakhouse became an American institution growing in the past as in the present by targeting specific demographics. In the

304. *National Franchise Reports*, June, 1964. NMAH, Collection 962, Box 1.3.
305. There is no sample size or other data, however, they do acknowledge that the East Coast favors seafood just slightly ahead of steak. The Midwest is far ahead in beef consumption and they claim that hamburger remain the preferred luncheon item. *National Franchise Reports*, June, 1964. NMAH, Coll 962, Box 1. 5.

mid-1960s, a menu from the St. Louis Gaslight district at the ritzy Three Fountains shows steaks cost from $5.00 to $6.00 with a potato and vegetable sides ranging from 50 cents to one dollar.[306]

Char-Steak collected a $5000 franchise fee and 2.2% of monthly gross income, with $13,600 needed as start-up and equipment costs. The parent company most likely marked up the equipment as well. Franchisees were said to have earned $27,000 to $45,100 before equipment payments, taxes, and other costs. There appear to have been fifteen active franchises in 1965.[307] If Char-Steak was an early player, they might have been merely copying an operational model already in circulation.[308] Char-Steak competed against Bonanza Sirloin Pits as they were then known, which had over 150 units in operation by 1969.

In the late 1960s, the industry started using the label "sit-down short menu" to distinguish these new eateries from fast food or full-menu restaurants. The modern equivalent is a fast-casual restaurant. Competing steakhouses understood early on that target demographics defined their place in the restaurant hierarchy. Char-Steak cafeteria-style restaurants came under the ownership of Western States Char-Steak House, Inc. By 1969, they had eleven Colony House franchises, which were 4000 square foot steakhouses. With a $10,000 entry fee, an initial investment fee of $35,000, and a staff of

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306. Menu from the Three Fountains in http://restaurant-ingthroughhistory.com/tag/st-louis-restaurants/ . Retrieved August 10, 2014.
307. *Franchise Company Data for Equal Opportunity in Business*, US Department of Commerce, June, 1965. P. 43 (Hathitrust.org)
308. "Food Franchises" – chart. *The Franchise Journal,* July/August, 1969. NMAH: A. Bernie Wood Collection. Box 4, Folder 2. 25-38

15, these focused on a different clientele.[309]

Competitive pressure from restaurants with similar set-ups, demographics, locations, or food offerings lessened the chances of survival for all players. Many entrants in the franchise business tried to carve out niches in a market that squeezed out small entrepreneurs. As the largest chains continued to grow, it became increasingly difficult to break out of a local, state, or regional shell. A viable franchise at one level did not always move up to the national stage. From traffic counts to flying over towns to companies selling demographic data, the real estate mantra of location, location, location blindsided the franchisors. As it turns out, parent companies needed to understand the role of regionalism. They would have quickly realized that local tastes shaped consumers' palates, and nationally people were more deliberate about food choices. Could a strong following be built around items other than hamburgers or chicken?

The Roast Beef Wars

Potential franchisors and franchisees may have believed that the hamburger market had reached a saturation point. As a result, some took a chance on other foods, whether fish, pizza, subs, or roast beef sandwiches. To expand, Kentucky Fried Chicken started stand-alone Kentucky Beef sites, selling Colonel Sanders roast beef sandwiches. They sold franchises to current licensees, except the venture never caught on, perhaps because customers related KFC to chicken. They did have a ham sandwich, which seems more in keeping with its Southern origins. Barbeque would have been the logical

309. Food Franchises" – chart. *The Franchise Journal,* July/August, 1969. NMAH: A. Bernie Wood Collection. Box 4, Folder 2. 25-28.

extensions as the chicken sides are common to both. Photographs show the same branding and a slightly revamped logo. The company found that roast beef yielded 35% lower returns or a pretax return of 12% instead of 18% for a KFC outlet. As one of the country's largest franchisors, they quickly closed the units, absorbing the loss. [310]

Michael Davis opened a single sub shop in 1957 in Albany, NY, naming it Mike's. Opening multiple restaurants around the area, he spotlighted his roast beef sandwich on a seeded bun. Reflecting America's seemingly endless desire for red meat, roast beef sandwiches had grown in popularity as an alternative to hamburgers.

In the mid-1960s, Michael Davis turned to franchise his outlets called NEBA, believed to stand for Nicest Eating Beef Around. NEBA had been running company stores, and his first franchise stores are in Florida. He hired A. Bernie Wood for help in creating a franchise brochure. NEBA-MIKES sought national and international partners who understood that the "control exercised by the franchisor, however, assists the owner in managing his investment" and that "NEBA strictly exercises management controls."[311] Davis promised franchisees that this business "will not be replaced by automation and by the computor [sic]," and that is just right for the "modern Horatio Algers" and that opportunity is present yet, "disguised as plain hard work."[312]

NEBA's net worth increased from $53,000 in 1961 to $1.5 million, and by 1967 they held $2.3 million in assets. The firm went on to claim that by 1968, eighty new

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[310] (not legible) Elliott. "Home To Roost: Successes of the Fast Food Franchisers are Catching up With Some". *Business and Financial Weekly*, September 22, 1969. p. 49

311. Typewritten document, probably draft of franchise brochure in NMAH: A. Bernie Wood Collection. Box 4, Folder 2

312. NEBA Roast Beef Restaurant Promotional Materials. Franchise Brochure (c. 1967) . NMAH: A. Bernie Wood Collection. Box 4, Folder 2

stores would open. The company also promised that 300 new stores have “activity of varying degree.” This ambitious promise is not supported by evidence, and given NEBA’s regional focus, perhaps only 300 potential franchisees had inquired. Despite this, the business held an AAA1 Dun and Bradstreet rating based on the number of existing units in 1969.

NEBA promised its owners an average profit of 20%, which seems inflated. An eight to twelve pound cut of beef underwent a slow roasting process to reduce volume and product loss in the stores. To earn $200,000 in annual sales, with an average check of $1.25 – a potential franchisee would have to sell thousands of sandwiches at 69 cents along with chips and a drink.[313] As a *Nations Restaurant News* article pointed out, a heavy emphasis on soft drinks could drive up the profit margin as roast beef costs 50 to 60% of sale price versus the 10-20% of soda.[314]

The franchise application asked for previous business experience, assets, liabilities, income, personal information, including bank and financial references. The initial costs included $10,00 for system rights, $15,000 as a security deposit, a $2500 site selection fee, and down payments on signs, equipment, and initial working capital. The total investment neared $35,000. The devil was always in the details, as there was a 3% gross sales local ad fee and a 1.5 % national advertising fee. The franchisor invested $75,000 to purchase or lease property and collected a 2.5% fee for the service. NEBA

313. Note that hamburgers and sandwiches were generally much smaller than the large portions we are familiar with. For example, a White Castle hamburger was a mere 1 oz. and was cut to .8 oz over fears of rationing during the Korean War era. David G. Hogan. Selling “em by the Sack: White Castle and the Creation of American Food (New York: New York University Press, 1997) 117.
314. “Neba Beef Starts Booming – 50 Franchises Coming” *Nations Restaurant News*, August 29, 1967. In NMAH: A. Bernie Wood Collection. Box 4, Folder 2.

franchisees had to obtain a bank loan for an amount slightly higher than a new home, with franchisees signed for a twenty-year term after the date of occupancy.[315]

NEBA offered more contract details than most franchisors. The license agreement specified the details and recommended seeking attorney review. The projected statement of operations specified royalties, payroll taxes, real estate taxes, linens, telephone, and repairs. The sample profit and loss sheet included food, packaging, and paper supplies, which provided a clear although not complete picture. Insurance added to the cost in the form of bodily and product liability, auto coverage, workmen's compensation, fire, burglary, and other mundane details, such as plate glass insurance.

The franchise agreement calls potential owner-operators "licensees" who agree to abide by the system, including four weeks of training, with licensees paying for lodging and expenses.[316] The company agrees they will keep the licensee informed of new developments and serve as consultants on changes and operating problems and procedures. The manual specified the operational details. Even without examining one, by looking past the legal constructs, a close reading would indicate that NEBA had not fully developed systems or perhaps more accurately, it had not operationalized the franchises. The Conformity clause spells out the franchisor and franchisee relationship:

"every detail of said "System" is most important and advantageous, not only to

315. New home median prices in the 1967-8 were about $25,000. From http://www.census.gov/const/uspricemon.pdf Retrieved July 28, 2014.
316. The word "System" appears in quotes in the contract, and is specified as planning, equipping, purchasing, accounting, marketing promotion and good will. Contract c. 1967? NMAH: A. Bernie Wood Collection. Box 4, Folder 3.

> Licensor hereunder and Neba, but also as to its Licensees, including Licensee hereunder as one thereof, that benefits to both parties will be derived from the uniformity of products and menu, quality, appearance, facilities and conformance therewith by all Licensees is essential to best preserve, maintain and enhance the reputation, trade demand and goodwill built up by the "System, the establishments adopting and using the same, the products sold and dispensed therefrom, and the aforementioned names and marks used in conjunction therewith."[317]

Licensees agreed to maintain a macadamized parking lot, keep it clean, wear uniforms, be neat and clean and sober and operate from 9:30 a.m. to 1:00 a.m. The desire may have been to have the owner-operator in place and prepping for the lunch hour. The late-night hours reflected the desire to locate near schools, especially colleges. Photos show sliced beef held in the bain-marie, which would mean a hot sandwich. As was the case with other owner-operated franchises, these hours would be taxing in the two-man per shift operation.

Management came from within the ranks, with merit raises, profit sharing, and the company books being open to all employees. Large raises ($15.00 to $20.00) act as incentives. Hourly employees could staff the stores to allow managers time off during weekends or summer months. Women are acknowledged in a supporting role and thanked as "a NEBA executive will often take a manager and his wife out to dinner to let

317. § 8-9. *Neba Franchise Agreement* NMAH: A. Bernie Wood Collection. Box 4, Folder 3.

her know that the company appreciates the job her husband is doing."[318]

The agreement included several pages explaining the various penalties and procedures should the licensee fail. Franchisees are not allowed to hire from headquarters staff nor competitive restaurants. In the event of default, the licensee had to return the Operations manual, cease use of the name, printed goods, remove any signs and not construct a restaurant using the same equipment and ideas specified in the system. Further, former franchisees could not open a unit within 15 miles for two years from the termination date. If the licensee went bankrupt or failed to meet agreements, NEBA can institute judgments after 30 days and terminate after five days of written notice. NEBA would then buy back the equipment using a 10% depreciation schedule.[319] In franchising, these company buy backs kept a location operating even if it meant using central office staff.

Understanding the NEBA contract supports the claim that franchising is inherently risky. While it explained many aspects of franchise operations, the contract failed to address a critical aspect. It did not explain what happens if the licensor failed, which occurred when NEBA went bankrupt in 1970.

Despite being a typical fast-food franchise, NEBA had many possible points of failure. These included poor site selection, national competition, higher entry costs, and the intangible changing consumer tastes. Davis would have seen that the roast beef field was already crowded and included Arby's, which later became the category leader. It

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318. "Making Restaurant Work Worthwhile: The Man from NEBA" – no attribution. NMAH: A. Bernie Wood Collection. Box 4, Folder 2
319. § 15- 18 *NEBA Franchise Agreement* NMAH: A. Bernie Wood Collection. Box 4, Folder 3.

would also have been tough to go head to head against Robees, the Marriott based offering. Davis told an interviewer that he learned that after being the second or third unit in an area, "he would build a NEBA unit only where he is the first in the area."[320] He gave franchisees individual stores versus territories, limiting himself to an owner-operator model. Davis went on to say that an ideal site needs to be near a shopping center since 60% of his customers are women and the "family trade' is essential. NEBA also looked to locate in commercial areas near "recreational, high school and college activities" since he knew, "repeat customer business is a necessity." [321]

It seems troubling that anyone in the quick-service industry would not have mastered site basics from the many available sources. While stories of CEOs flying over the cities to scout locations may not have been as frequent as companies want us to believe, it did happen. There were demographic services, such as Technomic, that were actively helping all kinds of businesses obtain demographic information.[322]

Was Davis only out to defraud his franchisees? Davis's belief in his product blinded him. Poor site selection became his downfall, and his roast beef sandwich became extremely sensitive to price and taste changes. It is not clear how much his localism hindered him. Far from Florida, the Rochester – Buffalo area favorite continued to be beef on a weck, roast beef on a particular roll called a kimmelweck.[323] The NEBA

320. NEBA sells systems, sites and service. Fast Food Reprint, possibly *Nations Restaurant News*. C.. 1967-8. NMAH: 962, A. Bernie Wood Collection. Box 4, Folder 2.
321. Typewritten document, probably draft of franchise brochure in NMAH: A. Bernie Wood Collection. Box 4, Folder 2
322. Technomic, founded in 1966, is still in business providing subscription information about restaurants and demographics. The weekly e-mails provide research topics. For example, a recent whitepaper was entitled "Setting the Stage: Consumer Assessments of Décor, Music and Atmosphere at Leading Restaurant Chains" See: https://www.technomic.com/About/Technomic/ August 3, 2014.
323. Believed to be from the German kummelweck, essentially a salted Kaiser roll with caraway seeds, au jus optional.

limited menu also included shakes, sodas, potato nuggets, and soup while children could get a peanut butter and jelly sandwich in a box with a hand puppet. Davis also chose not to serve condiments and felt his special seasoning was more than satisfactory. His competition offered choices, a decision he had to back off of in Florida.[324] He also did not sell a ham sandwich, which might have also diversified his offerings. In the end, Mike's subs never achieved the meteoric rise of Subway, the largest fast-food franchise in the world in 2020. NEBA's legacy is in its insights into the contract and franchise agreements.

Competition

Florida based roast beef franchisor Herky's advertised for passive investors. A *Wall Street Journal* ad promised that "roast beef franchises are hot … and Herky's is the hottest." For an investment of $21,950, the company would build an outlet and train the operators, with "absentee investors inquiries welcomed."[325] Then as now, pure investors allow the parent company to expand rapidly. This model is in contrast to the multi-unit operator. Despite offering ham and barbeque sandwiches, Herky's went out of business, perhaps before opening any locations.

Heap Big Beef, another local player, sought area distributors for its franchises and employed a reseller strategy. Rather than sell directly, a potential buyer went through a franchise reseller called Franchise International. Made up of former executives, it

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324. NEBA sells systems, sites and service. Fast Food Reprint, possibly *Nations Restaurant News*. c. 1967-8. 2.NMAH: A. Bernie Wood Collection. Box 4, Folder 2
325. Classified Display Ad. *The Wall Street Journal,* June 13, 1968. 22.

claimed to be "established as the authority on solid franchise marketing in their zone of operations."[326] An ad showed a group of stern-looking older white men trying to convey a sense of seriousness to potential investors and promising "he-man profits."

A 1967 Heap Big Beef ad is significant because it included a rendering of the store's appearance. The ad ran features a giant roast beef sandwich, under the headline, "he-man sized sandwich get[s] star billing at Heap Big Beef."[327] The theme or perhaps bigotry masquerading as a theme was the case at Heap Big Beef. It used overtly racist Native American language as well as tipis and other quasi native symbols.[328] Closer examination reveals a group of Lilliputian-sized people gathered and gesturing towards the sandwich as if it is an alien saucer. The eatery used an A-frame design with a large plate glass window overlooking the parking lot and a repeated triangular architectural element over the actual entrance. The large sign out front echoes the triangularity framed with what appears to be Polynesian spears in a strange mash-up of Native peoples. The signboard reads "come as you are" as long as you resemble the pictured, well-dressed White families or couples.[329] A vague promise of profits from a simple menu restaurant was not enough to differentiate Heap Big Beef from its competitors, and they most likely folded soon after advertising.[330]

Small roast beef sandwich companies also tried to attract investors. Pittsburgh

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326. Display Ad. *The Wall Street Journal*. March 15, 1967. 20.
327. Language also corrected. Display Ad. *The Wall Street Journal*. March 15, 1967. 20
328. This is the chain name and important to the narrative. Corrected to "a little wampum will go a long way". Display Ad. *The Wall Street Journal*. March 15, 1967. p. 20
329. The third line of the sign continues the racist language; popular television shows of the time, like *F Troop*, used the same format. Corrected to "bring the whole tribe". 1967 Heap Big Beef Ad (Original source not listed. http://www.ebay.com/itm/1967-Heap-Big-Beef-Roast-Beef-Restaurant-Franchise-Print-Ad-/400753268744. August 7, 2014)
330 Heap Big Beef may have been trying to exploit the popularity of the Roy Rogers chain.

based Mister Beefe sought area franchisees for its drive-up units. The company claimed these units “operate basically as a private sales company with minimum overhead.”[331] In other words, Mister Beefe wanted to expand beyond its current three stores and turned to franchising to raise capital, one of the core functions and primary reasons for franchising.

Large companies also competed for franchisees, with Roy Rogers dominating the field. Roy Rogers sold his name to Marriott, and the chain had converted some Hot Shoppes to the brand.[332] Even though Roger's movie career had peaked a full decade earlier, he still had celebrity status. American Studies scholar Joseph Reed claims that Western films are not only the “most American movie,” but they have managed to have “abstracted themselves from historical issues of the frontier” to such a degree that a Western is “wonderfully open in reference and meaning.”[333] It seemed like a tenuous connection between viewing movies and roast beef sandwiches. For many postwar Americans, the West in the popular imagination conjured up ranches, cattle drives, and beef.

Roy Rogers advertised for sub-franchisees after selling area franchises in 49 states. Opening with the fact that “in just four months, successful chain restaurant operators have bought up area franchises in 49 states.” Potential sub-franchisees received “ a protected territory, complete building plan, and specifications, personnel training program, operating manual, bulk-purchase program for supplies and equipment and

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331. Display ad. Note that the original ad says “drive in” however, from the ad, it is really a drive up A frame style building. Meet Mister Beefe *The Wall Street Journal.* Feb 8, 1968. p. 15..
332. By 1970, there were 45 company owned and 92 franchises. John A. Jakle and Keith A Sculle*. Fast Food: Roadside Restaurants in the Automobile Age* (Baltimore, MD: The Johns Hopkins University Press. 1999) 87.
333. Joseph W. Reed. *American Scenarios: The Uses of Film Genre* (Middletown, CT: Wesleyan University Press, 1989) pp. 255-56. He also notes that, “these films can be racialist, brutal and filled with outdated Manifest Destiny.”. 2.

outstanding local and national advertising programs."[334] As the ad promised, with Roy's All-America image and Marriott's All-American know-how, you'll have the name and the game."[335] Marriott did have experience in restaurants, food service, and motor hotel chains, with sales over $200 million. Large corporations leveraged bulk buying, consolidated transportation, accounting, and management best practices.

Drive-In Management magazine again reminded readers that roast beef was the current phenomenon in fast food."[336] A 1968 ad for franchisees in *The Wall Street Journal* roped in investors with, "the name of the game is profit…Roy Rogers Roast Beef Sandwich Franchise."[337] While *Wall Street Journal* readers may have been far from working ranchers, they had plenty of working capital. The Roy Rogers chain is still operating and selling franchises despite having changed corporate ownership several times.[338]

The roast beef sandwich sorting ended quickly. Some players went out of business, and others, like Arby's and Roy Rogers, expanded their offerings to include other items. In turn, some hamburger chains added roast beef sandwiches to their offerings. McDonald's tested a roast beef sandwich in 1967, then introduced it nationally in 1968. Due to a frying process and product shrinkage, they withdrew the product.[339] Roast beef appealed to franchisees seeking a focused concept and because it targeted a

334. Display Ad. *The Wall Street Journal,* July 12, 1969, 4.
335. Display Ad. *The Wall Street Journal,* July 12, 1969, 4.
336. Display Ad. *The Wall Street Journal,* July 12, 1969, 4.
337. Display Ad. *The Wall Street Journal,* July 12, 1969, 4.
338 The current investment is about $1.25 million. See "Franchising" https://www.royrogersrestaurants.com/franchising. October 5, 2020.
339. Originally an invention of a Cleveland franchisee, his product was baked and the national product was fried. John F. Love. *McDonald's: Behind the Arches*. (New York: Bantam Books, 1986) 297-98.

slightly older or more sophisticated eater.

It is possible to determine the viability and validity of the various franchise offerings. On a sliding scale, Heap Big Beef ranks at the bottom. They tried to sell territorial franchises with non-existent holdings at worst and in progress at best. They could be considered a form of pyramid scheme with highly questionable ethics. NEBA is in the middle. They had a concept and brick and mortar outlets but dictated an impossible franchise operation based on product restrictions. Roy Rogers and similar outlets offered the most legitimate and least risky franchise experience. As a result, they drew more sophisticated players.

By the end of the 1960s, franchise outlets are a permanent part of the American landscape. Despite the rising social unrest, 1968 became a banner year for franchisors, with over one-third of all restaurant chains starting operations. These new chains meant new opportunities for franchisees as well. With modest growth expected for hamburger and pizza outlets, tremendous confidence characterized roast beef and seafood.[340] The number of networks and outlets showed that once and for all, Americans had accepted fast food. On the other hand, franchise ownership remained in the hands of white, suburban, middle-class business people.

The Celebrity Franchise

The popularity of franchising increased to such an extent that midcentury personalities chose the restaurant industry to earn additional income and name

340. Vaughn cites a "rush to open fish and chips shops" (23) but doesn't specify the companies. Seeking another source, a Food Franchises Chart (1969) data shows H.Salt, ESQ. Fish and Chips as having 102 units with no major plans to open additional units. This is an anomaly to be reconciled. "Food Franchises" – chart from *The Franchise Journal,* July/August, 1969. NMAH: A. Bernie Wood Collection. Box 4, Folder 2.

recognition. Athletes and entertainers opened the majority of quick-service restaurants. Celebrity restaurants represented one site where capitalism and entrepreneurism came together to create new opportunities.[341] Despite having or gathering working capital, most celebrities who entered the fast-food business lost money.

Securities and Exchange Commission filings showed that many celebrities unabashedly promoted shares in ventures that bore their names. In most cases, the directors or large shareholders consisted of friends or associates of the celebrity. As a *New York Times* headlines warned, "Buying Stocks for Glamorous Names is Found Risky Investment Practice."[342] The article said that despite warnings, investors still flocked to the offerings only to suffer losses. One year later, the Sunday *New York Times* ran a feature entitled "Name Franchising: It Takes More than Star To Sell Goods," citing Shakespeare's question of what is in a name?[343] The newspaper provided one answer from New York State from Attorney General Louis J. Lefkowitz, who blamed celebrities for just allowing the use of their names in exchange for "a monthly royalty or flat sum."[344] Author Leonard Sloane cited an industry newsletter that printed 38 articles in one year about complications with celebrity franchising.[345]

One entry point for celebrities involved playing on cultural attributes to create or

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341 In the 21rst century, name and brand have merged fueled by online marketing.
342. "Robert J. Cole, "Personal Finance: Buying Stocks for Glamorous Names is Found Risky Investment Practice." *The New York Times*, October 23, 1969. P. 67
343. Leonard Sloane." Name Franchising: It Takes More than Star To Sell Goods" *The New York Times,* October 25, 1970, p. F2.
344. Leonard Sloane." Name Franchising: It Takes More than Star To Sell Goods" *The New York Times,* October 25, 1970, p. F2.
345. The publisher of *Continental Franchise Review* is quoted as saying that when business fails, the celebrity, "takes the bankruptcy way out when the going gets tough." Leonard Sloane." Name Franchising: It Takes More than Star To Sell Goods" *The New York Times,* October 25, 1970, F2

exaggerate a brand identity. Some of these associations ran from impolitic at best to stereotyping at worse. They were far more common in the 1950s and 1960s than our modern feelings might accept. For example, Brady Keys was an African American football player who started All Pro Fried Chicken. Selling fried chicken can be read as perpetuating a stereotype and Colonel Sanders appropriated this southern food. In addition to racial overtones, class differences are at work. Minnie Pearl opened a chain of chicken outlets to play on her performed Appalachian roots.[346] Today we see this as an extension of acting where we expect characters to engage in lifestyle extensions like cooking.

Sports stars enjoyed enormous popularity, and Yankee outfielder Mickey Mantle opened his Country Cookin' locations in April of 1968. The menu featured country foods such as fried chicken, ham and limas, chili, cornbread, and catfish.[347] While Mantle grew up in Oklahoma, he was probably better known for his connection to New York. He started in Dallas and franchised a few locations while operating two or three company-owned eateries. According to his SEC filing, Mickey Mantle's Cookin', Inc offered 200,000 shares with a maximum value of $15 each. It appeared that large sums were reserved for real estate, equipment, and $250,000 "to develop a franchise program."[348]

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346. Minnie Pearl (1912-1996) was a fictitious character who was an exaggerated country girl. She gained her fame as part of the Grand Ole' Opry performing for decades. In reality, Sarah Cannon grew up in middle class Nashville and attended fashionable Ward-Belmont college, where she was interested in classical music. Stephen Holden. "Minnie Pearl, "Grand Ole Opry Star for 50 Years, Dies at 83." *The New York Times*, March 5, 1996. Online edition at http://www.nytimes.com/1996/03/05/nyregion/minnie-pearl-grand-ole-opry-star-for-50-years-dies-at-83.html?pagewanted=print Retrieved July 10, 2016.

347 https://goldinauctions.com/mickey_mantle_s_country_cookin__restaurant_menu_-lot23711.aspx Sep 27, 2020

348. Securities and Exchange Commission News Digest, *SEC Digest*, March 12, 1969. P. 4 The Securities' and Exchange Commission, Washington, D.C. The *SEC News Digest* Archives, https://www.sec.gov/news/digest.shtml 07/16/2016.

By June 1969, the company had reorganized and left the food business.[349]

Joe "Broadway Joe" Namath, the celebrated quarterback for the New York Jets and winner of Super Bowl III, opened Broadway Joe's Football Hero hamburger outlet in 1969.[350] When entering Broadway Joe's, patrons found themselves greeted by a large photo of Joe dressed in a chef's coat. Aside from his name, offerings are ordinary, consisting of a burger, junior burger and roast beef sandwiches, and beverages. According to one newspaper article, the chain had grown to eleven locations by May of 1970, three franchised. By the start of 1971, the entire chain was out of business. The *Miami News* reported losses of $370,988 on revenues of $239,870, while its stock plummeted from a high of $16 to a low of $1.50. Name recognition did sell franchises but sustaining them required an original product. The uninspired menu contributed to the closing of the chain. Namath backed out and told a Senate committee that he had been an active participant and was not just lending his name.[351]

The *Milwaukee Sentinel* reported Green Bay Packer Bart Starr opened Bart Starr's Family Restaurant. At least one outlet opened at an estimated cost of $75,000.[352] A. Bernie Wood is involved with some of the designs, and photos show what appeared to be at least three or possibly four locations, each with a football-shaped sign in front. At least

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349. Mantle does go on later, in eth 1980's to operate a sports bar bearing his name. Bryan Taylor. "Mickey Mantle Strikes Out , then hits a Homer" , Stock Histories blog. https://www.globalfinancialdata.com/gfdblog/?p=3050 July 11, 2016.
350. A photo for the sign shows the words football hero in the middle and at least one online source mistakenly believed that Namath was in the hero (hoagie, submarine, grinder) business – which actually would have made more sense. See http://www.grayflannelsuit.net/blog/time-capsule-broadway-joes-restaurant-1969 July 11, 2016.
351. *The Miami News*, September 30, 1970. In "5 Forgotten Miami Burger Joints" Burger Beast blog. http://burgerbeast.com/2015/08/25/5-forgotten-miami-burger-joints/ retrieved July 11, 2016.
352. N.a. "Bart Starr Restaurant Being Built". The *Milwaukee Sentinel*, Nov. 28, 1969. P. 17. An earlier article mentions 5 or 6 former Packers and their restaurant ventures. See: n.a. "Packers Switch Uniforms for Restaurateur's Gear" *The Milwaukee Sentinel*, October 10, 1969. Online edition

one location appears to be a former Jack's hamburger outlet based on the architecture.[353] Two additional photos showed a middle-aged Black man behind the counter and a young woman bagging burgers. As in other celebrity endeavors, the concept does not seem fully developed, and it is unclear what product differentiation existed.

Other professional football players tried to open fast-food franchises or stand-alone restaurants around the country.[354] Almost all players in the early days worked regular jobs in the offseason, muscled Gino Marchetti worked in the iron mill in the Sparrows Point section of Baltimore.[355] The former Baltimore Colts football defensive end and his partners opened Gino's burgers in the late 1950s. Marchetti proved to be an exception, eventually selling out to Marriott in 1982 for $48,000,000.[356]

Celebrities were not alone in vying for the publics' attention. One industry analyst cites Quarterback Sports as one of the 1967-68 bull market drivers. QB Sports located its restaurant across from the Minneapolis stadium. The company issued its IPO with a market value of $100 million and announces franchise sales.[357] The company folded in 1970 in another example of the rush to capitalize on the ever-growing popularity and

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353. The Neville Public Museum of Brown County has one extant photo of an outlet at the SE corner of Main and Decker in Green Bay, Wisconsin. Photo #27.1988.3156A (June, 1970) http://www.nevillepublicmuseum.org June 27, 2018 Bart Starr's photos, NMA. A. Bernie Wood Collection 962. Box 4 Folder 8. Jack's is a Homewood, Alabama based chain started in 1960. See "A Southern Legacy" https://www.eatatjacks.com/pages/our-story/. October 5, 2020.
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354. As one example, an earlier article in the Sentinel mentions 5 or 6 former Packers and their restaurant ventures. See: n.a. "Packers Switch Uniforms for Restaurateur's Gear" *The Milwaukee Sentinel*, October 10, 1969. Online edition https://news.google.com/newspapers?nid=1368&dat=19691010&id=GvsjAAAAIBAJ&sjid=sREEAAAAIBAJ&pg=5953,2085536&hl=en . July 16, 2016.

355. Alexander Wolff "Gino Marchetti beloved by Baltimore for his Colts and fast food careers" – July 1, 2016 *Sports Illustrated* online. http://www.si.com/nfl/2016/07/01/gino-marchetti-baltimore-colts-ginos-restaurant July 16, 2016.

356. Don Ameche was another Baltimore Colt who had a chain of drive-ins in Maryland. He and Gino Marchetti copied McDonald's and got a boost as the Kentucky Fried Chicken franchisees in D.C. Maryland, Delaware, New Jersey and parts of Virginia and North Carolina. John Jakle & Keith Sculle. *Fast Food; Roadside Restaurants in the Automobile Age*. (Baltimore, MD: The Johns Hopkins University Press, 1999) 87.

357. Robert l. Emerson. *Fast Food: The Endless Shakeout* (New York, N.Y.: Chain Store Publishing Company, 1979) 4.

financial value of professional sports.

Celebrities could be twice-limited, once by the fall of public appeal and again by poor business practices. African Americans and other minority groups were often thrice limited, facing the additional challenges of racism and discrimination in commerce. There is no doubt that the fast-food restaurant industry inflicted a severe form of American democratic capitalism. It quickly and harshly punished new entrants without regard to fame or fortune, race, or class. For Marchetti, Pearl, Namath, Mantle, and many other whites, while race may not be a factor, they found themselves bankrupted by the vagaries of a fickle public at best or the victims of mismanagement at worst.

Some Black celebrities started franchises and faced unique challenges; some met with success and others with failure. While serving customers was the mission, not everyone was welcome to dine in some restaurants. A culture of racism and prejudice existed along a spectrum from subtle shunning in New York to outright refusal in the South.

CHAPTER SIX: RACE, FAST FOOD, AND CAPITALISM

"To be a poor man is hard, but to be a poor race in a land of dollars is the very bottom of hardships." W.E.B DuBois *The Souls Of Black Folk*

"We are all familiar with the Iron Curtain of Europe. But we often fail to recognize the Black Curtain, or more appropriately the Ghetto Wall, that tends to stifle and seal off Black Americans from the mainstream of society." Philip Zeidman, Counsel to the International Franchise Association, 1969. [358]

A Piece of the Pie: Restaurant Discrimination

Before Black people could consider buying or starting a franchise restaurant, they had to be able to eat in one. African-Americans working in downtowns looked for inexpensive places to eat during meal breaks.[359] The ability to sit down and be served a meal became a literal and symbolic struggle. One historian has called the simple act of getting a fast lunch or snack the politics of the lunch counter.[360] In practice, finding a place to eat meant encountering significant psychological and physical barriers. Whites who could afford it ate in the slightly more upscale sit-down restaurants or tearooms where Blacks were not allowed except in the kitchen. Avowed segregationist Lester Maddox operated a cafeteria in Atlanta catering to White workers and families that closed its doors rather than comply with a federal court order to integrate.[361] Blacks often ate on the sidewalk or

358. Testimony of Philip Zeidman, "Hearings before the Subcommittee on Small Business of the Committee on Banking and Currency" 91rst Congress, First Session. U.S. Government Printing Office, Washington, D.C. 1970. 245.

359. Many people in the service industry had short prescribed meal times.

360. Harvard Sitkoff titles his chapter about the student sit-ins "More than a Hamburger". See Harvard Sitkoff. *The Struggle for Black Equality: 1954-1980.* (New York,N.Y.: Hill and Wang, 1988).

361. The Pickrick was the site of several protests and Maddox also used Pickrick ads to promote his racist views. There is extant film of the Lester Maddox Restaurant which Maddox opens after challenges to his practices. See https://www.youtube.com/watch?v=7m3JCPrQ3zs See the chapter "White Resistance in Segregated Restaurants" in Angela Jill Cooley. *To Live and Dine in Dixie: the Evolution of Urban Food Culture in the Jim Crow South* (Athens, GA: The University of Georgia Press, 2015), 144-47, 131-137.

picked up orders at the rear door.[362] During the long Civil Rights era, protests, sit-ins, and boycotts against segregated diners, restaurants, lunch counters, and luncheonettes were among the most visible and powerful symbols of the movement.

After the Great Migration, African American neighborhoods in cities and towns around the country provided a space for people looking to eat without the added pressures of race relations or the "performance of race-specific roles within the space." [363] A potential source of comfort may have come from establishments that still served the South's traditional foods. The barbecue stands and fried chicken shacks that joined fried fish joints (also known as whale stations) and ankle joints--a vernacular term for those restaurants selling pig's feet.[364] To be sure, there were class divisions among the many Black Americans who had migrated to urban centers. Stereotypically, assimilated Blacks looked down on these "soul foods" and associated them with country ways. These outlets met the need for easy meals when people worked multiple jobs or needed to feed families.[365] Black churches, with an obligation to care for their constituents, often played an important community role by running restaurants, butcher shops, and grocery stores. With acute housing shortages, rationing, and other deprivations, finding a quick meal

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362. In the Jim Crow South this was a long standing practice and one that would extend to road travel. Guides like *The Negro Motorist Green Book* located friendly services such as gas stations, motels and especially restaurants. For those individuals and families who moved as part of the Great Migration, many found local eating options in the neighborhood. In the North, Restaurants were seen as place where Civil Rights could be easily tested. Thomas Sugure. *Sweet Land of Liberty: The Forgotten Struggle for Civil Rights in the North*. New York, N.Y.: Random House, 2008) 148-154.
363. There is a long history of Black owned restaurants all across the country, however, academic study is still needed. Angela Jill Cooley. *To Live and Dine in Dixie: the Evolution of Urban Food Culture in the Jim Crow South* (Athens, GA: The University of Georgia Press, 2015)108.
364. This was known as Down Home Cooking. See Adrian Miller. *Soul Food: The Surprising Story of an American Cuisine One Plate at a Time.* (Chapel Hill, N.C.: University of North Carolina Press, 2013) 38
365. Prior to the Black Power movement, starting in the late 1950s, soul food had changed from a religious term to one with more cultural connotations. See Adrian Miller. *Soul Food: The Surprising Story of an American Cuisine One Plate at a Time.* (Chapel Hill, N.C.: University of North Carolina Press, 2013) 39

became an important yet arduous task.[366] The necessity of food to fuel the human worker remained a more challenging endeavor in such environments. Racist practices continued during the World War II-era as thousands of government workers and troops entered cities.

Blacks veterans hoping to enter the restaurant business faced barriers equal to or greater than the segregated practices they had encountered during the war. Even with New South industrialization and despite individual determinism, Black veterans could not "overcome southern racism and the G.I. Bill's poor administration and commitment to segregation."[367] The G.I. Bill made the Veterans Administration the guarantor of business loans. Blacks first had to secure a loan, which they could not do given the strictures against them imposed by most banks. For example, in Mississippi, Blacks received only two loans given out of the 3,229 issued in 1947.[368] Many former service members were denied their unemployment benefits, referred to unskilled jobs, or simply turned away.

Restaurant discrimination existed across geographic, social, racial, and ethnic lines. If Southern towns and cities openly practiced racism, Northern cities like New York used more covert discriminatory practices. Author Chin Jou recovered a study of attitudes towards Blacks in early 1950's New York.[369] Blacks did dine out in the North

366. For an account of the ways in which retail and race formed barriers, see Mia Bay and Ann Fabian, eds. *Race and Retail: Consumption Across the Color Line* (New Brunswick, NJ: Rutgers University Press, 2015).
367 a. David H. Onkst. "First a Negro…Incidentally A Veteran: Black World War Two Veterans and the G.I. Bill of Rights in the Deep South, 1944-1948" *Journal of Social History*, Vol. 31, No. 3 (Spring, 1988) 519.
368. David H. Onkst. "First a Negro…Incidentally A Veteran: Black World War Two Veterans and the G.I. Bill of Rights in the Deep South, 1944-1948" *Journal of Social History*, Vol. 31, No. 3 (Spring, 1988) 519 – 523, quote page 522.
369. Chin Jou. "Neither Welcomed, Nor Refused: Race and Restaurants in Postwar New York City" *Journal of Urban History*, 2104. 40:232.

but found themselves overcharged for the food, seated near busboy stations, or ignored. Commenting on conditions, the Committee on Civil Rights found, "14 percent of restaurants in the low-priced category discriminated, compared to 58 percent of medium-priced restaurants, and 53 percent of restaurants in the high-priced category."[370] Low-priced restaurants included lunchrooms, dinettes, cafeterias, all of them progenitors of the fast-food movement.

In 1960, the Commission on Intergroup Relations hired social psychologist Ernest Dichter to investigate restaurant discrimination on New York's Upper East Side with particular attention to "non-white nationals holding positions of responsibility with delegates or missions to the United Nations, and by American Negroes of middle or upper class standing."[371] Based on interviews, 60% of restaurants discriminated against these non-white nationals, a number unchanged since 1955. Blacks and U.N. personnel found that discriminatory practices took an emotional toll. Certain high-end restaurants like the 21 Club, Le Pavilion, The Colony, The Stork Club stood out for their discriminatory practices.[372] By contrast, chains like Stouffers, Brass Rail, and Longchamps scored as more friendly to all customers.[373] Premium rents and competition among small budget restaurants in large Northern cities meant they could not afford to be

370. Chin Jou. "Neither Welcomed, Nor Refused: Race and Restaurants in Postwar New York City" *Journal of Urban History*, 2104. 40., 239
371. The Upper East Side meant 34 to 59th streets near the UN building. Ernest Dichter, "Discriminatory Practices in New York City's Upper East Side Restaurants: A Pilot Survey" July, 1960, 2
372. This often started with the headwaiter. Ernest Dichter, "Discriminatory Practices in New York City's Upper East Side Restaurants: A Pilot Survey" July, 1960, 2
373. Longchamps was a New York restaurant started in 1919 and in 1952 opened a branch in Washington, D.C. and was one downtown eatery that did not discriminate. After several purchases, the chain went out in 1975. Jan Whitaker, "With Haute Cuisine for All" *Restauranting Through History* blog. https://restaurant-ingthroughhistory.com/2009/12/03/and-haute-cuisine-for-all-longchamps/ retrieved June 6, 2016.

too selective about customers. In the South, fast food outlets are mostly opening in the segregated suburbs.

These franchise outlets perpetuated a racist mindset and de facto segregation, such as serving Whites first. As one food scholar notes, "fast food chains were spectacles of modernity that linked Southern consumers to national economic and cultural patterns." [374] With national marketing, simple designs, and inexpensive fare, fast food should have represented a threat to white privileged eating spaces. "In the early years, fast food restaurants had no dining rooms to segregate. These spaces built white privilege into the key features of their concepts." [375] Often neglected by absentee White owners, the inner-city outlets were understaffed, dirty, and dangerous. Wage workers and families still wanted inexpensive food served in a safe and clean environment. Even though the number of Black-owned businesses had declined 20% between 1950 and 1960, opportunities for new locations still existed.[376] A Black-owned franchise could bring hope and progress to a community looking for economic self-sufficiency. How would Blacks and others get a piece of the pie?

The Green Bridge: Fighting the System

Throughout the 1960s, people of color seeking economic success found themselves fighting against structural inequalities that denied them access to franchises. Garland G. Guice, Executive Director, Chicago Economic Development Corporation, noted, "we believe

374. Angela Jill Cooley. *To Live and Dine in Dixie: the Evolution of Urban Food Culture in the Jim Crow South* (Athens, GA: The University of Georgia Press, 2015),108.
[375] Angela Jill Cooley. *To Live and Dine in Dixie: the Evolution of Urban Food Culture in the Jim Crow South* (Athens, GA: The University of Georgia Press, 2015), 108.
376. Phillip F. Zeidman, US Small Business Administration, May 13, 1967. Quoted in Harry Kursh. *The Franchise Boom.* 2nd. ed.(Englewood, N.J.: Prentice-Hall, Inc, 1969) Original 1968., 147.

that the bridge between Black and White is green."[377] For example, until 1966, the Small Business Administration did not loan to franchisees because the franchise and franchisor were affiliated and technically not a small business.[378] When the rule was changed, Black applicants were denied credit, steered to the least desirable places, and dismissed for not having the relevant business education, training, or prior experience. The greatest single obstacle was their inability to access the funds needed to start a business. A 1964 review, ordered by Hubert Humphrey, of all Small Business Administration loans to African Americans, found only 17 loans in ten years. Those who opened franchises did so by working two jobs and saving for years or being supported by white individuals or corporate grants.

As the Civil Rights movement heated up, the call for Black and minority business ownership and empowerment grew with it. President Lyndon Johnson had used minority business as a way to quell or respond to urban unrest.[379] When protests against the Vietnam War and acts of local state violence erupted in the 1960s, the federal government offered many economic plans and programs to quell the unrest. In practice, there was no way to coordinate the 1300 Federal programs scattered across 62 agencies.[380] One solution proffered to minority entrepreneurs is fast food franchising.

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377. Garland G. Guice, Executive Director, Chicago Economic Development Corporation. "Hearings before the Subcommittee on Small Business of the Committee on Banking and Currency" 91rst Congress, First Session. U.S. Government Printing Office, Washington, D.C. 1970. 67
378. Testimony of Phillip Zeidman, Counsel to the International Franchise Association. "Hearings before the Subcommittee on Small Business of the Committee on Banking and Currency" 91rst Congress, First Session. U.S. Government Printing Office, Washington, D.C. 1970. 216
379. Dean Kotlowski. "Black Power-Nixon Style: the Nixon Administration and Minority Business Enterprise:. *The Business History Review*, vol. 72. No. 3 (Autumn, 1998) Harvard University Press. 416
380. Testimony of Henry G. Parks, jr., National Urban League. Hearings before the Subcommittee on Small Business of the Committee on Banking and Currency" 91rst Congress, First Session. U.S. Government Printing Office, Washington, D.C. 1970. p 185.

The government mistakenly believed franchising would lessen the risk for potential minority entrepreneurs. These offerings and solutions started as a force for good, quickly became another way to sideline the progress toward Black ownership.

Indeed, one of my key findings is that fast food franchises had higher barriers to entry than its promoters would acknowledge. Evidence for this thesis appears in the many cautionary tales found publications, testimony at numerous government hearings, and franchisee lawsuits. Many franchisees recounted tales of fraudulent activity, lost wages, inhumane hours, and no company assistance. Even if offered a legitimate business, the odds were stacked heavily against Black and other aspiring minority entrepreneurs. Potential African American franchisees found themselves curbed by racism, lack of capital, corporate indifference, and being generally mistrusted by the system. Prejudice made companies imagine that Blacks and others would not be suitable franchisees and racist practices denied them equal access. While Blacks may have worked in quick service outlets, the idea of owning a single franchise or a chain of restaurants was seemingly impossible given the numerous barriers to access.

When searching for a business, these aspiring owner-operators found few, if any, outlets available to them. As late as 1970, Kentucky Fried Chicken had only three minority franchises out of 3,000 units.[381] Donald Lopes, an early Rhode Island Kentucky Fried Chicken franchisee, joined only a handful of Black owners nationally. He claimed the riots in 1968 created an awareness of the "clear frustration of black people in

381. "Impact of Franchising on Small Busines" Report of the Select Committee on Small Business, United States Senate. Hearings before the Subcommittee on Urban and Rural Economic Development. US Government Printing Office, Washington, D.C. November 13, 1970. p. 63.

America."[382] Lopes graduated from Bryant College and opened a franchise in Rhode Island when a franchisee agreed to sell. In most cases, to be granted a franchise, Black or Latino applicants had been forced to take on White partners. Because he had White partners, his store appeared as one of two fast-food franchises getting funding from the SBA in 1969.[383] Lopes went on to run a highly successful location.[384] In his testimony, Lopes expressed his concerns about the lack of protection for fragile franchisees stuck in challenging areas.

In 1968, Herman Petty found himself the first Black McDonald's franchisee in the country with a store in Chicago's South Side. According to The *Chicago Crusader*, his unit's opening went unreported in both the Black and White press.[385] The company forced a partnership with two White silent partners and relegated him to a store previously abandoned by a White owner.[386] Historian Marcia Chatelain suggests one lens through which to view this intersection of race and capitalism. She notes that "the rise of black fast-food consumers, as well as black franchisees, is a story of how urban violence, the movement of capital, and the dilemma of racial solidarity, as well as cheap

382. "Testimony of Donald Lopes, Kentucky Fried Chicken Minority Franchisee" before the House Subcommittee on Small Business, November 12, 1991". "Minorities and Franchising" Hearings before the Committee on Small Business House of Representatives, 102nd Congress, First Session, Washington, DC, November 21, 1991. Serial No. 102-55 (US Government Printing Office, Washington, DC, 1992) Appendix., 12
383. Listed as Trinity Square KFC the other fast food is Rib Cage. Federal Minority Enterprise Program. Lopes notes that it was not until the late 1970's that more minority franchise came on board thanks to Jesse Jackson's Operation PUSH. Hearings before the Subcommittee on Small Business of the Committee on Banking and Currency" 91rst Congress, First Session. U.S. Government Printing Office, Washington, D.C. 1970., 42-43
384. Lopes notes that many Whites from the Midwest were also interested in this location.
385. Erick Johnson. "Loving if after 50 years" *The Chicago Crusader*. https://chicagocrusader.com/a-crusader-special-feature/ Retrieved July 19, 2020.
386. One year later, there were 12 African American franchises and Roland L. Jones, a Field Consultant was an early Black sponsor and supporter of these business. See Marcia Chatelain, *Franchise: the Golden Arches in Black America,* (New York: Liveright Publishing, 2020), 64, et.seq. See also Roland L. Jones. *Standing up, Standing Out (Nashville, TN; World Solutions, 2006),* 123-125.

hamburgers, ushered in a new era in civil rights activism."[387] This activism took the form of individuals and groups first picketing, then boycotting, and later working with franchisors to create minority-owned stores, mostly located in inner-city neighborhoods.

In the wake of the uprisings of the 1960s, one author claimed that in places like Watts, "the white's hegemony over retail districts was a specific precipitant of the burning and looting which visited their stores."[388] Photographs taken after the riots and published in the mass media, amplified the general perception that Black business only consisting of small single outlet stores. One need only to have looked closely to find successful middle-class Blacks and thriving businesses. No one seemed interested in the historical antecedents of the Black economic model. In its place, a new kind of invented pathology painted the inner city as a fundamentally different place than the suburbs. Many sociologists claimed disparagingly that street smarts as they were known could not translate to traditional business ventures.[389] The racist discourse against cultural forms of survival instead focused on criminal enterprises like numbers running and ignored the realities of prospering traditional and alternative economies.[390] Not everyone agreed, as one IHOP executive suggested, that "the ghetto and oppressive discrimination of the white world has required for survival a degree of ingenuity and entrepreneurial creativity

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387. Marcia Chatelain, "The Miracle of the Golden Arches: Race and Fast Food in Los Angeles" *Pacific Historical Review* Vol. 85, No. 3, 327.
388. Ian H. Light. *Ethnic Enterprise in America: Business and Welfare Amusing Chinese, Japanese and Blacks*. (Los Angeles, CA: University of California Press, 1972), 3.
389. Comparisons of poor White and poor Black neighborhoods led to stereotyping. In one academic article, the author counted and compared credit signs in windows, record store, beauty and barber shops and concluded that Blacks in "slums" were far more interested in personal appearance than others. See Allan Pred. "Business Thoroughfares as Expressions of Urban Negro Culture" *Economic Geography*, Vol. 39, No 3. (July, 1963).
390. In the twenty-first century, similar studies both vilify and glorify large criminal enterprises with studies of drug cartels for example. Book length studies include Tom Wainwright *Narconomics: How To Run A Drug Cartel* (New York, N.Y.: Public Affairs Books, 2016) in which he compares drug smuggling to the Wal Mart supply chain and McDonald's.

that very few of us whites really possess."[391] As historian Chin Jou notes, "starting in the twentieth century, "urban" had begun to be used as a code word synonymous with nefarious ideas about the word "black."[392] Any or all of the euphemisms became the proxy for low-income residents left with few eating options in the neighborhood other than fast food outlets.[393]

Compounding the segregation of the so-called ghetto were the federal programs that leveled existing neighborhoods. Urban renewal left many communities without good food alternatives for decades to come and helped create the modern food desert. The new freeway projects bypassed inner cities, and many businesses never relocated with success. William J. Wilson found, "neighborhoods in Chicago's West Side lost 75% of their businesses between 1960 and 1970."[394] The traditionally African American neighborhoods became more socially isolated and stratified despite the earlier Great Migration. As Stephen Gold points out, the residents in these Northern and Midwestern neighborhoods grew more segregated even as institutions like education, politics, and the military became more integrated.[395] The few remaining local small businesses found it challenging to compete with the immigrant and White retailers because wholesale suppliers cheated Black store owners.[396] Marcia Chatelain points out that fast food

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391. Leonard Korot. "Making Franchises Available to Ghetto Businessmen". *The Business Lawyer*. 25 Bus. Law. 91 1969 1970., 94.
392. Chin Jou. *Supersizing Urban America: How Inner Cities Got Fast Food with Government Help*. (Chicago: The University of Chicago Press, 2017), 59.
393. These communities had very few or no healthy choices, such as greengrocers and are known today as food deserts.
394. Stephen J. Gold. *The Store in the Hood: A Century of Ethnic Business and Conflict.* (New York: Roman and Littlefield, 2010), 10.
395. Stephen J. Gold. *The Store in the Hood: A Century of Ethnic Business and Conflict.* (New York: Roman and Littlefield, 2010.), 103.
396. There are many studies and works which examine the role of ethnic business. One theme which seems to persist is that Asian or Latino or other immigrant neighborhoods are more diverse than the old Black areas and

franchising stood out as a visible and achievable goal as a form of Black capitalism. In other words, more idealistic objectives like better housing proved harder to define and slower to achieve. A re-opened or new McDonald's or other franchise seemed a hopeful sign in communities that had been decimated by the closure of local restaurants, urban renewal, and rioting.

Franchisors like McDonald's, Burger King, Kentucky Fried Chicken, Chicken Delight, and others had locations in the inner city. People categorized at the time as deprived Americans could not break the barrier to suburban store ownership. As one author pointed out, a few progressive companies had no objections to selling franchises in Black or integrated communities. The majority of franchise executives would "reject outright any Negro applicant seeking a franchise for a business to be operated in all-white community."[397] Despite these hurdles, some individuals were able to overcome the odds with enormous determination.

Herman Petty, the pioneering McDonald's franchisee, worked two full-time jobs for six years to save money. He ran a local barbershop during the day and drove a city bus at night. Despite having served in the military and saving, Petty still did not have the full $150,000 needed to open a franchise. McDonald's wanted a Black franchisee and waived the requirement that he provide 100% of the fee. They also forced him to take on two White silent partners.[398] Roland L. Jones, an early Black McDonald's field

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thus able to support more patrons. While this may be true, the relationships between Blacks and others merchants becomes increasingly problematic.

397. Harry Kursh, *The Franchise Boom* (New York, N.Y.: Prentice Hall, 1968, 160.

398. Marcia Chatelain. *The Golden Arches in Black America*. (New York, N.Y.: Liveright Publishing, 2020), 62.

consultant, called him "the first victim of the salt and pepper plan."[399] The store had outdated and broken equipment, gang problems, and no operational integrity. Petty hired local women, brokered a peace treaty with the Blackstone Rangers crew, and increased sales by 75% within a year. McDonald's corporate helped him out of the partnership arrangement when he qualified for a second location. Despite the willingness of McDonald's, IHOP, Chicken Delight, and others to help specific Black entrepreneurs, there remained an intangible element to the problem. As Jackie Robinson pointed out when discussing selling Sea Host franchises, "any person in the Black community who has earned his money legitimately and saved it, has saved it with sweat, blood, tears, and it is difficult for him, if he has been able to save $5,000 or $6,000 in the bank, he is afraid to take that money out and put it into anything risky."[400] Compounding this are the structural impediments that precluded African Americans from having equitable access to franchises.

The Black Curtain: Minority Capitalism

Although fast food franchisors saw opportunities in underserved communities, companies were unsure of the path forward and how to sell franchises in these Black urban neighborhoods. Companies struggled when corporate policies, such as down payments, had to be modified to accommodate minority franchisees.[401] It appeared that the fast food

399. By the standards of the times, Petty was a member of the Black middle class.
Roland L. Jones, *Standing Up and Standing Out* (Nashville, TN. World Solutions, 2006),124.
400. Testimony of Jackie Robinson. December 9, 1969. "Federal Minority Enterprise Program. Hearings before the Subcommittee on Small Business of the Committee on Banking and Currency" 91rst Congress, First Session. U.S. Government Printing Office, Washington, D.C. 1970 ,147.
401. Love notes that Bb Beavers had to fight internally at McDonald's to allow Black franchisees to obtain outside financing. Many regional licensing executives, "automatically tuned out a lot of them." John F. Love, *McDonald's: Behind the Arches.* (New York: Bantam Books, 1986), 371.

industry, like the rest of corporate America, showed an absolute lack of understanding of anything outside of white mainstream suburban America. To get help, they turned to the International Franchise Association (IFA) for answers. Founded by Bill Rosenberg in 1960, the IFA developed a more progressive stance than might be imagined.

While McDonald's decided to use Black middle managers to work with inner-city stores that served lower-income communities, IFA member companies such as Chicken Delight actively advertised for qualified minority franchisees.[402] Like Rosenberg, the founder of Chicken Delight, A.L. Tunick grew up poor during the Depression and developed a powerful social justice instinct. Although in 1965, just one percent of Chicken Delight franchisees were Black, Tunick promoted the idea that franchising should be open to Blacks, "not merely as Negroes [sic] owning a business in Negro communities, but as free and independent Americans seeking and fulfilling the same dream of financial security, wherever and whenever they sought to establish themselves."[403] Midas Muffler promised to place "Negro prospects" in the "finest spot we could locate, irrespective of the community, and we'd do it with defiance."[404]

Beyond some individuals and companies, there were also organizations committed to helping Blacks. In 1963, the American Jewish Congress and the Urban League of Greater New York had created the Interracial Council for Business

402. This is really a listing businesses seeking to recruit franchises that are said to be minority friendly. "Franchise Company Data for Equal Opportunity in Business". 1968. Department of Commerce, Business and Defense Services Administration, February, 1968. Science, Technology and Business Division, Library of Congress.
403. No direct attribution given, however, it is very possible that this is from a Columbia University seminar on franchising. Quoted in Harry Kursh, *The Franchise Boom* (New York, N.Y.: Prentice Hall, 1968), 150.
404. Harry Kursh *The Franchise Boom* (New York, N.Y.: Prentice Hall, 1968), 157.

Opportunity.[405] As their Executive Director testified, "one out of eight Americans is Black or Brown. One out of every 40 White Americans own a business, and one out of every thousand Black Americans own a small business, a Mom and Pop operation." [406] Backed by private funds and a $300,000 grant from the Ford Foundation, the Council provided advice and guidance and tried to close the "gap between legal rights and genuine economic opportunity."[407] With these advocates, could more qualified individuals could be recruited? Tunick suggested that the IFA create a directory of like-minded companies.[408] Based on that suggestion, the Department of Commerce published a booklet entitled "Franchise Company Data for Equal Opportunity in Business."

In early 1965, the Department of Commerce had announced a Task Force for Equal Opportunities to provide minorities with information to use when investigating franchises. The first edition of *Franchise Company Data* listed business format franchises, "in which it might be possible to make a start with a modest amount of capital."[409] Notably absent were Carvel and McDonald's, although by 1969, franchisors included All-Pro Chicken, Howdy Beefburgers, and many others.[410] Despite appearing in

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405. Richard Nixon wished them well on their fifth anniversary, noting that they had helped over 2,000 businesses. "message of Congratulations on the Fifth Anniversary of the Interracial Council for Business Opportunity." April 23, 1969. *The American Presidency Project,* UCSB. July 24, 2020. https://www.presidency.ucsb.edu/documents/message-congratulations-the-fifth-anniversary-the-interracial-council-for-business See also: Thomas A. Johnson "Council Spurring Negro Businesses: Interracial Group Provides Guidance for Concerns" T*he New York Times*. July 6, 1966: 78

406. Testimony of Darwin W. Bolden, National Executive Director, Interracial Council for Business Opportunity. Hearings before the Subcommittee on Small Business of the Committee on Banking and Currency" 91rst Congress, First Session. U.S. Government Printing Office, Washington, D.C. 1970.,159.

407. Harry Kursh. *The Franchise Boom.* (New York, N.Y.: Prentice Hall, 1968), 155

408. It is likely that he got this idea at a Columbia University franchising seminar sponsored by the Interracial Council for Business Opportunity.

409. The first edition was published in 1965. The assumption was that the target audience doesn't have access to or ready capital. In the accompanying photograph is Roman Truman, a former basketball player and franchisee talking to A.L Tunick. "U.S. Commerce Secretary Hodges Announces Task Force for Equal Opportunities". *Modern Franchising,* January-February, 1965. n. p. NMAH -A. Bernie Wood Collection, No. 962, Box 2, Folder 1.

410. The publication had grown from 794 to 177 pages. Many advertisers had hundreds of locations, however,

the listing, most companies simply provided standard franchise information and did not mention special accommodations. Given the onerous paperwork, complex legal contract language, and explicit bias in the application process, most applicants simply gave up. For example, a franchisor for a sandwich chain asked for multiple local or national bank references, legal references, schedules of real estate owned, stocks, loans, and a full accounting of assets and liabilities.[411] As one lawyer reminded his colleagues, "to you a written contract is a means of protecting the rights of interested parties; to the black man a contract may very well be another of the white man's techniques for exploiting him."[412] Again, such discrimination was widespread, given the U.S.'s long-standing interest in whites' property rights over civil rights. There are still problems and obstacles to gaining opportunity. When the Bedford-Stuyvesant Development Cooperation wrote to 60 potential franchisors from the *Franchise Company Data* booklet, they only received 12 replies. Of those, most franchisors wanted to know if the business will locate in a specific neighborhood. In the end, only three professed interest.[413] The onus still appeared to be on franchisees to contact companies.

In 1965, *Jet* magazine reported that Mr. Bailey had gone from janitor, repairman, and painter to obtaining a $7,500 business loan. Reported under the Department of

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they went out of business. Burger Chef and Carrolls are just two examples. "Franchise Company Data for Equal Opportunity in Business". 1969. Department of Commerce, Business and Defense Services Administration, February, 1969. Courtesy of the Library of Congress.

411. This doesnot in any way imply that any minorities were not wealthy or would not qualify. That has always been and is the case. Rather, given the locations and ways in which franchisors did business, they were not familiar with Black banks or assumed that home ownership was not the norm. From "NEBA Franchise Application NMAH. A. Bernie Wood Collection, Box 4, Folder 2 – NEBA.

412. Leonard Korot. "Making Franchises Available to Ghetto Businessmen". *The Business Lawyer.* 25 Bus. Law. 91 1969 1970., 94.

413. William M. Sayre. "Franchising in the Ghetto" *The Business Lawyer,* 25 Bus. Law 73 1969-1970., 78 note 25.

Commerce's Franchise Service for Minorities, this became the very first loan issued. Bailey used the loan and matched his own $8,000 in savings to open a Chicken Delight franchise.[414] He had saved the equivalent of at least two years wages, a truly remarkable achievement.[415] In 1966, early Carvel Ice Cream franchisees Ruben, Leroy, and Gene Burnett opened an outlet in Harlem. The *New York Amsterdam News* claimed the brothers were adding "another chapter to the free enterprise system."[416] Two other successful Mister Softee franchisees operated in an integrated area of Philadelphia.[417] In 1967, *The Amsterdam News* looked for locals who did not know what to do with "money earned from hustlin' round the clock."[418] They suggested attending the Start Your Own Small Business Show, where two dozen companies promoted franchise opportunities. An Orange Julius spokesmen claimed a 95% success rate in the first year. New York City's Interracial Council for Business Opportunity had just honored Chicken Delight franchisee Preston Lambert, recognizing his outlet in Brooklyn as one of the city's busiest.[419] An unnamed Chicken Delight franchisee described the $10,000 initial investment and training as all-inclusive and touted the company's partnership and support. Orange Julius, Mister Donut, pizza parlors, and others competed for space with car washes, cleaners,

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414. "New York Man Becomes First Negro to Win New SBA Loan". *Jet,* May 13, 1965, 44.
415. Most indicators agree that Black income was about 60% of white. Blacks earned about $4,000 as compared to $7,000 for Whites. See also "Consumer Income" Series P-60, No. 55. August 4, 1968. U.S. Department of Commerce, Bureau pf the Census. US Government Printing Office, Washington, DC., 1. https://www2.census.gov/prod2/popscan/p60-055.pdf
416. They are the , "first Negroes to secure a Carvel." See "3 Brothers Bring 3rd Business Into Harlem". *The New York Amsterdam News*, October 29, 1966, 8.
417. Quoted in an interview with the Secretary-Treasurer of Mister Softee James F. Conway in Harry Kursh, *The Franchise Boom* (New York, N.Y.: Prentice Hall, 1968), 150.
418. Malcom Nash. "Franchise Food Business 95% Sure of Being Success" *The New York Amsterdam News.* Feb, 11, 1967, 7.
419. Lambert was also an SBA loan recipient. "ICBO Will Honor Boro Businessman: *The New York Amsterdam News*, April 15, 1967, 23.

and various small businesses.[420] One newsreel voiceover claimed, "for the would be self-employed, it was enough to make you turn in your timecard."[421] Many wondered if that applied to people of color.

In 1966, *Ebony* magazine called the franchise industry "A $65 Billion Gold Mine."[422] It claimed, "what the franchise systems does is in effect protect you from yourself, that is from your ignorance of business procedure."[423] An *Ebony* senior editor noted that food franchises gained popularity and ironically pointed to a Chicken Delight franchise.[424] Former Harlem Globetrotter Roman Turmon had set a record for opening-day sales and owned franchises in Harlem and Brooklyn. The demise of the chain ended his business.[425] Fried foods had gained popularity, and legitimate franchisors had established processes that screened, trained, and supported new owner-operators. *Ebony* knew that start-up money had been made available. Blacks get disqualified when they applied for funding at local bank branches or the SBA. There were no alternatives. One 1968 study found only 23 Black-owned banks existed in the U.S., and all are undercapitalized.[426]

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420. Malcom Nash. "Franchise Food Business 95% Sure of Being Success" *The New York Amsterdam News.* Feb, 11, 1967, 7.
421. Video, see "New York City Start a Small Business Expo" :30 to :35 https://www.buyoutfootage.com/pages/titles/pd_nr_374f.php#.X684dWhKiUk
422. Alex Poinsett. "A 65 Billion Gold Mine: Franchise industry offers business opportunities with limited costs and risks." *Ebony,* July, 1966.
423. Alex Poinsett. "A 65 Billion Gold Mine: Franchise industry offers business opportunities with limited costs and risks." *Ebony,* July, 1966, 88
424. Based on several monthly issue searches, McDonalds doesn't advertise for franchisees in *Ebony* until 1969. The author also pointed out that Blacks consume 37.8% of soft drinks but there were no Blacks distributorships.
425. At its height, Chicken Delight had 700 franchises, however, it would eventually go out of business. The franchisees won a law suit against the company for requiring the purchase of specific products. See *Siegel v. Chicken Delight*. 271 F. Supp. 72
426.Chin Jou, *Supersizing Urban America: How Inner Cities Got Fast Food with Government Help*. (Chicago, IL: The University of Chicago Press, 2017), 64. The first application to the Federal Home Loan Bank Board was not filed until December, 1969 and there was only one Black bank in the state of California. Testimony of Ben Fernandez. December 9, 1969. "Federal Minority Enterprise Program. Hearings before the Subcommittee on Small Business of the

In December of 1969, the Senate Committee on Banking and Currency held four days of hearings on the Federal Minority Enterprise Program.[427] The hearings opened with Illinois Senator Percy (R) noting that nationally there was a 15% minority population, but only 3.75% of businesses are minority-owned, and of those, nearly 75% were in urban areas. Most minority businesses had less than $20,000 in gross receipts as compared to $50,000 for others, leaving a minority ownership gap of $600,000.[428] While OMBE and similar programs did help level the playing field, it propelled many people into a notoriously risky marketplace. Perhaps if you operated a service station, dry cleaners, hardware store, convenience store, or other franchises, you had a chance.

Fast food remained a moving target at best. As Garland E. Guice, Executive Director of the Chicago Economic Development Corporation pointed out, "we need partnership today, not plantationship. That means a piece of the action, a slice of the pie, an equitable share of the ownership and operation of the businesses and commerce within the community. Black people can no longer be expected to function in a capitalistic system without capital."[429] All minorities are shut out of unions, trade associations and paid more for insurance, raw materials, and supplies. Guice said that Blacks were far behind "in the great race for the consumer dollar" and that many domains, even 'soul

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Committee on Banking and Currency" 91rst Congress, First Session. U.S. Government Printing Office, Washington, D.C. 1970., 99.

427. Nixon had created Executive Order 11958 establishing the OMBE. See: https://www.mbda.gov/page/executive-order-11458

428. Remarks of Senator Percy. December 9, 1969. "Federal Minority Enterprise Program. Hearings before the Subcommittee on Small Business of the Committee on Banking and Currency" 91rst Congress, First Session. U.S. Government Printing Office, Washington, D.C. 1970. p. 2 These numbers would remain constant until the 1980's.

429. Testimony of Garland G. Guice Weds, December 10, 1969 before the Federal Minority Enterprise Program. Hearings before the Subcommittee on Small Business of the Committee on Banking and Currency" 91rst Congress, First Session. U.S. Government Printing Office, Washington, D.C. 1970. p 62.

food' are being challenged as the Madison Avenue people begin to see the Negro market as the last frontier for exploitation."[430] Politics became a point of division, not unity, and there were splits within the Black community as well, replaying old arguments about separation versus integration.

Separatists like Floyd McKissick, founder of Soul City, wanted distinct Black businesses and entire separate Black communities. Integrationists like Federal Reserve Governor Andrew Brimmer and others wanted jobs in corporate America.[431] That same year, Thomas Jones, author of *How the Negro Can Start His Own Business,* argued that federal, state, and local governments "could better spend the taxpayer's money administering a program which finances franchises in underprivileged neighborhoods instead of wasting money in useless training programs, relief, etc."[432] Jones saw franchising as companies investing in the owner's success. If a franchisee found profits, the money stayed in the community. Others argued not just for self-determinism but claimed that segregation is not antagonistic to Black business. In 1968, economist and Federal Reserve member Andrew Brimmer said opportunities grew out of segregation and from what he called a wall of protectionism. When this wall crumbled, he predicted difficulties in the future.[433] Opposing scholars pointed to the infiltration and number of

430. It is unclear what the reference to soul food specifically was. Testimony of Garland G. Guice , Wednesday, December 10, 1969.before the Federal Minority Enterprise Program. Hearings before the Subcommittee on Small Business of the Committee on Banking and Currency" 91rst Congress, First Session. U.S. Government Printing Office, Washington, D.C. 1970, 623.
431. Dean Kotlowski. "Black Power-Nixon Style: the Nixon Administration and Minority Business Enterprise:. *The Business History Review*, vol. 72. No. 3 (Autumn, 1998), 427-8.
432. Thomas B. Jones. *How the Negro Can Start His Own Business* (New York, N.Y.: Pilot Books, 1968), 48.
433. Andrew Brimmer. The Negro in the National Economy" in *American Negro Reference Book,* ed. John David. (Englewood Cliffs, NJ: Prentice Hall, 1966) quoted in Timothy Bates. *Major Studies of Minority Business: A Bibliographic* Review (Washington, D.C., Joint Center for Political and Economic Studies, 1993), 10.

small businesses run by other ethnic groups in many Black neighborhoods.

The conversation turned to the lack of access to capital and purchasing power on a national scale.[434] In 1969, the President of the National Business League, Berkley G. Burrell, explained that "the Negro businessman continues to be a nonentity in the American economy. Politicians in a spirit of benevolence offer up band-aid type programs for our serious injuries."[435] It seemed clear that government policy framed Black business as a unique case. Social policy kept many aspiring entrepreneurs, across many franchise lines, confined to the local neighborhood or small regional outlets at best. One analysis looked at over twenty-five studies and concluded that minority business was resource bound due to both policy and practice.[436]

Mainstream author Harry Kursh wrote a 1969 best-selling book on franchising in which he devotes an entire chapter to Black business.[437] Kursh hoped that franchising would help Blacks "overcome the barriers of second-class citizenship in business."[438] The CEOs with whom he spoke expressed surprise that not many Blacks applied to their companies. For example, Mister Donut founder David B. Slater offered a store at no charge to the Department of Commerce as a training center, yet he had no takers. Slater also claimed the company had offered a prospective franchisee inside financing, but he backed out. International Industries, the parent company of the International House of Pancakes, had a more concrete plan. The usual franchise fee charged amounted to

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434. See Timothy Bates. *Black Capitalism: A Quantitate Analysis.* (New York: Praeger, 1973), 12.
435. Quoted in Harry Kursh. *The Franchise Boom.* 2nd. ed.(Englewood, N.J.: Prentice-Hall, Inc, 1969), 149.
436. This reflects the qualitative trend in history at the time both producing and disaggregating large data sets.
437. "Prospects for Negroes in Franchising" in Harry Kursh. *The Franchise Boom.* 2nd. ed.(Englewood, N.J.: Prentice-Hall, Inc, 1969) 149.
438. Quoted in Harry Kursh. *The Franchise Boom.* 2nd. ed.(Englewood, N.J.: Prentice-Hall, Inc, 1969), 161

$45,000 with a cash down payment of $25,000 and a four-year balance payoff at 7.5%. For qualified Black candidates, the fee reduced to $900 and a ten-year payoff with no interest. Candidates who struggled for non-financial reasons could opt for management training with the company stores.[439] An IHOP Vice President warned, "don't impose white, middle class values upon a black culture."[440] Many franchisors did not appear bothered by the fact that they had no minority franchisees. Franchise firms had to compete with the idea that Blacks would instead borrow money for professional school. It may have been incumbent upon Black business aspirants to have more degrees as a means of demonstrating their acumen to skeptical white powerbrokers.

This loss of businessmen in the community left a vacuum because "he is not there to be consulted; his voice is not there representing his neighborhood in the chamber of commerce and other civic organizations."[441] The *Harvard Business Review* (HBR) looked at Black capitalism questions in a Special Edition in 1969. The study also found that lack of education, lack of resources, and small capital initial formation adversely affected Black businesses. Some contributors advocated giving large companies control to Blacks outright, while others proposed suspending the standard loan rules, while others favored a more gradual approach. As it turned out, even the Black purchase of a single outlet could ignite a movement.

In 1969, Reverend Ernest Hilliard tried to buy a Cleveland, Ohio, McDonald's

439. Leonard Korot. "Making Franchises Available to Ghetto Businessmen". *The Business Lawyer.* 25 Bus. Law. 91 1969 1970,92-93.
440. Leonard Korot. "Making Franchises Available to Ghetto Businessmen". *The Business Lawyer*. 25 Bus. Law. 91 1969 1970, 94.
441. Quoted in Harry Kursh. *The Franchise Boom.* 2nd. ed.(Englewood, N.J.: Prentice-Hall, Inc, 1969), 158-159.

franchise. The corporate office denied his application and explained that only local owners could accept a franchise offer. In response, the local Black radical activist group Operation Black Unity called for a boycott of all Cleveland McDonald's to demand Black franchisees. The more moderate local development corporation eventually negotiated with McDonald's to successfully buy two franchises. McDonald's corporate also found businessman Charles E. Johnson who obtained a $130,000 bank loan for an existing outlet. McDonald's sold six East Side stores, including some to the Hough Area Development Council, which returned some profits to the community.[442] In the end, two leaders of the protests were arrested on charges of blackmail while the original target restaurant never reached its expected profit levels.[443] The struggles in Cleveland and around the country did have an impact on McDonald's.

McDonald's corporate headquarters used the Ohio incidents as a blueprint for future inner-city dealings, "the Cleveland boycott reflected the differing political ideologies in black cities, contentions over ownership, the terrains in which the future of black ownership would play out, and the limits of black politicians and black capitalism."[444] It appeared that corporate McDonald's would work with the more

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442. John F. Love. *McDonald's: Behind the Arches.* (New York: Bantam Books, 1986), 362. Love places the story in the context of problems that McDonald's had with nation public relations. He notes that this event followed a controversial campaign contribution by Ray Kroc to Richard Nixon. A different version of the story is presented by Roland L. Jones, a Black McDonald's executive who claimed that negotiations were already underway with Johnson and the boycott held up the deal. Roland L. Jones, *Standing Up, Standing Out: How I teamed with a few Black men, changed the face of McDonald's and shook up Corporate America*. (Nashville, TN: World Solutions, Inc., 2006), 121.
443. The most complete story of the Hugh Area Development Council and Operation Black Unity versus McDonald's is Nishani Frazier. "A McDonald's that Reflects the Soul of a people: Hough Area Development Council Corporation and Community Development in Cleveland" in Laura Warren Hill and Julia Rabig. eds. *Community Development, Capitalism and Corporate Responsibility in Postwar America.* (Rochester, NY: Rochester University Press, 2012). 68-88.
444. For a full explanation of the many factions and deals, see Chapter 3 "The Burger Boycott and the Ballot Box" in Marcia Chatelain, *Franchise: the Golden Arches in Black America,* (New York: Liveright Publishing, 2020), 119.

moderate voices and do so on their terms. In *Behind the Arches*, John F. Love cited corporate changes in licensing agreements when more minority franchisees joined the company. Policy changes granted selected franchisees an exception to the 50 percent limit on borrowed capital or the ability to purchase equipment with a 20% down payment.[445] Despite the number of successes, nearly one-third of the first fifty Black McDonald's franchisees found themselves terminated for not meeting company standards.[446] McDonald's executive Roland L. Jones attributed it in part to "corporate benign neglect." More importantly, Jones found that "the first wave of black owners, who put their capital into the purchase and often had little or nothing left to invest in essential improvements and to take full advantage of their store' earnings potential."[447] The need for ongoing working capital became a barrier. Ever determined, some franchisees went on to find success with McDonald's and became multi-unit operators.

Between 1968 and 1970, the number of Black McDonald's franchises went from zero to twenty-one, a noteworthy achievement. McDonald's did contribute to the community by building recreation centers and swimming pools in Cleveland as one way to appease the local activist groups. Corporate America had money to invest, but then again, it served its public relations needs first. In Milwaukee, in 1971, picketing increased and a boycott planned for existing McDonald's restaurants to protest the building of a new location. According to one protest leader, a new McDonald's "threatens a number of Black-Owned, Black operated businesses, in addition, and more significantly, the

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445. John F. Love. *McDonald's: Behind the Arches.* (New York: Bantam Books, 1986), 372.
446. John F. Love. *McDonald's: Behind the Arches.* (New York: Bantam Books, 1986), 373.
447. Roland L. Jones. *Standing Up, Standing Out: How I teamed with a few Black men, changed the face of McDonald's and shook up Corporate America*. (Nashville, TN: World Solutions, Inc., 2006), 161.

McDonald's corporation has made no effort to provide opportunities for Black people to own the franchise which is located in the Black community."[448] This ambiguity about franchisors spoke to the underlying risk inherent in business format franchising.

A feature article in *Black Enterprise* magazine entitled "Minority Franchising: Boom or Bust" wasted no time calling out franchising as the "latest version of American business roulette."[449] The article recounted some franchising success stories, albeit with a cautionary tone, and told one business failure story.[450] *Black Enterprise* magazine started in August 1970 with a mission statement claiming, "the health-indeed the survival- of this nation will depend upon the extent to which ethnic minorities will participate in and profit from its economic system."[451] Aimed at an educated reader and echoing mainstream literature and advice, it never voiced the anger of *The Black Panther* nor *Ebony's* underlying acquiescence. The editors of *Black Enterprise* were proponents of franchising and cited the 1969 Commerce Departments 25 x 25 x2 program, noting the 25 companies that pledged to make 25 franchises available in two years.[452] The magazine reported on the progress of the SBA. In fiscal 1969, 4279, loans worth $107.2 million were issued, and almost anyone could qualify for a $25,000 Economic Opportunity Loan.[453] It sounded too good to be true. As the President of the Harlem Chamber of

448. "Picketing McDonald's to be Stepped Up". *Soul City Times*, July 1, 1971. Vol. III, Issue 44. p. 1
449. "Minority Franchising; Boom or Bust" *Black Enterprise*, August, 1970., 50-55.
450. Jim Rucker, a 50 heard old former social worker, failed in his 1967 attempt to open a movie theater in Los Angeles. He was plagued by teenage vandalism and filed Chapter 13 depute efforts with a community group. The byline reads, "Jim Rucker had the know-how and the cash, but the vagaries of ghetto life proved a more impeccable foe than the uncertainties of the business world." "Failure" *Black Enterprise,* August, 1970, 30 - 31.
451. "Why Black Enterprise?" *Black Enterprise*, August, 1970, 4.
452. These included Dunkin' Donuts, IHOP, Orange Julius, Arby's, Roy Rogers, Burger King, Burger Chef, Lums, Chicken Delight, and other quick service outlets.
453. "Three Letters That May Put You in Business" *Black Enterprise*, August, 1970, 44-45.

Commerce noted, "you need $10-15,000 for expenses you don't usually anticipate. The SBA loan must be repaid in five or six years, so if you're put in the position of having to go to the bank for more money, you also have that short term debt having over your head."[454] Facing these fiscal constraints, a 1971 business school study conducted for the Small Business Administration grimly concluded that the "bright promise of Black capitalism has tarnished."[455]

According to survey data, 16% of America's minority population owned 1.5% of all fast-food franchises. These low figures correlated with another study done by the SBA, which found that Blacks owned 3.7% of all franchised businesses nationwide. Even in majority-Black cities, the figure peaked at an estimated 12%.[456] While not surprising, the problem showed how the lack of access to capital denied a fair and level playing field. The national ownership statistics mirrored the lack of integration within fast food corporations. For example, the first Black franchisees and employees reported seeing no people of color at the McDonald's headquarters in Oak Brook, Illinois[457] The National Black McDonald's Operators Association (NBMOA) started in 1972 to be a unified voice for change. They recruited and trained new franchisees and taught them to navigate

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454. "Three Letters That May Put You in Business" *Black Enterprise*, August, 1970 pp. 44-45
455. "The Economic Effects of Franchising" Select Committee on Small Business in the United States Senate. Report prepared by the Small Business Administration by Urban B. Ozone and Shelby D. Hunt, Graduate School of Business, University of Wisconsin. September 8, 1971. 92nd Congress, 1rst Session, Committee Print. p. 177.
456. The specific groups listed were American Indian, Mexican American, Negro, Puerto Rican and the minority. Of the 1587 listed, 836 were Black followed by Mexican American at 416. It is possible that the "Others" may have been Asian or Pacific Islander. "The Economic Effects of Franchising" Select Committee on Small Business in the United States Senate. Report prepared by the Small Business Administration by Urban B. Ozone and Shelby D. Hunt, Graduate School of Business, University of Wisconsin. September 8, 1971. 92nd Congress, 1rst Session, Committee Print.,193. Other figures are also cited, however, the percentage of ownership figures were very low.
457. See Marcia Chatelain, *Franchise: the Golden Arches in Black America,* (New York: Liveright Publishing, 2020), 69-71.

within the McDonald's corporate structure. Blacks in the corporate world could also look to other individuals who believed that franchising could lead to opportunity.

Abraham Venable led the Office of Minority Business Enterprise in the Department of Commerce and believed in franchising to remedy limited opportunity. His 1972 book, *Building Black Business,* devoted an entire chapter to franchising. He called for lowered entry costs and a program modeled after Headstart to prepare potential franchisees.[458] He proposed National Franchise Opportunity Centers to work with the Small Business Administration, Minority Enterprise Small Business Investment Companies (MESBICs), and other cooperative business ventures.

Theodore Cross, a white Harvard Law graduate, author, and civil rights activist, wrote *Black Capitalism, Strategy for Business in the Ghetto*. Published in 1974, Cross attacked the "roots of enterprise capitalism."[459] He noted that the inner-city uprisings had financially and physically decimated the Black urban core. He argued that tax credits for franchisors and lenders are the only incentives that would spark minority entrepreneurship. *Black Enterprise* pointed out that Cross's plan depended on white initiative, and as a result, resistance and pushback would be inevitable and "historically justified."[460] Cross claimed that "poverty, especially ghetto poverty, changes all of the classical economics rules."[461] He saw the traditional loan application methods or creating

458. Venable had a masters in Economics from Howard and assigned the profits from the book to fund a scholarship program. Abraham S. Venable. *Building Black Business: An Analysis and Plan.* (New York, N.Y.: Earl G Graves Publishing, 1972), 1.
459. See Theodore L. Cross. *Black Capitalism: Strategy for business in the Ghetto.* (New York, N.Y.: Athenaeum. 1974), xix.
460. "Black Capitalism" review in *Black Enterprise*, August, 1970., 12.
461. Black Capitalism" review in *Black Enterprise*, August, 1970., 203.

a complicated business as additional hurdles to be overcome. Venable and Cross looked at the barriers to Black business from their unique vantage points and advocated systemic top-down reform. Before they could work with the disenfranchised, corporate America's fast-food boardrooms had issues to resolve.

By the early 1970s, Blacks and other minorities were buying into a troubled franchise system as increased competition and overdevelopment drove the market towards saturation. The number of franchise firms doubled between 1965 and 1970, with hamburger firms representing 20% and chicken 10%.[462] A study found that nearly 80% of the growth in company-owned stores came from former franchises.[463] Additionally, corporate buyouts and mergers precipitated significant changes in the franchise landscape typified by Pillsbury's $18 million acquisition of Burger King. In 1969, nearly 35,000 individual franchises went to a new corporate owner.[464] Former franchisees had the experience, funding and aggressively searched for new opportunities. All potential franchisees had less chance to obtain a franchise anytime companies could be more selective and choose from a larger applicant pool. African Americans found themselves

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462. Updated facilities were often in the form of new equipment to produce new menu items or adopt new technology. See Table 3-1 "Distribution of Franchise Systems by Major Product Emphasized" in "The Structure of the Fast Food Industry" Ch. 5 in "The Economic Effects of Franchising" Select Committee on Small Business in the United States Senate. Report prepared by the Small Business Administration by Urban B. Ozone and Shelby D. Hunt, Graduate School of Business, University of Wisconsin. September 8, 1971. 92nd Congress, 1rst Session, Committee Print., 73.
463. "The Structure of the Fast Food Industry", Ch. 5 in "The Economic Effects of Franchising" Select Committee on Small Business in the United States Senate. Report prepared by the Small Business Administration by Urban B. Ozone and Shelby D. Hunt, Graduate School of Business, University of Wisconsin. September 8, 1971. 92nd Congress, 1rst Session, Committee Print, 82.
464. There were 37 corporate buyouts in 1969 alone. See SEC Filing Burger King Holdings, Inc. March 28, 2006. "Prospectus Summary",,2. https://www.sec.gov/Archives/edgar/data/1352801/000095010306000588/dp02296_s1a.htm Retrieved January 4, 2020. Data from "The Economic Effects of Franchising" Select Committee on Small Business in the United States Senate. Report prepared by the Small Business Administration by Urban B. Ozone and Shelby D. Hunt, Graduate School of Business, University of Wisconsin. September 8, 1971. 92nd Congress, 1rst Session, Committee Print, 90-91

disproportionately affected by this competitive environment and then further limited by geography and fiscal constraints. As consumer demand grew and new concepts entered the marketplace, it became ever more daunting to choose a franchise.[465] Wendy's started in 1969 and had 1,000 outlets one year later. Not all chains followed that explosive growth pattern.

Franchisors may have failed faster than other small businesses. Even though contemporary figures varied, conservative estimates calculated the closure rate at 20%.[466] Often in the inner cities, many locations turned over due to slim margins or lack of upgraded facilities.[467] It became common knowledge that these units only get offered to Black and Latino people. Franchisors had targeted the urban market to take advantage of closed luncheonettes and cafeterias. In 1968, McDonald's had 43 metropolitan market locations in five cities, and by 1973 they had 137 city stores.[468] Hartford, Connecticut, went from having no McDonald's in 1968 to having three locations by 1972.[469] By the 1970s, these city outlets served an almost exclusively Black clientele. Some African Americans wondered if the new ethnic pride might become a unique selling proposition. Some also wondered if black pride and black power could be a selling point?

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465. Wendy's, Popeyes', Bojangles, Subway had others started or grew quickly during this time.
466. See Franchised Unit Failures in "The Structure of the Fast Food Industry" Ch. 5 in "The Economic Effects of Franchising" Select Committee on Small Business in the United States Senate. Report prepared by the Small Business Administration by Urban B. Ozone and Shelby D. Hunt, Graduate School of Business, University of Wisconsin. September 8, 1971. 92nd Congress, 1rst Session, Committee Print. 92-95.
467. See Franchised Unit Failures in "The Structure of the Fast Food Industry" Ch. 5 in "The Economic Effects of Franchising" Select Committee on Small Business in the United States Senate. Report prepared by the Small Business Administration by Urban B. Ozone and Shelby D. Hunt, Graduate School of Business, University of Wisconsin. September 8, 1971. 92nd Congress, 1rst Session, Committee Print, 92-95.
468. The 5 cities were New York, Chicago, Los Angeles, Houston, and Philadelphia. Robert L. Emerson. F*ast Food: The Endless Shakeout.* (New York: Lebhar-Friedman Books, 1979), 244.
469. Alfred L. Simon. " McDonald's Black Book" Bernstein Research Report, McDonald's Corporation, 1973, 38.

Say It Loud, I'm Black and I'm Proud

Even if one did not join a national franchise, fast food still offered the promise of wealth. In pursuit of that dream, some African American celebrities traded on their name recognition and started quick-service restaurants. Like all potential franchisors, these household names met with mixed results. NFL star Brady Keys partnered with the nation's largest corporations to become a wealthy and powerful multi-unit operator. Others, like Muhammed Ali, suffered losses as a result of mismanagement. Blacks "found themselves in an uneasy position as simultaneous models of racial progress and victims of racial discrimination."[470] While each celebrity took a slightly different approach to run their franchises, many of them traded on the belief in their authenticity as black owners to garner customers who were attracted to the idea of "soul." Indeed, the marketing of this term was widespread and understood to be shorthand for Black-owned.[471]

In *Business in Black and White*, Robert Weems discusses this phenomenon in analyzing the merger of Black sports figures and business ventures. The Department of Commerce promoted the 20 x 10 x 2 initiative, where twenty national franchisors would each sign ten black franchisees during the next two years, starting in 1967.[472] Abraham Venable worked with Buddy Young, African American director of NFL player relations,

470. Marcia Chatelain, "The Miracle of the Golden Arches: Race and Fast Food in Los Angeles" *Pacific Historical Review* Vol. 85, No. 3, 327.
471. After the assassination of Dr. Martin Luther king, Jr. and during the urban riots of the late 1960's, many stores wrote Soul Brother on store windows as one way to stop looting. One image appears in Marcia Chatelain, *Franchise: the Golden Arches in Black America,* (New York: Liveright Publishing, 2020), 59.
472. It appears that this may have been a precursor to the 25 x 25 x 2 program in 1969. See Eugene Boyd, "Minority Business Development Agency: An Overview of Its History and Current Issues" Congressional Research Service, Washington, D.C., 2017. 7-5700, R45015. 9

to make his case for these athletes' special status within the Black community. They hoped to create “a new dimension in Negro leadership.”[473] NFL players visited the Office of Minority Enterprise for a photo opportunity, although it is unclear how many specific enterprises launched.[474]

NFL defensive back Brady Keys did bring the dream to fruition with his All-Pro Fried Chicken, founded in 1967. All-Pro Chicken’s mission statement wanted to give “Black Americans the opportunity to be in business by themselves without being ‘by themselves.’”[475] Keys had been turned down for credit by several banks when Pittsburgh Steelers owner Art Rooney loaned him start-up funds and then never accepted repayment. In 1969, his company received a $250,000 grant from the Ford Foundation, a $400,000 grant from Mellon Foundation, and a $2.2 million finance loan from insurance companies.[476] In the 1969 edition of “Franchise Company Data for Equal Opportunity in Business,” All-Pro Chicken promised to locate in “any urban or suburban locale, regardless of racial or ethnic considerations.”[477] Keys credited his growth to his Urban Talent Development training center, where he trained and supported his employees.

By 1970, with over fifty outlets, Keys partnered with Kentucky Fried Chicken in a joint venture and opened 70 urban KFC locations.[478] By 1972, All-Pro Chicken appears

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473. Robert E. Weems, Jr.. and Lewis A. Randolph. B*usiness in Black and White: American Presidents and Black Entrepreneurs in the Twentieth Century.* (New York: New York University Press, 2009), 83.
474. Robert E. Weems, Jr.. and Lewis A. Randolph. B*usiness in Black and White: American Presidents and Black Entrepreneurs in the Twentieth Century.* (New York: New York University Press, 2009), 85.
475. Franchise Company Data for Equal Opportunity in Business”. July, 1969. P. 73 Department of Commerce, Business and Defense Services Administration, Science, Technology and Business Division, Library of Congress.
476. Keys Group History from website. Retrieved July 20, 2020 at: http://www.keysgroup.com/milestones.html
477. Franchise Company Data for Equal Opportunity in Business”. July, 1969. P. 73 Department of Commerce, Business and Defense Services Administration, Science, Technology and Business Division, Library of Congress.
478. Keys Group Milestones from website. Retrieved July 20, 2020 at: http://www.keysgroup.com/mileston70es.html

as number thirty on the list of top 100 Black-owned enterprises. In 1973, All-Pro Enterprises, Inc. opened the first Burger King franchise in Harlem, where Keys said he proudly hired from within the neighborhood.[479] In 1974, Keys told *Black Enterprise* that his company had morphed into a mini-conglomerate owning and managing his own KFC/All-Pro Chicken mergers, Burger Kings, and A&W restaurants. He stood out as the largest minority franchise holder for both Burger King and KFC.[480] He credited some of his success to the fact he joined the board of the International Franchise Association and served on the Council on Minority Business Enterprise in the Nixon Administration. Name recognition was important as other athletes also traded on their celebrity sports status.[481]

Sea Host fish and seafood outlets hired pioneering baseball player Jackie Robinson to sell franchises starting in 1968.[482] Robinson would earn $10,000 per year and a bonus of $500 for each franchisee he recruited.[483] The baseball star found himself in a tenuous position when he agreed to recruit in heavily Black areas. According to one biography, he soon realized that financing limited his target audience. To address the imbalance, he founded Jackie Robinson Associates, which used Ford Foundation money

479. The store had 55 hourly workers and 4 managers. "Burger King Names A Queen Manager of Sales Promotion" *New York Amsterdam News,* August 18, 1973, A7.
480. n.a. "I Recommend Blacks Go Into Business via the Franchise Route" Interview with Brady Keys, Jr., President and Chairman, All-Pro Enterprises, Inc. *Black Enterprise,* May, 1974 p. 27
481. The Brady Keys Group is a successful business. July 20 2020 See: http://www.keysgroup.com/index.html July 20, 2020
482. Willie Mays was said to be opening an outlet in Birmingham, Alabama. The menu was said to include fried chicken, hamburgers, fish. More research is needed to verify and recover these outlets. "Willie Mays Announces Franchise-Food Chain" The New York Times, April 5, 1969. P. 44
483. The entry fee was $16,000 with possible earnings of $10,000 to $18,000. Little information is available about what caused the demise of the chain. See Chapter 16 "Rounding Third:1968 to 1971" in Arnold Rampersaad, *Jackie Robinson: A Biography.* (New York: Random House, 1997) pp. 410-12, passim.

to make loans to local business people.[484] Testifying at Congressional hearing, he said, "perhaps our patience has been mistaken for acquiescence. Don't be misled-our patience is exhausted. Our patience has run out.[485]" While Robinson claimed to have put five Blacks in business, the chain went bankrupt in 1970.[486] This same fate befell another sports legend.

In 1968, the *Chicago Daily Defender* announced that boxer Muhammad Ali debuted his Champburger outlet in Miami, Florida. The plan called for local community members to staff his franchises located in Black neighborhoods. When Cassius Clay converted to Islam and became Muhammad Ali, he insisted that he would not sell pork or shellfish products at his restaurants following Islamic law. The menu consisted of the standard fare of burgers, hot dogs, fish, chicken, and his licensed soda brand, Mr. Champ. Before opening any eateries, Ali filed with the SEC to let 200,000 shares of common stock to raise the $1,000,000 he needed for his boxing-themed restaurants.[487] According to the *Defender*, "Ali has made several financial investments in the past, the opening of this restaurant marks a first attempt on Ali's part to actually participate in a business."[488]

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484. He stated that he wanted blacks and Puerto Ricans to own the outlets. J. Christopher Schutz. *Jackie Robinson: An Integrated Life.* (Lanham, MD: Rowman and Littlefield,2016).p. 149
485. "Testimony of Jackie Robinson, Vice President, Sea Host, Inc" December 10, 1969Federal Minority Enterprise Program. Hearings before the Subcommittee on Small Business of the Committee on Banking and Currency" 91rst Congress, First Session. U.S. Government Printing Office, Washington, D.C. 1970. p. p. 146""
486. Robinson told a Congressional Committee that there are five Back stores, including one with net profits of $3500 per month. "Testimony of Jackie Robinson, Vice President, Sea Host, Inc" December 10, 1969Federal Minority Enterprise Program. Hearings before the Subcommittee on Small Business of the Committee on Banking and Currency" 91rst Congress, First Session. U.S. Government Printing Office, Washington, D.C. 1970, 150.
Schulz claims the chain was bankrupt. Christopher Schulz. *Jackie Robinson, An Integrated Life.* (Lanham, MD: Rowan and Littlefield, 2016), 149.
487. The signs, décor and menu items will be a boxing theme and name and image of Muhammad Ali. Securities and Exchange Commission News Digest, *SEC Digest*, November 20, 1968. P. 3 The Securities and Exchange Commission, Washington, D.C. The *SEC News Digest* Archives, https://www.sec.gov/news/digest.shtml 07/16/2016.
488. n.a. "Muhammad Ali's Champburgers" , Chicago Daily Defender, December 31, 1968, 1.

Ali seemed to have all of the needed factors in place but could not sustain his business. Prescient New York Times reporter, Robert Lipstye, wrote, "Champburger should leave some clues for the historians. The idea is born to three white Miamians – a stockbroker, an accountant and a lawyer. They were undoubtedly aware that quick-service restaurant chains either do well soon or become highway tombstones." [489] Ali's attempt failed.

The so-called "Godfather of Soul," entertainer James Brown, knew all too well what it meant to be poor and wanted to use capitalism to fight back against racism. In 1969, Brown found himself looking to economic justice as one remedy for Black America's social ills. He raised money to created quick service soul food restaurants known as Gold Platters. The company opened the first stores in Macon, Georgia. A *Chicago Daily Defender* article included a prototype drawing showing a long mansard roof with window mullions and gold aluminum trimmed windows. [490] The menu featured fried chicken, fried fish, collards, black-eyed peas, yams, biscuits, and hushpuppies. The Gold Platter advertised soul food on a large outdoor sign.[491] Arguably, it was Southern country cooking.

Brown set himself up to mirror the thriving fast food models while bringing opportunities to the Black community. The entertainer told Black newspaper, *The New*

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489. Robert Lipsyte. "Sports of the Times: Foodstuffs" *The New York Times*, November 21, 1968, 57.
490. n.a. "'Soul King' in Restaurant Venture". *Chicago Daily Defender*, Feb 24, 1969, 5.
491. The term soul food has a long and complicated history and is inextricably linked to the African American experience. It evolved from the term "down home cookin" meaning traditional Southern foods. For a more nuanced discussion, see Adrian Miller, *Soul Food: The Surprising Story of an American Cuisine, One Plate at a Time*. (Chapel Hill: The University of North Carolina Press, 2013),38-48. Sign photo at "Top Five Facts About James Brown Gold Platter Restaurant" https://www.gatewaymacon.org/restaurants-and-bars-macon-ga/top-5-goldenplatterpantry.cms July 20,2020.

York Amsterdam News, he hoped to provide "investment and job opportunities for minority races and at the same time offer services and products of the highest quality, and so appealing to all races, that a James Brown's Gold Platter Operation can be successful in any location, whether ghetto or suburbia."[492] Hoping to do business in the very toughest neighborhoods put him ahead of many corporations. For example, several years passed after Brown's announcement before the first McDonald's store arrived in Bedford Stuyvesant.[493] Brown hoped for "interchanges and interfusion of black and white capital attracted by the profit incentive which is so vital to the business sector of the American economy."[494] To do so, he needed to raise funds.

Gold Platters, Inc. intended to sell franchises for $25,000, close to or on par with other offerings of the time. His SEC filing offered 200,000 shares at $6.00 per share, with over $500,000 targeted to outfit his restaurants and meet his franchise and corporate goals. Brown owned 11.8% of the stock, and Macon auto dealer E. Raymond Smith owned 24.6%. [495] Although Brown had other White partners, one of whom headed a large insurance company, he claimed to be a fan of "Black power but not of Black separatism."[496] He told the *Los Angeles Times* in 1969 that his ideas correlated to" the Black capitalism that Mr. Nixon is stressing" and that he wanted "government self-help

492. n.a. "James Brown Announces 'Gold Platter' Chain of Restaurants". *New York Amsterdam News*, Jan. 18, 1969, 48.
493. n.a. First McDonald [sic] Store in Bed-Stuy going up." *New York Amsterdam News*, October 16, 1971. D1
494. n.a. "James Brown Announces 'Gold Platter' Chain of Restaurants". *New York Amsterdam News*, Jan. 18, 1969, 48.
495. 69.8 % of the outstanding shares were owned by management officials, reported to be other white businessmen. *SEC News Digest*, April 28, 1969, 5.
496. Geoff Brown. *The Life of James Brown.* Online edition. https://books.google.com/books?id=G6jRsChXQ90C&pg=PT198&dq=herbert+l+parks+macon+georgia&hl=en&sa=X&ved=0ahUKEwj6n5-LnfbNAhUEGx4KHZV8BKMQ6AEIHjAA#v=onepage&q=herbert%20l%20parks%20macon%20georgia&f=false Retrieved 7/15/2016.

financing for people who want to go into business."[497] Brown and Nixon posed together in a photo for a Department of Commerce minority business report.[498] Brown's vision of capitalism set out to appeal to both White and Black investors and customers. Financing remained the foremost concern for all potential franchisees. Brown and his partners had plenty of working capital and built two stores, which lost money. In July 1970, before opening any franchised locations, they briefly operated convenience stores before going out of business.

While many new businesses fail, Brown had other successful non-food ventures, and his mission statement seemed genuine and powerful. So too, he had establishment business people supporting him.[499] His food offerings should have appealed to a wide variety of customers. However, his idea of White and Black capitalism showed every sign of being too politically charged. On the one hand, Brown received accolades from the Mayor for calming a concert crowd at the Boston Garden the night after the assassination of Dr. Martin Luther King, Jr.

On the other hand, members of the Black Power movement adopted Brown's 1968 hit, "Say it Loud I'm Back and I'm Proud" as their unofficial anthem.[500] His social activism might explain why he could not attract white franchisees. It is unclear why he

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497. Wayne Warga, "James Brown: Singer has Food for Thought" T*he Los Angeles Times*, Jan 10, 1969.p. G16
498. Brown, Nixon and an unidentified official are shown in "Progress of The Minority Business Enterprise Program" U.S. Department of Commerce, Washington, D.C. October, 1972, 2.
499. According to a 1968 news story interview he grossed about $4,000,000 per year and owned two and later three of the five Black owned radio stations in the country, his own Learjet and property in several places. Brown was a relentless performer, doing a series of one night gigs.
500. One verse says: I've worked on jobs with my feet and my hands. But all the work I did was for the other man. And now we demands a chance to do things for ourselves. We tired of beatin' our head against the wall." James Brown "Say it Loud, I'm Black and I'm Proud" King Record, ,released in March, 1969. Hear also Donny Hathaway's "The Ghetto", "celebrated the ghetto as a site of community and cultural resistance. Quoted in Mark Anthony Neal. *What the Music Said: Black Popular Music and Black Popular Culture. (*New York, N.Y.: Rutledge, 1999), 81

was not able to or did not attract or directly fund Black franchisees. Like Ali, Brown chose to be at the forefront of the social justice movement, which may have impacted his business.

In 1970, former basketball player and UCLA economics major Willie Naulls operated a Kentucky Fried Chicken franchise that grew to be one of the chain's highest grossing. He sank his life savings and invested $75,000 in the purchase, having bought the land, an unusual move at the time.[501] To get there, he told *Ebony*, "I worked in the business every day for six months."[502] Naulls ran the Compton, California location but lost an option for other area locations.[503] Having been redlined, he complained, "promises aren't worth anything unless you sign on the dotted line." Naulls owned barbecue restaurants called Soulville, which he had sold earlier.[504] He wanted to "show minority businessmen how to get loans through the Small Business Administration or other sources."[505] The KFC outlet earned him enough money to open non-food businesses worth almost $1,000,000 by 1975.[506] *The New York Times* later reported that he abruptly left the business to found a ministry and charitable foundation.[507]

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501. n.a. "The Black athlete's Golden Age of Sports: The Athlete Sports Stars discuss profits, outfalls" *Ebony*, December, 1970, 110
502. n.a. "The Black athlete's Golden Age of Sports: The Athlete Sports Stars discuss profits, outfalls" *Ebony*, December, 1970, 110.
503. C. B. Downey. "Willie Naulls: Crosstown Fast Break' *Black Enterprise,* November, 1975. P. 58 Online edition at https://books.google.com/books?id=4mMcRBKUs-gC&pg=PA58&lpg=PA58&dq=willie+naulls+kfc&source=bl&ots=t-a6Is0rti&sig=RDxx49Fyjtll4pnFc5XtzYTIBpE&hl=en&sa=X&ved=0ahUKEwjZxoD90PvNAhWHFx4KHcG9BwsQ6AEITDAJ#v=onepage&q=willie%20naulls%20kfc&f=false Retrieved July 16, 2020.
504. The *Ebony* article also mentions these calling them "short order restaurants." More research is needed to gather the details. C. B. Downey. "Willie Naulls: Crosstown Fast Break' *Black Enterprise,* November, 1975. P. 60
505. C. B. Downey. "Willie Naulls: Crosstown Fast Break' *Black Enterprise,* November, 1975, 68.
506. Naulls owned a shopping center and a 25% stake in a nightclub with James Brown. He and Kareem Abdul-Jabbar also owned a department store in Watts. C. B. Downey. "Willie Naulls: Crosstown Fast Break' *Black Enterprise,* November, 1975, 68.
507. Naulls was on the 405 Freeway when he believes that God spokes to him telling him to leave business. He enrolls in a seminary, receives a Masters degree and works with inner city Los Angeles youth. Ira Berkow.

Ebony reminded its middle-class readers that many celebrities turned entrepreneurs had failed. It warned readers against "swift-talking, fast-buck promoters who seek to exploit the athlete's popularity and good name."[508] Ed Dwight, the first Black astronaut trainee, chose barbecue over chicken and founded Rib Cage International in 1970. In an invitation to a press conference, Dwight said, "it is time for the black man to step into the American economy while capitalizing on parts of his cultural background."[509] After struggling to start up, he borrowed $200,000 from the SBA. Dwight levied a class-based criticism against his potential franchisees, albeit couched in down-home language. He complained that when dealing with potential franchisees, they say, "Hey, baby, look here, you got to get me out of this franchise fee. Then he calls you dirty names if you don't do it."[510] At the height of his career, Dwight owned five Rib Cages in the Denver area worth nearly $2,000,000.[511]

On a similar trajectory, the Afri-Kingdom chicken chain grossed $1,000,000 in sales in 1971, with a net profit of $56,000. Roger Brown, another former NFL player, used his physical status and large appetite to link his careers as an athlete and

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"Sports of the Times;Willie Naulls Saw, Heard, Responded". *The New York Times,* December 26, 1997. Online edition http://www.nytimes.com/1997/12/26/sports/sports-of-the-times-willie-naulls-saw-heard-responded.html Retrieved July 16, 2016.

508. n.a. "The Black athlete's Golden Age of Sports: The Athlete Sports Stars discuss profits,pitfalls" *Ebony*, December, 1970,108.

509. In this Black newspaper editorial, the author notes that most franchises are White owned and want to break not the inner city. He lists several celebrity offerings, including Ali, Brown and Mahalia Jackson. He identified the, "the high risk involved in both day, and especially night operations." William Walker. "Down the Big Road: Is there a Pot of Gold . The End of the Franchise Rainbow?" *Cleveland Call and Post*, May 17, 1969, 4B.

510. "Minority Franchising Boom or Bust? Is It A Good Way to Help The Black Man Get Started?" *Black Enterprise*, August, 1970, 51.

511. It is not clear what happened to Rib Cage. Ed Dwight goes on to censorable success as a sculptor of large scale Black History monuments. John Wenzel. "A Denver Sculptor was the first black man trained as an astronaut ahead of Apollo 11, but he never made it to space: https://www.denverpost.com/2019/07/05/ed-dwight-jr-first-black-man-trained-astronaut-apollo-11/ July 20,2020. See also "About Ed Dwight" https://www.eddwight.com/about July 20,2020.

restauranteur.[512] Even after being turned down for loans, he persisted and eventually opened four franchises in the "South and West side ghettoes" of Chicago[513]. His business philosophy emphasized opportunities for all minorities with locally paid wages helping the community. He credited the kitchen staff saying anytime someone ate a great meal, "somewhere back in the kitchen, a member of some minority made some aspect of that meal."[514] The Afri-Kingdom Mighty Menu featured two or three-piece chicken or gizzard dinners with fries and coleslaw for a little more than one dollar. The restaurants also offered hamburgers, cheeseburgers, fish sandwiches, and a nod to its roots with fried pie and hot sauce. Brown took the soul concept one step further and hired A. Bernie Wood to design the logos, postcards, menus, and related items. His take-out bags used a stylized logo with a serif font and African inspired stripes. Brown encouraged people to try his meals by calling out, "Hey, brother" from a brown and purple tri-fold advertising flyer. His trademark combined a red and black logo and thick stick figure while the bottom featured stick figures joined hands to symbolize unity. [515]

Quickservice Operations magazine highlighted Afri-Kingdom on the cover of the November/December 1971 issue in a sign of changing times. At the time of the article,

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512. This seems out of line with our current norms. "Afri-Kingdom Chicken", 1970-1972. A. Bernie Wood Collection, NMAH, Smithsonian Institution, Coll. 962, Box 2, Folder 6.
513. Brown played for the Detroit Lions and Los Angeles Rams, he retired from football in 1969. Undated clipping, with byline of James Mateja – who has been with *The Chicago Tribune* since 1967, starting as a business writer. See his bio, retrieved April 12, 2012 at: http://www.chicagotribune.com/classified/automotive/chi-jimmateja,0,3632586,bio.columnist Newspaper clipping from "Afri-Kingdom Chicken", 1970-1972. A. Bernie Wood Collection, NMAH, Smithsonian Institution, Coll. 962, Box 2, Folder 6.
514. Undated clipping, with byline of James Mateja – who has been with *The Chicago Tribune* since 1967, starting as a business writer. Newspaper clipping from "Afri-Kingdom Chicken", 1970-1972. A. Bernie Wood Collection, NMAH, Smithsonian Institution, Coll. 962, Box 2, Folder 6.
515. "Afri-Kingdom Chicken", 1970-1972. A. Bernie Wood Collection, NMAH, Smithsonian Institution, Coll. 962, Box 2, Folder 6.

Afri-Kingdom ordered 7,000 pounds of chicken per week. Each chicken was marinated, cut into eight pieces, pre-breaded, and portioned. After being held in the refrigerator for one or two days, the pieces get fried to order.[516] Six people staffed a unit handling several hundred dollars worth of sales per hour.[517] Brown eventually closed Afri-Kingdom and went on to own a franchise and gain national level management positions with McDonald's. Brown acted as a true owner-operator during his Afri-Kingdom days. He finally left the corporate world to open a restaurant and sports bar that still operates in coastal Virginia.[518] Others also knew back of house and kitchen practices.

Kansas Fried Chicken, the brainchild of Horace Bullard, had a winning chicken recipe that went from family favorite to single storefront to at least ten outlets.[519] He started his chain after reportedly being turned down for a Kentucky Fried Chicken franchise.[520] Like Herman Petty, he had to work a day job and run his first rented store in the Bronx at night. Like Bill Rosenberg, Kansas Fried Chicken created a central commissary to gain efficiencies. Bullard eventually employed 110 Black and Puerto Rican people, evidence of a high-volume operation. Recognizing the growing prepared food market, he also wanted to freeze his chicken for sale in supermarkets.[521] Bullard had a dream to turn honest Black men into "black spectaculars" and create Black

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516. I suspect that this ensured the breading was attached to the chicken and ready to fry. This may have helped manage inventory and demand sales.
517. "Afri-Kingdom A Pre Blanching System for Chicken", *Quickservice Operations Management*, Nov/Dec, 1971. A. Bernie Wood, NMAH, Box 2, Folder 6.
518. Roger Brown's Sports Bar. See http://www.rogerbrowns.com/home Retrieved February 19, 2020.
519. The *New York Amsterdam News* said 10 in 1972 while T*he New York Times* interviewed his spouse, who claimed 18. C. J. Hughes. "As Coney Island Stirs, One Man's Vision is Unbuilt" *The New York Times,* June 18, 2013.
520. C. J. Hughes. "As Coney Island Stirs, One Man's Vision is Unbuilt" *The New York Times,* June 18, 2013.
521. Opportunity Knocks Says a Fried Chicken Success" *New York Amsterdam News,* Sep 9, 1972, A2.

millionaires.[522] It is not clear how or when Bullard left the business to become a developer at Coney Island. He acted as an owner-operator, franchisor, and Kansas Fried Chicken must have been very profitable.[523]

Some entrepreneurs followed a single concept to profit, while others became multi-unit operators with the national chains. Some had direct experience in the kitchen, while others depended on experts. While not all found success, they all shared an optimistic vision, believing that their business could revitalize local communities devastated by the unrest of the late 1960s. It is impossible to speculate as to what caused the demise of potentially successful restaurants. It remains unclear why some celebrities thought they could be successful in the food business. Many profitable white founders had a vision, specific recipe, proprietary machinery, or prior food business experience.[524] Pricing appeared to be consistent across the board. Notably absent is the voice of the eater. It is unlikely that the quality of the food affected sales.

However, we know that many potential Black entrepreneurs struggled to obtain start-up funds or generate enough cash flow to repay loans, buy new equipment, or meet payroll. African-American franchisees had to disproportionately call on family or friends to help in the business. Inner-city locations faced challenges not experienced in suburban outlets, like gangs, crime, and higher security costs. Given the hardships, it is not surprising that one commissioned study found their market for cities with over 1,000,000

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522. "Opportunity Knocks Says a Fried Chicken Success" *New York Amsterdam News,* Sep 9, 1972, A2.
523. He developed a passion for Coney Island and spent millions trying to revive it. See: C. J. Hughes. "as Coney Island Stirs, One Man's Vision is Unbuilt" *The New York Times,* June 18, 2013.
524. Zachary Schrag. E-Mail to author 2/20/2020

people seemed “largely underdeveloped.”[525]

Again and again, the issue returns to a system that denied people equal opportunities. One 1971 study suggested the most favorable annual rate for minority ownership of new franchises nationally to be no more than 200 to 250 units.[526] The Commissioner of the FTC spoke about the scope and problems of minority food franchising. “First, it assumes that franchising is so inherently appealing that simply by extending it to oppressed minorities, the injustices and neglect of decades will evaporate. Frankly, I am a little troubled that the white establishment should belatedly propose franchises as a solution to black problems when the prime locations may already have been allocated. Second, my personal view is that are no easy answers to the problems of race, hardcore poverty or unemployment.”[527] It may have been that despite all of the willingness and outreach, the structural barriers became impossible to overcome. Blacks found themselves waiting in line to be served at the back door of prosperity.

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525. Alfred L. Simon. “ McDonald’s Black Book” Bernstein Research Report, McDonald’s Corporation, 1973., p. 10
526. Urban B. Ozanne and Shelby Hunt. “The Economic Effects of Franchising “ Select Committee on Small Business, United State Senate. Report prepared for the Small Business Administration”. 92nd Congress, 1rst Session. Committee Print. (September 8, 1971), 194.
527. FTC Commissioner James M. Nicholson in Urban B. Ozanne and Shelby Hunt. “The Economic Effects of Franchising “ Select Committee on Small Business, United State Senate. Report prepared for the Small Business Administration”. 92nd Congress, 1rst Session. Committee Print. (September 8, 1971), 196.

CHAPTER SEVEN: THE SHAKEOUT

"Eating out is not always a fully satisfying experience, yet there is a unique quality associated with the food of each fast-food restaurant chain which keeps enticing people back." - 1973 Fast Food Survey.[528]

As the 1960s came to a close, the new era of fast-food franchising brought changes in the marketplace that would influence the industry for several decades. The number of outlets doubled between 1960 and 1970. New players, like Wendy's, found success while others like Chicken Delight closed.[529] During the 1970s, the industry experienced challenges and pressures from within and without. Internally, the number of units opened meant locations competing against one another. New menu items and upgraded equipment required franchisors to purchase new equipment, participate in cooperative advertising campaigns, and follow increasingly prescriptive directives. Externally, the federal government investigated franchise industry practices and found outright fraud in restaurant offerings. Wall Street joined the naysayers when it exposed overvalued companies and an industry floating stock in companies that mainly existed on paper.

Legal challenges also played a significant role during the 1970s reform movements. The franchise industry pushed for a clear legal definition of franchising and wanted disputes settled under contract law to avoid employer-employee and anti-trust issues. Whenever Congressional hearings took place, franchisors and company lawyers

528. The Challenge of the 1970's: Planning the Continued Growth of Hardee's" The Dichter Institute for Motivational Research (A Subsidiary of Lehigh Valley Industries, Inc.) Yorktown Heights, NY. January, 1973. From Hagley _Dichter 2615C. Market Research and American Business, 1935-1965, 80. http://www.marketresearch.amdigital.co.uk.mutex.gmu.edu/ July 6, 2018.

529 Wendys went from its first location in 1969 to 1000 by 1978. "The Wendy's Story" https://www.wendys.com/wendys-story. November 8, 2020.

tried to participate and influence developments. With the passage of the Federal Trade Commission 1978 Franchise Rule, franchisees gained legal protections and rights through access to mandated disclosure documents.

Despite the warnings and increasing societal awareness of consumer rights, thousands of new franchisees bought into the system. Existing franchisees found their original twenty-year contracts up for renewal – under new and more restrictive terms. One missing and perhaps unknowable indicator is the number of people who did not pursue a new or existing offer after reading or having an attorney read the disclosure documents. Newspapers, magazines, and books exposed the abuses in franchising. Large amounts of data or thick legal contracts could not stop people from the self-belief that they would overcome the odds. More and more potential franchisees came with prior industry experience and found themselves in conflict with field supervisors or middle managers.

As the country suffered economic turmoil, fast-food continued its rise in popularity. Fast food became a staple in the inner city and primarily served disadvantaged communities of color. Regional or rural brands like Hardee's expanded to new states through acquisitions and mergers. As the number of quick-service outlets grew, consumers became more sensitive to actual or perceived subtle menu variations. During the restructuring period of the 1970s, the ability to both hear and learn from the eater-consumer became paramount. As many firms did, Hardee's sought advice from consultants to conduct a SWOT analysis and better understand their market position. Hardee's story typifies the struggle that all chains faced, trying to solidify a place in an increasingly crowded field of similar offerings.

Hardee's Responds to a Changing Market

The Dichter Institute for Motivational Research, which had produced the report about Black dining in New York, also studied Southern hamburger chain Hardee's. The White founder, Wilber Hardee, opened a small restaurant called The Silo after World War II. He had heard about McDonald's and drove to Greensboro to see an early franchise and adapted their concept. Started in Greenville, North Carolina, in 1960 with the tagline "Hardee's Jet Service System," the chain served a straightforward menu of hamburgers, fries, and shakes. Wilber Hardee signed the first franchisee within five months.[530]

Hardee's experienced tremendous growth during the end of the 1960s and turned to Dichter to help plan strategy for the 1970s. A Solomon Brothers analyst Robert L. Emerson calls this time the great shakeout, defining it as "the failure of chains already established."[531] It was this very rearrangement of the industry that Hardee's feared—in this time of mergers, acquisitions, and takeovers, having a strategic plan became essential. As we have seen, fast food success turned on the smallest of details. A research question about burger wrappers showed how even minor details could make a difference.[532] Buried away in the report is the notion that despite complaints, "fast-food

530. The chain had 200 locations by the end of the 1960s .https://www.hardees.com/company/story August 17, 2109.
531. Robert L. Emerson. *Fast Food: the Endless Shakeout.* (New York: Lebhar-Freidman Books, Chain Store Publishing Corp, 1979)165
532. The question is, "when you buy a deluxe hamburger, do you prefer it to be packaged in a box or a paper jacket or just wrapped like the other sandwiches?'". The corollary question is, "when you buy a hamburger, French fries, apple turnover, and drink to eat inside the restaurant, would you prefer they be served on a platter of that they be wrapped individually and then out in a paper sack?" Two items of note, the first that 88% of customers prefer a box or jacket which presumes that is how they are served and the second that Hardee's had at least some influence on the questions as sack would be the Southern term for the paper bag. "The Challenge of the 1970's: Planning the Continued Growth of Hardee's" The Dichter Institute for Motivational Research (A Subsidiary of Lehigh Valley Industries, Inc.) Yorktown Heights, NY. January, 1973. From Hagley Dichter 2615C. p.

restaurants have provided Americans with an interesting new type of food," claiming that "people are beguiled by fast-food restaurant food." [533]

The Dichter Institute staff used a survey methodology based on one-hour interviews. Interviewees answered detailed questions to help Hardee's better understand food away from home, dining patterns, and restaurant choices.[534] One hundred forty-eight interviews took place in Hartford/New Haven, Connecticut, in Detroit, Michigan, and Charlotte, North Carolina.

The customers' survey responses provided insight and reflected an industry still in flux. Most people visited a fast-food hamburger outlet between once per week and once per month while existing Hardees customers averaged once or twice per week.[535] As Dichter noted, "many people feel an uncertainty and a sense of the unknown about the choice and taste of food in most restaurants. FFR's have offered Americans a way of avoiding this malaise." [536] The data revealed that most people thought of fast food as a snack or meal substitute instead of dining out – which meant full service. [537]

The consultants suggested that Hardee's emphasize a relaxing atmosphere. Some

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533. "The Challenge of the 1970's: Planning the Continued Growth of Hardee's" The Dichter Institute for Motivational Research (A Subsidiary of Lehigh Valley Industries, Inc.) Yorktown Heights, NY. January, 1973. From Hagley _Dichter 2615C. *Market Research and American Business, 1935-1965*, 80.

534. Interviewees get subdivided into current and competitive customers. "The Challenge of the 1970's: Planning the Continued Growth of Hardee's" The Dichter Institute for Motivational Research (A Subsidiary of Lehigh Valley Industries, Inc.) Yorktown Heights, NY. January, 1973. From Hagley _Dichter 2615C. Market Research and American Business, 1935-1965. http://www.marketresearch.amdigital.co.uk.mutex.gmu.edu/ July 6, 2018

535. The Challenge of the 1970's: Planning the Continued Growth of Hardee's" The Dichter Institute for Motivational Research (A Subsidiary of Lehigh Valley Industries, Inc.) Yorktown Heights, NY. January, 1973. From Hagley _Dichter 2615C. Market Research and American Business, 1935-1965., 31.

536. While people are looking for predictability in fast food there is a modern trend toward seeking the exotic and unknown restaurant experience particularly associated with ethnic foods. FFR = Fast Food restaurant. The Challenge of the 1970's: Planning the Continued Growth of Hardee's" The Dichter Institute for Motivational Research (A Subsidiary of Lehigh Valley Industries, Inc.) Yorktown Heights, NY. January, 1973. From Hagley _Dichter 2615C. Market Research and American Business, 1935-1965. p. 26

537. The same problem exists in many Asian countries as well where to be considered a meal rice must be served.

attitudes about fast food remained unchanged. As one woman noted, “when you go to a quick-service restaurant, you don’t have to dress up. People go as they are: shorts, hair in rollers, suits, slacks, just as long as you wear clothes.”[538] Addressing the polarization and racial tensions during the 1970s, a Charlotte, N.C., “middle-aged lady” comments that, “I don’t care for the Hardee’s here close to us. It is simply full of hippies. If we do stop in there, we just pick up our order and get out.”[539] When Blacks patronized a new Hardee’s in town, she is “afraid and uneasy when I’m in a group of them.”[540]

Hardee’s unique selling proposition was a hamburger cooked over charcoal, but some respondents claimed the hamburger tasted drier than McDonald’s or Burger King. Additionally, a thin hamburger neglected to meet the most desirable attribute – juicy. [541] Customers requested menu expansion to include steak sandwiches or tossed salads. Hardee’s, like other chains, wanted to capture the evening meal segment.[542] Advertising a complete meal on a platter could attract consumers, while a hamburger's rebranding as a steak burger might also draw patrons. Trial runs of burgers cooked to the desired doneness also received consideration. [543]

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538. “The Challenge of the 1970’s: Planning the Continued Growth of Hardee’s” The Dichter Institute for Motivational Research (A Subsidiary of Lehigh Valley Industries, Inc.) Yorktown Heights, NY. January, 1973. From Hagley _Dichter 2615C. Market Research and American Business, 1935-1965, 61.
539. “The Challenge of the 1970’s: Planning the Continued Growth of Hardee’s” The Dichter Institute for Motivational Research (A Subsidiary of Lehigh Valley Industries, Inc.) Yorktown Heights, NY. January, 1973. From Hagley _Dichter 2615C. Market Research and American Business, 1935-1965, 96.
540. “The Challenge of the 1970’s: Planning the Continued Growth of Hardee’s” The Dichter Institute for Motivational Research (A Subsidiary of Lehigh Valley Industries, Inc.) Yorktown Heights, NY. January, 1973. From Hagley _Dichter 2615C. Market Research and American Business, 1935-1965, 97.
541. “The Challenge of the 1970’s: Planning the Continued Growth of Hardee’s” The Dichter Institute for Motivational Research (A Subsidiary of Lehigh Valley Industries, Inc.) Yorktown Heights, NY. January, 1973. From Hagley _Dichter 2615C. Market Research and American Business, 1935-1965, 21-22.
542. “The Challenge of the 1970’s: Planning the Continued Growth of Hardee’s” The Dichter Institute for Motivational Research (A Subsidiary of Lehigh Valley Industries, Inc.) Yorktown Heights, NY. January, 1973. From Hagley _Dichter 2615C. Market Research and American Business, 1935-1965, 67.
543. “The Challenge of the 1970’s: Planning the Continued Growth of Hardee’s” The Dichter Institute for Motivational Research (A Subsidiary of Lehigh Valley Industries, Inc.) Yorktown Heights, NY. January, 1973. From Hagley

The marketing study compared Hardee's to competitors Burger Chef, Burger King, and McDonald's. Hardee's seemed to have a reputation with families as more relaxed and leisurely than its two main competitors. The most significant complaint about the hamburger involved the size. They did not seem large enough, especially compared to the Burger King Whopper. The study called for a thick hamburger.[544] Hardee's rated lower overall on its food items, possibly due to familiarity or because consumers had more exposure to McDonald's. Burger King was grilling its hamburgers, so other attributes played into deciding which fast-food outlet to choose.

Then, as now, children played a crucial role in influencing the decision about where to eat. Not surprisingly, teenagers also used fast food locales as a place to gather and meet. Fast food companies needed to change their image to be more family-friendly. One way they did so involved paying more attention to the physical environment.[545] When children chose a meal away from home, fast food usually won. Cleanliness, menu choice, neighborhood proximity, promotions, and speed of service drew adults' attention.[546] Children reported they could not tell the difference between chains, nor were they fond of excessive condiments on the burgers. When a family decided to eat out, "they ask their fathers to take the family out."[547] Children wanted ice cream as one additional menu item.

_Dichter 2615C. Market Research and American Business, 1935-1965. pp. 79 -84

544. Ironically, Hardee's is often criticized for its 2/3 pound Monster Thickburger packing 1100 calories and 73 grams of fat. https://www.hardees.com/menu/nutritional_calculator_landing July 8, 2018.

545. While there are Children's choices and even some prizes (Tops Drive Inn , Fairfax, VA) the Happy Meal did not achieve national start until 1979.

546. Not everyone chooses fast food, the author often took his young children to Chinese dim sum because there is no waiting, the food is visible with individual small plates and noisy children are lost in the din of the restaurant.

547. "Planning the Continued Growth of Hardee's" The Dichter Institute for Motivational Research (A Subsidiary of Lehigh Valley Industries, Inc.) Yorktown Heights, NY. January, 1973. From Hagley _Dichter 2615C. Market Research and American Business, 1935-1965, 129.

The youngsters had a perfect recall of the advertising and characters Speedy McGreedy and Gilbert Giddiap. The children also saw all fast-food hamburger restaurants as more active and pleasant than conventional sit down establishments.

The study recommended several ways to help entice and retain young children. These included coupons for return visits, a partitioned area for youngsters with small tables, and print games or puzzles. Lastly, having children's birthdays at Hardee's is suggested to build brand loyalty. These ideas are not unique to this report, nor especially prescient. Instead, they remind us that even as late as 1973, fast-food hamburger outlets had more in common with the drive-in era than the drive-through era to follow. Some chains would not survive the 1970s, and some new entrants, like Wendy's, would prosper.

Hardee's received a snapshot in time across several markets and a great deal of data from the survey results, but crucial gaps existed. The data did provide insights into customer perceptions of menu items and preparation efforts.[548] What was missing is significant. The survey did not include any franchisee versus corporate store comparisons. Management may have believed that ownership did not matter or focused only on consumer preferences.

Well known as a North Carolina brand, Hardee's strength as a regional chain allowed it to expand throughout the South and nationally. Early on, the company purchased producer factories, such as a bakery and frozen hamburger plant, to streamline operations. In 1963, Hardee's was one of the first fast-food franchisors to sell stock on

548. There is also a Volume II which is the Appendix with all of the detailed results. See "Planning the Continued Growth of Hardee's Vol II And Appendix" " The Dichter Institute for Motivational Research (A Subsidiary of Lehigh Valley Industries, Inc.) Yorktown Heights, NY. January, 1973. From Hagley Dichter 2615C. Market Research and American Business, 1935-1965. July 6, 2018

the open market. Five years later, they had received a $10,000,000 loan enabling them to build units and then franchise them. By 1972, they had acquired Midwestern chain Sandy's and former Burger Chef locations, propelling them into the top five nationally.

Wilber Hardee's early success did not end well. After selling his name and backing out of the original venture, he accused his partners of cheating him. He then opened a hamburger, hot dog, and chicken chain name Little Mint, which grew to fifty stores. Despite the early expansion, the chain went out of business even though Hardee continued to buy and sell restaurants, losing substantial wealth. [549] Hardee's story typifies the struggle that all chains faced, trying to solidify a place in an increasingly crowded field of similar offerings.

An Industry Snapshot

By 1970, all franchising sales types reached $90 billion for 1,000 franchisors and 600,000 franchisees nationally. Between 1965 and 1970, the number of fast-food systems increased from 350 to 749. [550] By the end of the 1970s, there are far fewer firms, and the nation suffered several economic depressions. While chain locations, both franchised and company-owned, showed growth, turnover is high, profits are falling, and market saturation had arrived. The inner cities found themselves still decimated by the riots of the late 1960s and trying to recover.[551] Even in the suburbs, many of the prime locations

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549 Jerry Bledsoe, "The Story of Hardee's" https://www.ourstate.com/hardees/ October 15, 2020. See also https://www.hardees.com/about-us October 15, 2020 and Jakle and Sculle, *Fast Food: Roadside Restaurants in the Automobile Age* (Baltimore, MD: Johns Hopkins, 1999).

550. Urban B. Ozanne and Shelby Hunt. "The Economic Effects of Franchising " Select Committee on Small Business, United State Senate. Report prepared for the Small Business Administration". 92nd Congress, 1rst Session. Committee Print. (September 8, 1971), 1.

551. There are still vacant lots in the urban core of places like Hartford, CT. Despite the presence of the Urban League and others, there are empty stores. See also Paul Zeielbauer, "Poverty in a Land of Plenty: Can Hartford Ever Recover?" https://www.nytimes.com/2002/08/26/nyregion/poverty-in-a-land-of-plenty-can-hartford-ever-recover.html

had long ago gone to the early players. Legislation controlling how franchising operates impacted the entire franchise industry.

Quick service franchising had to contend with failed brand extensions in addition to local pushback, litigation, and growing critiques. Large and small companies continued to have futile concepts. McDonald's abandoned its Ramond steak house and Jane Dobbins Pie Shop concepts, Pizza Hut lost Mexican food with Taco Kid. New England regional chain Friendly's launched Jim Dandy and squandered money. Pizza Hut launched the hamburger chain Flaming Steer, which also closed. An analysis of the 150 food franchises listed in the July/August 1969 edition of *The Franchise Journal* shows that perhaps ten percent are still in existence. [552] To overcome failed starts, firms recognized foreign markets' potential and quickly exported the brand. Franchisors also exported the business model, and several works document this story. [553]

Franchise failures also grabbed headlines. One of the most spectacular was the downfall of Quarterback Sports, one of the leading stock offerings of the 1968 bull market. One football-shaped location opened across from the NFL stadium in Minneapolis. When franchise plans went public, the stock rose to $100,000,000. The firm went out of business in 1970. Another widely publicized failure was Minnie Pearl's Chicken System. The parent company, PSI, sold franchises to individuals in addition to

July 5, 2018 and also Nicole A. Tatsoein "Hartford, CT: Discrimination, Segregation and Urban Riots" Hartford Studies Project Trinity College, CT. https://digitalrepository.trincoll.edu/cgi/viewcontent.cgi?article=1023&context=hartford_papers July 5, 2018.

[552] Authors analysis based on chains viable in 2020 or which were absorbed by others. The chart lists service (takeout), menu, style (Burgers/Franks), Building type (Square feet), Training, Financials (Cost, cash, franchise fee) and Units in Operation and average number of employees per location. Most listed had 10 to 15 locations in operation and some had single units. "Food Franchises" *The Franchise Journal*, July/August 1969, 25-38.

[553] One example is James L. Watson, *Golden Arches East: McDonalds in East Asia* (Stanford, CA: Stanford University Press, 2006).

territorial rights. Franchises sold for $10,000.When the company went public in May of 1968, its stock eventually rose to $68 per share. At the peak, only 250 units opened despite many more signed contracts. [554] With declining sales, the stock fell to less than $1 per share. According to Forbes magazine, this collection of one-time license fees came to be known as "Minnie Pearling it." [555] The same held for NEBA roast beef and its original Dunn and Bradstreet rating. Wall Street pointed to all of these cases as instances of the overvaluation of fast-food franchises.

In September of 1971, the Senate Select Committee on Small Business received a report outlining the state of franchising since the great boom at the end of the prior decade. Written for the Small Business administration by two business school professors, the report is a critical academic study of the franchise industry.[556] The study looked at fast food, laundry-dry cleaning stores, and convenience grocery stores. The authors looked at the economic effects, characteristics of franchisees, operating procedures, and minority participation. The franchisee-franchisor relationship also received scrutiny. This study is both qualitative and quantitative, rooted in a survey sent to 800 franchisors. It used state of the art computational tools for statistical reporting and an analysis of variance to support correlations between franchisor and franchisee.

The study claimed a failure rate higher than industry estimates and noted that 54 franchisors had gone out of business in the last year. This report definitively concluded

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[554] One source reports 1500 – See William L. Killion. "The Modern Myth of the Vulnerable Franchisee: The Case for a More Balanced View of the Franchisor-Franchisee Relationship." *Franchise Law Journal*. Volume 28. No. 1., 26.
[555] Reported in John A. Jakle and Keith A. Sculle, *Signs in America's Auto Age: Signatures of Landscape and Place* (Iowa City: University of Iowa Press, 2004). 86.
556. Urban B. Ozanne and Shelby Hunt. "The Economic Effects of Franchising " Select Committee on Small Business, United State Senate. Report prepared for the Small Business Administration". 92nd Congress, 1rst Session. Committee Print. (September 8, 1971).

that franchises failed at a faster rate than independent businesses. [557] The study found that fast food franchisors had misled franchisees about profits. In order to make ends meet, many owner-operators and families worked up to 120 hours per week.[558] As additional evidence, Ozanne and Hunt cited a mass-market bestseller, *Franchising: The Odds-On Favorite*. [559] Its authors claimed, according to a Dun and Bradstreet study, that 66% of independent businesses fail in the first five years. The study authors challenged the Dun and Bradstreet study and supported a different conclusion. Ozanne and Hunt said that when interpreted, of all failed retail firms, 66% fail in the first five years. The report called for this title to be recalled from circulation since it contained erroneous facts. Two titles typify the growing change over time in the perception of franchising. The earlier is *Partners for Profit: A Study of Franchising* and the later *Franchising: A Trap for the Trusting.* [560]

Ozanne and Hunt pointed out that despite great demand by consumers for franchised food brands and ongoing investment by new franchisees, a structural change occurred. As the authors pointed out, " the fact that large, mature corporations control many of the successful franchise systems instead of their entrepreneurial founders represents a significant structural change in the franchise industry."[561] Robert Emerson, an industry

557. Urban B. Ozanne and Shelby Hunt. "The Economic Effects of Franchising " Select Committee on Small Business, United State Senate. Report prepared for the Small Business Administration". 92nd Congress, 1rst Session. Committee Print. (September 8, 1971), Chapter 3 passim.
558. Urban B. Ozanne and Shelby Hunt. "The Economic Effects of Franchising " Select Committee on Small Business, United State Senate. Report prepared for the Small Business Administration". 92nd Congress, 1rst Session. Committee Print. (September 8, 1971), 2.
[559] J.F. Atkinson. *Franchising: The Odds-On Favorite.* (Chicago, IL: International Franchise Association, 1968.)
[560] J.A. H,. Curry, et.al. *Partners for Profit: A Study of Franchising.* New York: American Management Association, 1966). and Harold Brown. *Franchising: A Trap for the Trusting*. Boston: M, Little Brown and Company, 1970)
561. Pillsbury bought Burger King, Burger Chef became part of General Foods, and Consolidated Foods purchased Chicken Delight. Mariott acquired Big Boy and Kentucky Fried Chicken owned H. Salt Fish and Chips. Urban B. Ozanne and Shelby Hunt. "The Economic Effects of Franchising " Select Committee on Small Business, United State

analyst, saw corporate buyouts and mergers as the most significant trend during the early 1970s.[562] At the same time, KFC, Burger Chef, and Gino's all lost revenue and closed units. On the other hand, new entrants Wendy's, Victoria Station, and Steak 'n Ale had stable earnings.

The causes of success and failure remained ambiguous. Ozanne and Hunt noted that the four largest fast-food systems controlled more than 25% of all units. Company ownership of stores became a widespread practice. Larger franchisors like McDonald's and others had the liquid assets to achieve even more market penetration. By 1970, McDonald's had 2200 stores and system sales of $1,000,000,000. For potential franchisees, higher interest rates and tight credit raised the entry costs. Added risks for franchisees now included competing with corporate locations, multi-unit owners, and passive investors with territorial rights.

One of the most hidden practices, or even ruses, involved how failures get counted in the franchise industry. The franchise industry did not count turnovers as failures, and in many cases, parent companies bought back locations and resold them. Many potential entrepreneurs expected a franchised store to have fewer failures than an independent business. Consider the case of a hamburger outlet in any suburban location that had stood the test of time. Neither patrons nor investors knew if the location had a local owner, how many times it had changed hands, or if the company managed the outlet.

The Senate hearings paid considerable attention to failures, and while challenging to

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Senate. Report prepared for the Small Business Administration". 92nd Congress, 1rst Session. Committee Print. (September 8, 1971). Appendix G.

562. Robert L. Emerson. *Fast Food: the Endless Shakeout*. (New York, N.Y.: Lebhar-Freidman Books, Chain Store Publishing Corp, 1979),166-167.

count, then and now, the authors listed 54 franchisor failures between 1969 and 1970. Not surprisingly, the study suggested the actual number may have been two or three times as many. The most significant finding showed that 20% of turnovers became abandoned locations. Today, it is not uncommon to see fast food outlets repurposed as other restaurants or retail outlets.[563] Based on government and industry statistics, the actual failure rate is 1.8 and 6.7%.[564] In the modern case, Blair and LaFontaine's statistical study leaves no doubt that franchising leads to greater risk than an independent business. [565]

Several large players dominated the industry, with five firms holding more than 1000 units. The vast majority, sixty percent of franchisors, had fewer than ten.[566] There is no doubt that franchisees suffered when a location failed or the company folded. The vast majority of franchisees held one or two units.[567] As the roast beef wars showed, what appeared to be a viable business concept could suddenly terminate operations.[568] Some franchisees own multiple units. The vast majority of franchisees owned one or two units,

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563. Marumen is a ramen shop near Fairfax Circle, Fairfax, Virginia that was once a Pizza Hut. It is located not far from the original Tops Drive-Inn.

564. Urban B. Ozanne and Shelby Hunt. "The Economic Effects of Franchising " Select Committee on Small Business, United State Senate. Report prepared for the Small Business Administration". 92nd Congress, 1rst Session. Committee Print. (September 8, 1971).p. 98 and Chapter 3 passim.

565 Section 2.2.2 "Franchise Entries and Exits" in Roger Blair and Francine LaFontaine. *The Economics of Franchising* (New York: Cambridge University Press, 2011), 43.

566. The next largest holding is 6 companies with 500 or more units, however, the greatest number of franchisors have fewer than 10 units. Of the 749 firms listed, 42 have 10 or fewer outlets. Table 3-3 Size Distribution of Fast Food Franchise Systems by Number of Franchised Units. Urban B. Ozanne and Shelby Hunt. "The Economic Effects of Franchising " Select Committee on Small Business, United State Senate. Report prepared for the Small Business Administration". 92nd Congress, 1rst Session. Committee Print. (September 8, 1971),79.

567. Of the 926 listed, only 38 have 6 or more units. Table 4-1 Franchisee Distribution by Number of Units Operated. Urban B. Ozanne and Shelby Hunt. "The Economic Effects of Franchising " Select Committee on Small Business, United State Senate. Report prepared for the Small Business Administration". 92nd Congress, 1rst Session. Committee Print. (September 8, 1971),103.

568. The same situation applies today as Asian rolled ice cream location opening, often replacing the previous frozen yogurt locations.

mostly in large states. [569] A geographic breakdown of franchise systems showed that California (118), New York (59), Texas (51), and Florida (48), accounted for 86% of all fast-food franchises.[570] While the numbers seemed impressive, franchise and company-owned stores only accounted for 15% of all types of restaurant and specialty food outlets.[571] Franchised units had higher average sales figures, $140,000, as compared to $91,000 for the industry overall. [572]

The consumer movement of the early 1970s made it even more surprising that people signed contracts and partnered with franchise companies without knowing or accepting the risks. Paradoxically, negative issues and warning signs did not deter potential franchisees even with no clear profitability path. It became more and more expensive to sign with one of the known chains. Many more of the new franchisees had prior business experience, while some also had prior franchise experience. The same can not be said of all the companies.

At the time of the 1970 report, franchisees are self-reporting as married males with

569. Of the 926 listed, only 38 have 6 or more units. Table 4-1 Franchisee Distribution by Number of Units Operated. Urban B. Ozanne and Shelby Hunt. "The Economic Effects of Franchising " Select Committee on Small Business, United State Senate. Report prepared for the Small Business Administration". 92nd Congress, 1rst Session. Committee Print. (September 8, 1971), 103.

570. New England had the fewest franchise headquarters and the Mountain states are also had very few headquarters. Table 3-2 Geographical Distribution of Fast Food Franchise Systems. Urban B. Ozanne and Shelby Hunt. "The Economic Effects of Franchising " Select Committee on Small Business, United State Senate. Report prepared for the Small Business Administration". 92nd Congress, 1rst Session. Committee Print. (September 8, 1971), 75.

571. Table 3-5 Growth in Fast Food Franchise Units Compared with Total Industry Units. The next largest holding is 6 companies with 500 or more units, however, the greatest number of franchisors have fewer than 10 units. Of the 749 firms listed, 42 have 10 or fewer outlets. Table 3-3 Size Distribution of Fast Food Franchise Systems by Number of Franchised Units. Urban B. Ozanne and Shelby Hunt. "The Economic Effects of Franchising " Select Committee on Small Business, United State Senate. Report prepared for the Small Business Administration". 92nd Congress, 1rst Session. Committee Print. (September 8, 1971), 83.

[572] Urban B. Ozanne and Shelby Hunt. "The Economic Effects of Franchising " Select Committee on Small Business, United State Senate. Report prepared for the Small Business Administration". 92nd Congress, 1rst Session. Committee Print. (September 8, 1971), 88.

children, 35 to 44 years old with one year of college, and 97% are white. The majority used personal savings, with 40% using bank loans, and most bought only after investigating or patronizing a franchise. The majority purchased directly from the company while 25% purchased from an outgoing franchisee, most likely with home office approval or oversight. [573]

The actual purchase process, including contract signing, turned out to be fraught with tension, anxiety, and mistrust. While 85% of franchisors claimed they showed potential buyers actual profit and loss, 60% of franchisees said they only saw pro forma statements. Disputes over contracts and training exacerbated the tensions between franchisors and franchisees. Many firms did not deliver on their promises. Guidance mattered because franchisees attending a formal or high quality or mentoring program had higher incomes than others.

The Ozanne and Hunt study delved extensively into issues of franchisor versus franchisee control. These categories covered such things as hours of operation, bookkeeping, menus, advertising, pricing, operating procedures, and employee management. The work breakdown structure saw some owner-operators working 60 hours each week, often with a spouse contributing 35 hours and the children 25 hours. Of all these factors, including cleanliness, the study uncovered, “only in determining the menu did franchisees perceive their franchisors to have the major responsibility.”[574]

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573. Franchisees had lower profits in the reseller units which in many cases may have accounted for the sale. Urban B. Ozanne and Shelby Hunt. “The Economic Effects of Franchising “ Select Committee on Small Business, United State Senate. Report prepared for the Small Business Administration”. 92nd Congress, 1rst Session. Committee Print. (September 8, 1971), 35-38.

574. The prior year data came from 1969. Franchisees had lower profits in the reseller units which in many cases may have accounted for the sale. Urban B. Ozanne and Shelby Hunt. “The Economic Effects of Franchising “ Select Committee on Small Business, United State Senate. Report prepared for the Small Business Administration”. 92nd

Once the franchisee and franchisor enter into a business relationship, the only critical question became, is there money to be made? The answer may be surprisingly simple. Yes, if the franchisee held a high paying position before. No, if he or rarely she, came from prior lower earnings employment. The few women in quick service earned substantially less than men reflecting a societal trend and their late start as franchisees. Counterintuitive is that the industry preferred people with no foodservice experience who would almost blindly follow procedures. The study showed that people with a background in restaurants or similar occupations earned more than those without similar preparation.

Almost one-third of the new franchisees had been self-employed and earning between $5,000 and $12,000 the year before acquiring a franchise.[575] After operating the business, the same sample set showed a median income, not profit or salary, of $16,000 with 10% at the poverty level of $5,000. Nearly 20% reported earning $30,000. As one might expect, about half are neutral, dissatisfied, or very dissatisfied with the income for the outlet. Strikingly, 75% earned less than the franchisors' minimum expected income, and nearly 92% earned less than their expected average.[576] One major study used in Congressional hearings noted that in 1969, 10% of franchisees lived at a semi-poverty level of $5,000 and 25% made less than $10,000. [577]

Congress, 1rst Session. Committee Print. (September 8, 1971), 43.

575. Urban B. Ozanne and Shelby Hunt. "The Economic Effects of Franchising " Select Committee on Small Business, United State Senate. Report prepared for the Small Business Administration". 92nd Congress, 1rst Session. Committee Print. (September 8, 1971), 110.

576. Table 5-1 Franchisee Income for 1969 and Table 5-2 Franchisees Satisfaction with Income, Urban B. Ozanne and Shelby Hunt. "The Economic Effects of Franchising " Select Committee on Small Business, United State Senate. Report prepared for the Small Business Administration". 92nd Congress, 1rst Session. Committee Print. (September 8, 1971, 110.

[577] The record quotes the Ozanne and Hunt study. Franchising and Business Opportunity Ventures: Disclosure

The Ozanne and Hunt report investigated franchising's role in the creation of independent businesses. Specifically, they wanted to ascertain "the number of franchisees that would not be in business for themselves without the assistance of franchising." [578] Asking survey respondents to imagine franchising did not exist, the data revealed that 30% would be in the same business, 35% would be self-employed, and 36% would work for wages. The results suggested that franchising offered a path to new business starts. This question is essential since it might suggest the relationship between franchising and risk.

As the authors wrote, "the minimum figure of 36% and the maximum of 67% suggest that were it nor for fast food franchising, somewhere between 13,700 and 25,800 small, independent businesses would not have existed at the end of 1970." [579] In other words, it allowed people to bridge the gap between being an independent business owner and working for wages. I would extend that line of reasoning to say that many chose a franchise in hopes of occupying what they imagined would be a psychologically safe space. "The purchaser of a franchise is a small business owner and a cog in a larger machine, both an entrepreneur and a subordinate responsible for following a bureaucratic manual." [580] The quick-service restaurant industry points to the creation of new business

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Prohibitions and Requirements Federal Register: 43 Fed. Reg. 59465 (Dec. 21, 1978). 59629

[578] "The Economic Effects of Franchising " Select Committee on Small Business, United State Senate. Report prepared for the Small Business Administration". 92nd Congress, 1rst Session. Committee Print. (September 8, 1971). p. 113.

579. The combination of self employed in this business and self employed in another business yields the 67%. Urban B. Ozanne and Shelby Hunt. "The Economic Effects of Franchising" Select Committee on Small Business, United State Senate. Report prepared for the Small Business Administration". 92nd Congress, 1rst Session. Committee Print. (September 8, 1971), 113-116.

[580] Zachary Schrag to Ann Ardis, e-mail 10/21/2019.

ownership statistics as evidence of its value. The reported experiences and data points suggest otherwise.

Franchisors want to maximize sales while the franchisees want to maximize profits. Contract clauses like the royalty charge are an area of frequent dispute between the owner and parent firm. The same held for supplies, where a buy one get one free promotion is a frequently cited example. Professors Hunt and Ozanne offered a solution to mitigate this problem. They suggested that the franchisor take a share of the profits. While other franchises industries adopted this practice, it was not the norm in the fast-food outlets. The vast majority of successful concepts depend on the labor, effort, and goodwill of independent owners. The oversight required additional management layers proportional to the number of outlets, which further antagonized local operators.

This report, made a part of the Senate hearings, exposed actual franchise company operations, essentially refuting the idealized version put forth by corporations. Reminiscent of celebrity franchising, the enthusiasm for quick profits had overshadowed common sense for potential entrepreneurs. As one law school professor pointed out, franchisees are essentially "buying a job" and only interested in earnings potential. [581] No amount of due diligence or research could overcome the allure of possible riches. The business format franchise model promised great potential even if every entrant did not seek unlimited earnings. It soon became apparent that the opportunity had knocked on too many doors. The burger business found itself flipping. As a *Wall Street Journal* headline

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[581] Franchising and Business Opportunity Ventures: Disclosure Prohibitions and Requirements. Federal Register: 43 Fed. Reg. 59465 (Dec. 21, 1978). 59630

noted in May of 1970, "Many Franchise Firms Fall on Hard times After a 15 Year Boom." [582] Collapses meant disgruntled franchisees at best and bankruptcy and ruin at worse.

The Government Steps In

At the core of business format franchising is the exercise of control by the franchisor over the franchisee. The franchise relationship included the full business format and not solely the franchisor's trade name, products, and services. By definition, these controls raised questions about the extent to which a company could legally control its owner-operators. As one modern legal scholar opined, "franchising as we know it in 2018 was not legal in the 1960s." [583] The legal interpretation of vertical restraints changed over time. [584] Franchise companies fought back against anti-trust legislation and argued that franchise chains should not be considered one organization. [585] The legal arguments grew increasingly technical and complicated. The essential question of the amount of control and its application reached the Supreme Court, although the Court declined to rule on the case. [586]

In July of 1957, Carvel wrote to make his dealers aware of a Federal Trade Commission investigation into milk and ice cream dealers. The Carvel corporation knew

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[582] James McGregor. "Many Franchise Firms Fall on Hard times After a 15 Year Boom." *The Wall Street Journal*. May 29, 1970, 1.
[583] Brian Callaci. "Control Without Responsibility: The Legal Creation of Franchising 1960-1980." Working Paper Series, Washington Center for Equitable Growth, December, 2018.
[584] One widely cited example is *United States vs. Arnold Schwinn and Co*. The court struck down the idea that Schwinn could stop dealers from selling outside their assigned territories., 388 U.S. 365 (1967). This applied to a product, however, it would be cited in business format cases.
[585] This is also a question of interest to legal scholars since recent employee litigation challenges this idea.
[586] *Susser v. Carvel Corp.*, 381 U.S. 125

the FTC was looking for Clayton Act violations, prohibiting price-fixing or kickbacks.[587] Some franchisees had agreements before a 1956 Operations manual update, and there was no doubt that price-fixing had occurred. A group of franchisees sued Carvel, claiming that they were mandated to use specific prices. Fred Vettel Jr., the President of Carvel, cautioned franchisees against raising prices and against using company signs implying that corporate endorsed a price hike. Carvel did employ a Board of Governors who helped suggest prices, although the court found this not to be price-fixing.

The legal interpretation of *Susser* turned on the issue of tying arrangements. Could a franchisor force its franchisees to purchase supplies outside its proprietary needs? [588] The court ruled that Carvel had the right to uphold certain arrangements to protect its brands, on the principle that a single dealer represents each and every dealer in the system. The Federal courts did not see this as a violation of interstate commerce under the Lanham Act, which controls trademark law.[589] The courts ruled that the Carvel trademark's use did not constitute an anti-competitive illegal tie. Instead, it served as a necessary part of the arrangement. In practical terms, this meant dealers had to purchase the Carvel ice cream mix from the company or from a list of approved suppliers – a way for franchisors to work around the problematic legal issue. Carvel did not manufacture its products. The precedent cited in the decision included a note that Dairy Queen did not

587. The FTC alleged that Borden had different prices between its private and public label products and that National Dairy favored large accounts and chains. *Federal Trade Commission Annual Report 1958.,* p. 36. Retrieved on April 4, 2012 at: http://www.ftc.gov/os/annualreports/ar1958.pdf .
588. *Carvel v. Susser*. 332 F.2d 505. Also Shelby D. Hunt and John R. Nevin. "Tying Arrangements in Franchising" *Journal of Marketing*, Vol. 39, No. 3 (July, 1975), 20-26.
589. 15 USC 1052, et. seq. this was the finding in the case of *Franchised Stores of New York and Thomas Carvel v. Martin Winter*, 394 F. 2d 664 (2d Cir. 1968) Retrieved April 9, 2012 at: http://courtlistener.com/ca2/2rgR/franchised-stores-of-new-york-inc-and-thomas-carve/

require any direct purchases. In its place, they established recipe specifications. [590] Recall that many firms, not just Carvel, made money selling equipment and products to dealers, often at an inflated cost. While Carvel won its case, Chicken Delight lost its case.

In *Siegel v Chicken Delight*, the question involved using the trademarked name and its relationship to ensuring a consistent quality product. [591] One basic tenet of fast-food is an identical product, yet proprietary equipment is not always necessary to produce the same results. Chicken Delight franchisees did not pay an initial franchise fee or royalties for the use of the name. The company made money from selling dealers its spice mix, fryers, kitchen equipment, paper items, and other needed items. Chicken Delight countered that the package of items is necessary to ensure its quality control and trademark name. The court awarded franchisees damages in compensation for the overcharges. The ruling said only certain exclusive items must be purchased from the owner and that equal quality to protect the trademark is achievable without such tie-ins.[592] Kentucky Fried Chicken is one example where franchisees could look to Sysco for products prepared to company specifications. Chicken Delight filed for bankruptcy. [593] The question in the franchise cases that followed *Susser*, *Siegel*, and others involved the range of control or the extent to which corporate could mandate behavior and compliance.

The majority of franchisee complaints involved issues of fairness in contract

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[590] *Engbrecht v. Dairy Queen Company of Mexico, Missouri*, 203 F. Supp. 714 (D. Kan. 1962)
[591] *Siegel v. Chicken Delight, Inc.*, 311 F. Supp. 847 (N.D. Cal. 1970)
[592] Phillip. R. Bates. "Siegel v. Chicken Delight, In.: What's in a Name?" *Hastings Law Journal*. 23 Hastings, L.J. 1147, 1173 (1972).
[593] Robert L. Emerson. *Fast Food: The Endless Shakeout.* (New York: Lebhar-Freidman Books, Chain Store Publishing Corp, 1979), 4.

terminations. As *Franchising: Trap for the Trusting* pointed out, the franchise contract binds the operator to follow the operations manual and "yellow dog contracts" for their anti-union stand. [594] Franchisees could be, and were, terminated for any deviation. According to attorney Harold Brown, some companies assigned franchise rights to shell corporations with no assets as a means of protecting their organizations. Another common abuse involved equipment buyback, where the franchisor could but did not have to repurchase it. In many cases, fair market value clauses meant it had no actual value. The real estate leases often went back to the parent firm as well. These and many other cases of abuse drove the need for federal intervention.

Franchise organizations tried to move away from anti-trust issues and have litigation adjudicated under contract law. Contract law had a caveat emptor basis and did not require a discussion of power balance. [595] The franchising industry pushed to make this the standard to resolve disputes. In sum, all franchise cases fell under two major headings. The first is that employment relationship law covered some franchisor versus franchisee practices. These would continue to grow in number and complexity, particularly in the definition of personnel. The second category falls under the umbrella of regulation and disclosure laws. [596] These laws and the regulations that follow would significantly impact aspiring franchisees for decades to come.

The Small Business Administration had initially decided that franchisees are part

[594] Harold Brown. *Franchising: Trap for the Trusting*. (Boston, MA: Little, Brown, and Company, 1970.), 26.
[595] To the best of my understanding, the tying and anti-trust case law used an economic aspect to determine if harm existed. The power relationship came under scrutiny as well.
[596] Jeffrey A. Schneider and Robert J. Nye. *Business Franchise Law: Cases and Materials*. (Durham, N.C.: Carolina Academic Press, 2003, 4.

of the franchisor organization and not independent small businesses. Under that ruling, potential franchisees could not access loans because they did not meet the definition of a small business. In 1967, the SBA changed its position, hopefully in part, to help grow minority franchising. It soon became apparent that regulation by the states or federal government would be the best solution. Congressional attempts at legislation occurred in 1965, 1966, 1967, and 1969. However, none passed. These bills mostly tried to address the imbalance of power between the two opposing parties. The federal record contained 5700 pages of complaints from 400 franchisees against 170 different franchisors. [597]

The Ozanne and Hunt report detailed specific examples of the unfair treatment of franchisees. One reported that the grand opening consisted of a free dinner ad in the local paper and a box of balloons, which she said was a fraud. Another spoke out against the training, consisting of a few hours over a couple of days in another store. Many contracts specified the maximum number of training days but not the minimum. [598] To be fair, companies like McDonald's did have Hamburger University, founded in 1961, and others like Carvel tried to use multimedia to help their store owners. More than half of franchisors admitted that agreements favored the organization. [599]

A panel of franchisees explained that many original twenty-year leases had run out. Since the industry has matured, the national franchisors no longer needed partners in

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[597] Legislative history from Franchising and Business Opportunity Ventures: Disclosure Prohibitions and Requirements Federal Register: 43 Fed. Reg. 59465 (Dec. 21, 1978). 59627

[598] Urban B. Ozanne and Shelby Hunt. " The Economic Effects of Franchising " Select Committee on Small Business, United State Senate. Report prepared for the Small Business Administration". 92nd Congress, 1rst Session. Committee Print. (September 8, 1971), 263.

[599] Urban B. Ozanne and Shelby Hunt. " The Economic Effects of Franchising " Select Committee on Small Business, United State Senate. Report prepared for the Small Business Administration". 92nd Congress, 1rst Session. Committee Print. (September 8, 1971), 263.

the same way they once did and did not renew contracts. [600] The actual contracts became more complex and restrictive. A Dunkin' Donuts sample contract ran ten pages of small type, while the McDonald's sample was three times as long.

When states investigated franchising practices, they also found problems. The New York Attorney General's Office investigated franchising in early 1970 and found massive fraud and deceit. An analysis of over 500 franchise offerings concluded that nearly 100% to be "grossly inadequate, misleading, insubstantial, or non-existent as to material facts." If that were not enough, these promotional materials are said to "present a danger to the investing public, particularly to people of low and moderate incomes who would be interested in bettering themselves." Massachusetts called the relationship a "gross imbalance" and compared it to a "drill sergeant and buck private." [601] Delaware and New Jersey had also investigated grievances and drafted franchise reform legislation. [602] The California Attorney General received the most complaints, especially since 10% of all franchises nationally had located there.

California became one of the first states to pass a franchise regulation bill, the California Franchise Investment Law, which took effect on January 1, 1971. Parts of this bill served as a model for later federal legislation. An important caveat exempted franchisors with a capital of $5,000,000 or 25 existing franchises. As one franchising critic remarked, " this is the first time 'bigness' has been equated with honesty." [603] One

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[600] Testimony of Paul Rand Dixon, Acting Chairman, Federal Trade Commission. Franchising Practices Reform Act. Hearings before the Subcommittee on Consumer Protection and Finance of the Committee on Interstate and Foreign Commerce. House of Representatives, 9th Congress, Second Session. HR 8349 and HR 8992. March 9,10,11, 1976. Serial No. 94-99. Washington, D.C.: U.S. Government Printing Office, 1976, 336.
[601] Harold Brown. "Chapter 8: Franchising" *Annual Survey of Massachusetts Law*, Volumes 1970, Article 11, 154.
[602] Delaware was the first state to pass legislation governing the franchise relationship in 1970.
[603] Harold Brown. "Chapter 8: Franchising" Annual Survey of Massachusetts Law, Volume 1970, Article 11, 161.

of my key findings is that failure could, and did, happen to any fast-food player regardless of size, time in business, number of franchises, or food service experience.

The House Subcommittee on Consumer Protection and Finance held hearings for the Franchising Practices Reform Act in March of 1976. [604] The four primary stated goals set out to ensure franchisors deal fairly with franchisees, achieve a more even balance of power, provide remedies for fair dealing, and help consumers reap the benefits from a free market economy. [605]

The International Franchise Association opposed government intervention because they believed it would stifle competition and hurt consumers. The IFA had started to clean up the industry, and I believe that continued to be their legitimate goal. The IFA president pushed for "full and fair disclosure of all information which is material to the purchase and continuing operation of the franchise." [606] His counterpart, the IFA legal counsel, argued that the states had the power to legislate, and he again reiterated his commitment to contract law. On the contrary, he also made the case that "the antitrust laws already protect franchisees from a wide range of abuses." [607]

The hearings introduced testimony and company correspondence showing how

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[604] Franchising Practices Reform Act. Hearings before the Subcommittee on Consumer Protection and Finance of the Committee on Interstate and Foreign Commerce. House of Representatives, 9th Congress, Second Session. HR 8349 and HR 8992. March 9,10,11, 1976. Serial No. 94-99. Washington, D.C.: Us Government Printing Office, 1976.

[605] Franchising Practices Reform Act. Hearings before the Subcommittee on Consumer Protection and Finance of the Committee on Interstate and Foreign Commerce. House of Representatives, 9th Congress, Second Session. HR 8349 and HR 8992. March 9,10,11, 1976. Serial No. 94-99. Washington, D.C.: U.S. Government Printing Office, 1976. 2.

[606] Testimony of Jerry H. Opack, President, IFA. Franchising Practices Reform Act. Hearings before the Subcommittee on Consumer Protection and Finance of the Committee on Interstate and Foreign Commerce. House of Representatives, 9th Congress, Second Session. HR 8349 and HR 8992. March 9,10,11, 1976. Serial No. 94-99. Washington, D.C.: Us Government Printing Office, 1976, 230.

[607] Testimony of Phillip F. Zediman. IFA Counsel. Zeidman went on to represent the IFA for decades and appeared before Congress numerous times and helped shape franchise legislation. Franchising Practices Reform Act. Hearings before the Subcommittee on Consumer Protection and Finance of the Committee on Interstate and Foreign Commerce. House of Representatives, 9th Congress, Second Session. HR 8349 and HR 8992. March 9,10,11, 1976. Serial No. 94-99. Washington, D.C.: U.S. Government Printing Office, 1976, 236.

mainline franchisors, like McDonald's or Baskin Robbins, drove franchisees out of business. McDonald's weighed in to claim that only between 25 and 50 operators complained out of 1100. Four years before renewal or what they called rewrites, the franchisee's performance underwent an evaluation. As McDonald's admitted, they did not want to renew using the twenty-year-old contracts.[608] The FTC chair argued for specific reforms that would prevent non-renewals except in the case of good cause, withdrawal from market areas, or other legitimate business reasons. The FTC also proposed binding arbitration as a settlement method.

Robert Demery was a Dunkin' Donuts franchisee from Hartford, CT, who testified that he was five years away from his renewal. His concern was that the proposed legislation was not retroactive and that proposed changes might discourage franchisors from offering new franchises. If that were the case, he would find himself competing against company-owned stores. While his may have been a minority opinion, there is no exact way to understand the scope of other Dunkin' outlet owners. Cliff Rosett represented the National Baskin Robbins Store Owners expressed his concern that he could have his franchise canceled because he testified. [609]

Perhaps the most revealing testimony came from Roger Brown of Afri-Kingdom Chicken. After explaining the troubles he faced as a Black businessman, he explained how Afri-Kingdom worked. He used a franchise agreement with a twenty-year term with

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[608] Testimony of Norman Axelrod, Vice President, Public affairs, McDonald's. Franchising Practices Reform Act. Hearings before the Subcommittee on Consumer Protection and Finance of the Committee on Interstate and Foreign Commerce. House of Representatives, 9th Congress, Second Session. HR 8349 and HR 8992. March 9,10,11, 1976. Serial No. 94-99. Washington, D.C.: U.S. Government Printing Office, 1976, 300.

[609] Franchising Practices Reform Act. Hearings before the Subcommittee on Consumer Protection and Finance of the Committee on Interstate and Foreign Commerce. House of Representatives, 9th Congress, Second Session. HR 8349 and HR 8992. March 9,10,11, 1976. Serial No. 94-99. Washington, D.C.: Us Government Printing Office, 1976, 71.

a 3% royalty. The franchisees paid a minimum rent specified against a general rent of 8% gross sales. The franchisees had a 3% advertising fee, all of which were in line with other offers. Afri-Kingdom went bankrupt in December of 1975 with a new owner who did not service the chicken chain. In the end, Brown lamented, “hundreds of franchisors such as Afri-Kingdom chicken have failed, and that franchising has hurt franchisees more than it has helped.” In closing, he made a prescient point that successor franchisors can simply take over the business, terminate the franchisees, and renew the cycle. [610]

As noted by John Y. Brown, former president of Kentucky Fried Chicken, in his testimony before the congressional subcommittee, “this emotional dream, the desire of every American to own his own business, to be his own boss, has many pitfalls. He is easy prey for the hot-shot promoter because the stakes are so high here.” [611]

At the hearings, the largest companies and the IFA dominated the discussions. The testimony skewed towards the large industry players, and the government equivocated as it tried to create a compromise solution. Whenever a witness needed to underscore a point, they did so by invoking franchising's importance to the economy. It would not be long before the franchising industry faced its first mandatory reforms. After the hearings, the Federal Trade Commission took several years to complete its rule-

[610] Testimony of Roger L. Brown, President, Afri-Kingdom, Inc. Franchising Practices Reform Act. Hearings before the Subcommittee on Consumer Protection and Finance of the Committee on Interstate and Foreign Commerce. House of Representatives, 9th Congress, Second Session. HR 8349 and HR 8992. March 9,10,11, 1976. Serial No. 94-99. Washington, D.C.: U.S. Government Printing Office, 1976. Pp. 378-9. Federal Register: 43 Fed. Reg. 59465 (Dec. 21, 1978).

[611]Testimony of John Y. Brown, Kentucky Fried Chicken. Franchising Practices Reform Act. Hearings before the Subcommittee on Consumer Protection and Finance of the Committee on Interstate and Foreign Commerce. House of Representatives, 9th Congress, Second Session. HR 8349 and HR 8992. March 9,10,11, 1976. Serial No. 94-99. Washington, D.C.: U.S. Government Printing Office, 1976. Pp. 378-9. Federal Register: 43 Fed. Reg. 59465 (Dec. 21, 1978).

making process.

The 1978 Federal Trade Commission Rule required franchisors to provide a presale document containing specific information and a franchise agreement starting in July 1979. [612] The rule ensured that prospective buyers had updated and accurate information before buying a franchise. (Table 2) The rule also applied to franchise brokers, most of whom resold franchises or matched buyers and sellers. There is no requirement that individuals selling to another buyer follow the rule.

The rule specifically mentioned that franchising is not an industry; it is a legal relationship. The regulation specified that a franchise had to meet three tests. The franchisee sold goods or services under a trademark or symbol, the franchisor exercised significant control over operations, and a payment of $500 or more would occur within the first six months.

The FTC specifically designed the legal tests to meet the definition of franchising in a way that could be easily understood by lawyers. The use of the franchise mark, logos, and signage are straightforward. These trademarks made recognizing fast-food outlets a simple task. The control test provided examples of accounting, hours of operation, management support, promotional campaigns, site selection, training, and other business supports. Fast-food franchisees lived by the manual of operations, which stipulated compliance guidelines, often in excruciating detail. The required payment could be in the form of equipment or supply purchases, franchise fees, royalties, or rent.

[612] The Uniform Franchising Offering Circular is found in Appendix A of Franchising and Business Opportunity Ventures: Disclosure Prohibitions and Requirements Federal Register: 43 Fed. Reg. 59465 (Dec. 21, 1978). 59626. Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures. 16 CFR 436.

The FTC Rule required detailed and recent accounting of the firm's finances in plain language. The seller had to deliver it at the first in-person meeting or ten days before the sale. The financials had to be updated quarterly and within ninety days of year-end. All earnings claims had to be meticulously documented and accompanied by a mandatory caution statement. The language specified that an earnings claim must be "geographically relevant to prospective franchisees proposed location." [613] In the same vein, it required the names and addresses of the nearest franchisees. These mandates prevented franchisors from steering buyers to only successful locations or using out of area statistics. Also required were prior felony convictions or bankruptcies of any franchise owners. All of the detailed indicators provided data but also assumed that buyers could evaluate them. Some dishonest franchisors tried to hide in complexity or used accounting jargon.

Lastly, the rule spelled out penalties in the form of cease and desist orders, civil court actions, and monetary penalties. Enforcement areas included failure to furnish a complete set of disclosure documents, not returning refundable deposits, and advertising claims that could not be supported. The monetary penalty was $10,000 for each occurrence, although this amount seemed negligible for many franchisors. The rule recognized the states, saying the bill preempted their actions when the state code provided less protection. [614] Some states had used a Uniform Franchise Offering Circular

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[613] John M. Tifford. "The Federal Trade Commission Regulation Rule on Franchise and Opportunity Ventures" *The Business Lawyer,* April 1981, Vol. 36, No. 3 (April, 1981) 1056. Tifford was the FTC attorney in charge of franchise regulation.
[614] John M. Tifford. "The Federal Trade Commission Regulation Rule on Franchise and Opportunity Ventures" *The Business Lawyer,* April 1981, Vol. 36, No. 3 (April, 1981) 1058.

to provide more protection to franchisees. [615] While states could invoke these, the FTC rule provisions took priority. At long last, protections and penalties for franchisees had been codified. All parties agreed that while not perfect, the federal government now respected the importance of franchising.

Table 2 Summary of FTC Rule Required Disclosure Items

1.	Identifying information about the franchisor.
2.	Business experience of the franchisor's directors and key executives.
3.	The franchisor's business experience.
4.	Litigation history.
5.	Bankruptcy history.
6.	Description of the franchise.
7.	Initial funds required to be paid by the franchisee.
8.	Recurring funds required to be paid by the franchisee.
9.	Persons affiliated with the franchisor.
10.	Franchisee obligation to purchase or lease.
11.	Revenues received in consideration of purchases by a franchisee.
12.	Financing arrangements.
13.	Legal restrictions placed on a franchisee's conduct of its business.
14.	Personal participation required of the franchisee.
15.	Termination, cancellation and renewal of the franchise.
16.	Statistical information about the number of franchises and rate of termination.
17.	Site selection.
18.	Training program.
19.	Celebrity involvement with the franchise.
20.	Audited financial information about the franchisor.

The FTC Rule embraced disclosure as a form of regulation. Franchisees had hoped for more stringent regulations, large financial penalties against franchisor malpractices, and broader industry-wide reforms. The IFA had played a key role in shaping policy and propelled franchisors to victory. Over time, vertical restraints relaxed, and franchise corporations could comfortably consider themselves separate legal entities

[615]Legislative history from Franchising and Business Opportunity Ventures: Disclosure Prohibitions and Requirements. Federal Register: 43 Fed. Reg. 59465 (Dec. 21, 1978). 59723.

from their franchisees. Simultaneously, the federal government supported reforming the industry on the front end. Franchisee groups wanted more back end protections after the sale in addition to pre-signing protections. Recognizing that the original FTC rules needed revisions, updating and rewriting the bill began almost immediately. Rather astoundingly, the process took until 2008, when the renewed rule took effect. Updates to the rule added new mandatory documents and made charts and plain language statements required. The package is now known as the FDD or Franchise Disclosure Document. [616] In short, the franchise reforms that grew from the 1950s to the 1980s ensured that franchising gained legal recognition as a unique entity.

[616] "Franchise Rule Compliace Guide". Federal Trade Commission, May 2008. https://www.ftc.gov/system/files/documents/plain-language/bus70-franchise-rule-compliance-guide.pdf November 2, 2020.

CONCLUSION

The baby boom meant that young families moved to the suburbs in record numbers, often leaving behind their cultural roots and foodways. Fast food and its cousin, processed food, brought sameness and sterility to these consumers during the postwar years. The latest generation sought authenticity in decidedly American food choices, such as Wonder bread or Velveeta cheese. Many growing families counted on a franchise, such as Ace hardware, to meet their needs in a new neighborhood.[617] In the same manner, they sought familiarity as they traveled the new highways, looking for Sinclair gasoline or a Holiday Inn. Of all the franchise outlets consumers encountered, fast-food was the most common.

Fast-food quickly became a favorite of children, who learned about it from television commercials. Postwar ad campaigns emphasized the relationship between economic prosperity, domestic consumption, and youth. [618] These outlets increasingly catered to young children with specially designed items, such as the Top's Drive-Inn shrimp meal and toy boat. Despite this seafood offering, the hamburger outlet became the most common form of drive-up. Children enjoyed a handheld sandwich, and parents may have felt better about a beef option than a hot dog made from questionable ingredients. As youngsters requested fast-food and parents acquiesced, the number of fast-food

[617] Ace hardware grew quickly between 1960 and 1969 opening new distribution centers in California and Georgia. "Company History". *2018 Ace Annual Report and Financials*. p. 3. Online edition: http://presspage-production-content.s3.amazonaws.com/uploads/1818/annual-report-2018-final-661726.pdf?10000 . November 20, 2020.
[618] See "Selling to America: Children, Consumer Advertising, and the Cold War" in Victoria M. Grieve. *Little Cold Warriors: American Childhood in the 1950s.* (New York, N.Y.: Oxford University Press, 2018). Oxford Scholarship Online. https://www.universitypressscholarship.com/ November 18, 2020.

locations grew to meet the new demand.

Fast-food appealed to potential franchisees because it held broad appeal and served a diverse customer base. The media's role in advertising hamburgers and complementary products, such as Coca-Cola, reinforced the message that fast-food continued to grow in popularity. The idea of updating an existing business form may have influenced potential franchisees. A hamburger stand did not mean an amorphous appeal to nostalgia. Instead, it framed quick-service outlets as a modern business. Due to a growing infrastructure that served the entire food industry, fast-food franchisors often had more developed systems in place. Celebrity owned franchises also added legitimacy to franchising. More than any other factor, the idea of a quick return on investment likely convinced people to enter the industry.

Most potential franchisees made the mistake of looking at the benefits that franchising offered when compared to an independent business. Advantages of fast-food franchising included location selection, less initial capital, consumer accepted products, volume purchasing, national publicity, managerial assistance, and research and development. [619] If nothing else, these tangible benefits got sold as cost and time-saving, and companies touted them continuously. A Bank of America report reminded franchisees that "the benefits are not free, the franchisee pays for them in various ways." [620]

[619] Others included training, advantageous rental or lease rates, equipment specifications,etc. See Harry Kursh. *The Franchise Boom: New Revised Edition*. (Englewood Cliffs, N.J.: Prentice Hall, Inc.1969) 44.
[620] "The Franchise Business". Small Business Advisory Service, *Small Business Reporter*, Vol. 6, No 12. (San Francisco, CA: Bank of America, 1965) Quoted in Harry Kursh. *The Franchise Boom: New Revised Edition*. (Englewood Cliffs, N.J.: Prentice Hall, Inc.1969) 44.

Franchisees should have looked at how parent companies tried to control them and the underlying risks. Why would an individual submit to this conformity? Harry Kursh, the well-known franchise author, called this the "disadvantage of overdependence." [621] He suggested that many franchisees abandoned their intuition or business experience and relinquished control to the franchisor in the belief that the company always acted in the best interest of individual franchisees. In practice, companies dictated policies that may have hurt individuals for the greater good. The interdependency of all franchisees caused problems since a bad experience at one location impacted all locations. Franchisees submitted to the operations manual and strict control because they imagined themselves as equal partners with the firm. In practical terms, the franchisee became an operator, despite being called owner-operators.

Advertisements in franchise magazines emphasized the individual's role in this partnership. Individuals likely knew that many advertisements contained exaggerations and false promises. *Modern Franchising*'s tagline, "Own a Franchise in America's Future," linked the ideas of individualism, modernity, patriotism, and longevity. In other cases, phrases such as "improper to reveal his actual income" led readers to believe franchising could be quite lucrative. [622] *Challenge* magazine called franchising "affiliation without subordination." [623] For franchisees, being willing to accept corporate dominance simply meant finding ways to work around the system. For example, to have their voices heard, African-American McDonald's franchisees formed the National Black

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[621] Harry Kursh. *The Franchise Boom: New Revised Edition*. (Englewood Cliffs, N.J.: Prentice Hall, Inc.1969) 45
[622] Nikki Fink. "Steel Company Executive Now Says – My Business is Donuts" in *Modern Franchising* October/November, 1965. p. 30. NMAH -A. Bernie Wood Collection, No. 962, Box 2, Folder 1.
[623] "Franchised but Independent", *Challenge*, August-September, 1957, 69

McDonald's Operators Association in 1972. All of the members owned franchises, but the group used “Operators” in the title. I would contend that most franchisees had worked for wages, and many had served in the military, and both had learned to accept authority.

Despite the many success stories and claims of success, failures happened more often than publicly acknowledged by the industry. The reasons are complex and include economic downturns, wrong locations, legal issues, food safety, and inexplicable consumer preference. During the long history of franchising and especially during the 1970s, economic downturns and corporate buyouts impacted franchisees and franchisors. Burger Chef had more outlets than McDonald’s and did poorly under ownership by General Foods, and Hardee’s dismantled the chain. The real estate mantra of location played out in two distinctly different ways. One is that inner-city locations experienced unique difficulties, ranging from gang issues to corporate neglect, that led to closures. The second is the role of regionalism, as the case of NEBA illustrated. Chicken Delight found itself the victim of a court ruling that caused most franchisees to abandon the chain. Questions about food safety harked back to the 1920s when the purity of ingredients in a hamburger came under scrutiny. White Castle leveraged the color white and its association with hygiene. In a modern example, an e-coli outbreak hurt the Jack in the Box chain.

Changing consumer preferences, or what I have termed the vagaries of the marketplace, accounted for many of the failures. Most market leaders simply followed the franchise formula of the leading firm in that business line. In some cases, franchisees entered a market with limited or oversold potential, as in roast beef. As the Hardees’s report shows, fast food hamburgers also turned on the smallest details. New products could become category leaders as in the Big Mac or Whopper. No mainline firm broke out of their original product line. The case of Dunkin' Donuts failed hamburger effort is puzzling but best attributed to a lack of corporate interest. The same is true for Carvel's Hubie Burger, which had units in operation for several years.

Although its founder, Dave Thomas, had experience with Kentucky Fried Chicken, the upstart Wendy's grew while other chains declined. Wendy's advertising, pricing, menu, and food seemed in line with the other chains. Given the industry's inbred nature and standard products, such as frozen fries from Simplot, it is doubtful that taste played a large role. Burger King flame broiled its burgers, as did others, thus cooking methods did not seem to be a significant product differentiator. Some celebrities found success, like Gino Marchetti or African-American Brady Keys and his All-Pro Chicken. Most celebrity ventures collapsed. Even A. Bernie Wood, who had found tremendous success with McDonald's corporate makeover, could not save some clients, like Afri-Kingdom Chicken. Even expert branding and marketing could not guarantee success.

The arc of fast-food franchising changed over time, from simply replacing a local drive-in to a new and highly complex business form. The history of fast food franchising occurred during several phases. The 1950s saw the creation, growth, and expansion of large chains. Here the franchisor reigned supreme, as Dunkin' Donuts, Carvel, and others proved. The franchise model was in effect, and I suggest that these early players acted more like chain stores with heavy handed corporate controls as evidenced by the early lawsuits like *Susser v. Carvel*. The suburban growth years founded the supply chain that would be critical in a firms' ability to procure, store, and distribute items. Americans developed their taste for processed and fast food.

By the 1960s, both the chains and franchising underwent dynamic growth, as McDonald's and Kentucky Fried Chicken proved. It appeared that franchising provided new entrepreneurial entry points into the marketplace. Between 1965 and 1970, the number of franchised systems grew from 350 to 750. The peak year for franchises occurred during 1968, despite the nation's turmoil. [624] During this time, the franchise model became fully developed, the International Franchise Association started, and franchising entered the national conversation. The mass-market media's association of franchising with unlimited earning narrative emerged during this time. The franchise industry held power and worked hard to protect the reputation of its member companies. At the same time, fraudulent activity countered industry claims. The story of how the Black experience diverged from the mainstream is a vital part of franchising in this decade. African-Americans fought back against redlining, discrimination, and prejudice.

By the early 1970s, fast-food restaurants cluttered the landscape, and some early entrants looked for new places to expand, such as rural areas or city locations. The economy had a tremendous impact on the entire industry, especially the recession of 1974. Corporate buyouts and acquisitions forced closures or rebranding of many units. The large firms used their liquidity and cash reserve to buy back franchised locations, particularly as the first generation of twenty-year franchise agreements came up for

[624] Urban B. Ozanne and Shelby Hunt. "The Economic Effects of Franchising " Select Committee on Small Business, United State Senate. Report prepared for the Small Business Administration". 92nd Congress, 1rst Session. Committee Print. (September 8, 1971), 1.

renewal. By far, the most impactful change in all of franchising occurred in 1978, with the introduction of the FTC Franchise Rule. The federal government defined franchising as a legal relationship and regulated the contractual arrangements and mandated disclosure practices. The rule bookmarked the change from an early organic system to a highly complex business form.

As time went on, Americans seemed to have a never-ending appetite for salt, sugar, and fat. Media campaigns and promotions targeted specific groups, especially people of color. The most vulnerable populations find themselves saddled with the unhealthiest food choices. A rich and growing literature explores this phenomenon. Even the modern fast-casual chains, typified by Chipotle, mostly offer items high in calories, fats, and carbohydrates.[625] The franchise industry continues to offer a variety of fast-food franchising opportunities. [626]

Thinking about fast-food franchises results in cognitive dissonance. The crucial context of quick-service restaurants mirrored the societal norms, values, and attitudes in postwar America. Fast-food led the way in foodservice innovation and provided an opportunity for many while denying others. Many factors contributed to the ups and downs of the franchise business cycle for firms and franchisees. Perhaps consumer taste proved to be the ultimate arbiter of success. Franchising's growth proved too fragile and highly contingent and bankrupted many aspiring entrepreneurs. Franchising's reality

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[625] See "Chipotle Nutrition Calculator" at https://www.chipotle.com/nutrition-calculator October 20,2020.
[626] The list is quite diverse and extensive and entry costs vary from $80,000 to $1,750,000 most in the $250,00 range. See American Food Franchise Opportunity Guide. Franchising.Com https://www.franchising.com/food_franchises/ November 20, 2020.

deviated from its popular image. Then again, so did and does much of America. The story of fast food franchising, for better or worse, is the story of America.

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