



////Title: Chick-fil-A: Successes, Failures and International Expansion Challenges amid LGBTQ Protests

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In today's corporate America, rapid growth and success often comes tied to some form of controversy. Perhaps one of the best examples of this is the restaurant chain Chick-fil-A (**chick-fill-ay**). Driven by the huge popularity of its chicken sandwiches, Chick-fil-A had propelled itself to 10 billion dollars in annual sales by 2019. However, public backlash in response to donations made on behalf of the company to groups with anti-LGBTQ views has recently slowed the momentum down, raising questions about the viability of the company's aggressive international expansion strategy. In a recent case study, Dr Bertrand Guillotin (**GEE-oh-ten**) explores both the positive and negative aspects of Chick-fil-A, its rise to become a global market leader and the stumbling blocks it has encountered, which have often been self-induced.

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Samuel Truett Cathy opened the first Chick-fil-A restaurant in 1967 in an Atlanta shopping mall. Having already achieved moderate success with a restaurant called Dwarf Grill, Cathy was already beginning on an upwards trajectory. Fuelled by the subsequent popularity boom of shopping malls, this inaugural Chick-fil-A experienced great success.

In fact, this success allowed Cathy to fulfil his goal of franchising the restaurant to business owners across the US. Cathy's franchise model was innovative, and was quite unlike that used by McDonald's and other fast-food competitors. With no upfront costs, franchise fees as low as 10 thousand dollars (compared to 45 thousand for McDonald's) and all start-up and operational costs covered by Chick-fil-A, the franchise soon became very appealing to aspiring business owners.

Despite having franchises in 47 US states by 2019, Chick-fil-A has a very selective process for choosing who can represent the brand. This is perhaps best shown in the numbers: out of 60 thousand applicants per year, only 75 to 80 are approved annually. By offering an attractive franchise model and only selecting candidates that are in line with the values of the company, Chick-fil-A franchising remains one of the central contributors to the overall success of the business.

Another central pillar of Chick-fil-A is its core Christian values, which dictate the company's behaviour. From being shut on Sundays to pledging millions in scholarship donations, the company has stayed true to Cathy's self-proclaimed 'moral and corporate compass'. It is also this value system that has led to the restaurant being famed for its polite staff, and being one of the top 100 places to work in the US – as rated on Glassdoor in both 2014 and 2018.



In a recent case study, Dr Bertrand Guillotin at Temple University's Fox School of Business in Philadelphia suggests that these factors have led to the business growing comfortably into the fast-food giant it is today.

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However, the very same 'Christian values' that have ignited much of Chick-fil-A's success have also led to actions that have come under international scrutiny, representing a major stumbling block in the company's expansion. This has included donating millions of dollars to organisations that are fundamentally against same-sex marriage and support so-called 'conversion therapy' for those in the LGBTQ community. With the current CEO, Dan Cathy, stating that Chick-fil-A is in favour of the 'biblical definition of marriage', immediate backlash from the public and media began. This notoriously reached political levels, becoming a subject of debate in the 2012 presidential campaign.

Unperturbed by this public outrage, the company continued to make donations to these organisations, totalling several million dollars between 2015 and 2017. This led to Chick-fil-A scoring a zero in the *Human Rights Campaign's Buyers Guide*, as well as Chick-fil-A restaurants being unable to open their doors in San Antonio and Buffalo airports.

Dr Guillotin observes that in spite of public backlash over the company's outdated ideologies, Chick-fil-A continued to grow in the US, with sales doubling between 2012, when the problems began to surface, and 2019. The reason behind this, Dr Guillotin states, is that customers were able to compartmentalise the two different sides of the company, and were willing to continue dining at the restaurants even if they found Cathy's ideologies to be offensive.

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Having previously unsuccessfully tested the waters in Canada during the 1990s and in 2014, as well as attempting to expand in Europe via a store in Lyon, France, Chick-fil-A once again looked towards the international market to expand its brand in 2019. The plan was to open a fully serviced restaurant in Toronto, Canada, and another in Reading, England. Dr Guillotin notes that this idea was simple in theory, but in reality, its execution was much more difficult.

Unlike the US, where customers appeared to be willing to separate politics and food, the response in both Canada and England was very different. In England, for example, following protests from gay-rights activists, Chick-fil-A was unable to renew its lease in the Reading shopping centre in which it was based. Oracle, the owners of the shopping mall, stated that this was 'the right thing to do'.

Although the opening in Toronto ultimately did not lead the restaurant's closure, it did come under scrutiny and sparked a number of major protests from Toronto residents. Dr Guillotin notes that the



backlash was not only in the form of protests and boycotts from the customer base, but also from the local media. In particular, a renowned newspaper columnist expressed frustration with the opening. However, Dr Guillotin concedes that supporters present at the store launch did seem to outnumber the protesters.

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With growing domestic success and a proven franchise business model, Chick-Fil-A has undoubtedly performed well in the US. However, after failing in the UK and generally receiving large amounts of backlash from the public and the media, Dr Guillotin questions whether an international model for Chick-fil-A can be successful, and how they might navigate the minefield they currently find themselves in.

Dr Guillotin wrote this case study as a tool to spark classroom discussions, for students taking courses on global strategy, strategic management, leadership, public relations management, or international marketing. After working through this case and related assignments, he hopes that students will have a deeper understanding of a number of different areas, including the impact of societal changes on a company's internationalisation strategy, the business impacts of leadership decisions and statements, and international growth strategies and their implications.

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This SciPod is a summary of the case study 'Chick-fil-A: International Expansion Challenges', available at <https://www.iveycases.com/ProductView.aspx?id=108881>.

For further information you can connect with Dr Bertrand Guillotin at bertrand@temple.edu