

RAY KROC: THE MAN BEHIND MCDONALD'S

This article details the success story of Ray Kroc, the man behind McDonald's. A school dropout, Kroc was the first to use mass production methods in a service industry. In this article, the author details Kroc's classy salesmanship, which turned a small fast-food chain into a global corporation.

How It All Started Ray Kroc was a salesman and exclusive distributor of a five-spindled milkshake-making machine called the Multimixer. Kroc sold some of his machines in California to the McDonald brothers, who ran a small chain of fast-food stores there. Upon hearing of the chain's success, Kroc visited the restaurants and was surprised to see the speed with which they served people. Kroc approached the brothers with the idea of opening franchised outlets of the restaurant in Illinois. The proposal was accepted, and Kroc opened his first restaurant in Des Plaines, Illinois, on April 15, 1955 (the corporation dates its founding to the opening of this first franchised restaurant, the ninth McDonald's restaurant overall). The Des Plaines restaurant recorded first day revenues of \$366.12. The Des Plaines restaurant building has since been converted into a museum containing a variety of McDonald's artifacts. When Kroc opened the Des Plaines restaurant, he was 52 years old, had diabetes, incipient arthritis, and had lost his gall bladder and thyroid gland. In spite of his health problems, though, he was never deterred. He knew he was heading for something big.

Ray Kroc's McDonald's Journey1954: Ray Kroc becomes fascinated by the McDonald's restaurant during a sales visit, approaches the McDonald brothers with a proposition to let him franchise McDonald's restaurants outside California and Arizona. **March 2, 1955:** Kroc founds "McDonald's Systems, Inc.", as a legal structure for his planned franchises. **April 15, 1955:** Kroc opens his first McDonald's restaurant in Des Plaines, IL, in suburban Chicago. **July, 1955:** Kroc opens his second McDonald's restaurant in Fresno, CA, operated by Art Bender, Kroc's first subfranchisee. **1955:** Kroc hires Harry J. Sonneborn as his chief financial officer. Sonneborn remained a key influence in the McDonald's corporation till his resignation in 1967. **1955:** Kroc hires Fred Turner as a grillman in his store in Des Plaines. **1960:** Kroc's company is renamed McDonald's Corporation. **1961:** The McDonald brothers agree to sell Kroc business rights to their operation for \$2.7 million. **1963:** Kroc decides to market McDonald's hamburgers to families and children. **1984:** Kroc dies. *Source: Wikipedia*

Kroc's Marketing Stunts Low franchising fees helped spur the rapid expansion of McDonald's restaurants. By 1960, the company operated in about 200 locations. In 1961, Ray Kroc paid \$2.7 million to acquire the McDonald's Corporation from the McDonald brothers; at the time, the deal was one of the most lucrative in restaurant industry history. In 1956, Kroc set up the Franchise Realty Corporation, purchased land, and leased it out to McDonald's franchisees. The corporation maintained ownership of the land on which the franchisees operated. This concept was a hit. The revenues received from the franchisees helped Kroc raise capital in the financial markets. The company expanded rapidly as more and more franchises were established. In 1963, America had its first introduction to the happy clown who is today known around the world as Ronald McDonald. Television advertisements attracted both children and adults, who now thronged McDonald's locations. The restaurant's speedy service, which Kroc had inherited from the McDonald brothers, was further modified. He developed a sophisticated operating and delivery method, and also insured that the food the restaurant served at its locations in Illinois was the same as that served in New York City. In 1965, Kroc was already reaping enormous profits with \$171 million in sales from 710 McDonald's spread across forty-four states. The company went public on April 15, selling 300,000 shares for \$22.50 each. The share price soon skyrocketed to \$49 dollars, making Kroc and other shareholders even richer. In 1967, to ward off competition, the company spent \$2.3 million, a sum equal to one percent of its sales, on its first major national advertising campaign. At the time, such a large advertising budget sounded crazy for a restaurant business. **A Global Reach** Kroc stepped down as chief executive in 1968 and handed the reins to Fred Turner. Kroc remained the symbolic leader but did not retain much influence over the company's day-to-day operations. McDonald's restaurants are today located in 120 countries around the world and serve about 54 million customers daily. One-third of the company's franchises are found in foreign lands. Ray Kroc died in 1984, just ten months before McDonald's sold its fifty billionth hamburger.

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