Ray Kroc, McDonald's, and the Fast-Food Industry

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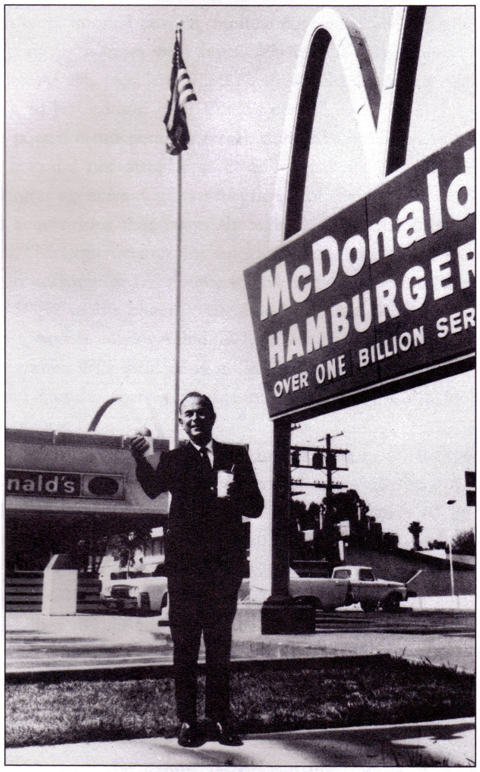

Ray Kroc, in front of one of his ubiquitous McDonald's restaurants.

In 1954, a fifty-two-year-old milk-shake machine salesman saw a hamburger stand in San Bernardino, California, and envisioned a massive new industry: fast food. In what should have been his golden years, Raymond Kroc, the founder and builder of McDonald's Corporation, proved himself an industrial pioneer no less capable than Henry Ford. He revolutionized the American restaurant industry by imposing discipline on the production of hamburgers, french fries, and milk shakes. By developing a sophisticated operating and delivery system, he insured that the french fries customers bought in Topeka would be the same as the ones purchased in New York City. Such consistency made McDonald's the brand name that defined American fast food.

By 1960, there were more than 200 McDonald's outlets across the country, a rapid expansion fueled by low franchising fees. Ray Kroc had created one of the most compelling brands of all time. But he was barely turning a profit. Ultimately, it was his decision to use real estate as a financial lever that made McDonald's a viable operation. In 1956, Kroc set up the Franchise Realty Corporation, buying up tracts of land and acting as a landlord to eager franchisees. With this step, McDonald's began to generate real income, and the company took off. Kroc then introduced national advertising programs to support the rapidly proliferating franchises, and when it appeared that growth in the company's home territory was slowing in the early 1970s, he started an energetic and successful push to make McDonald's a global presence. Throughout the company's spectacular growth, Kroc maintained a delicate balancing act, imposing rigorous system-wide standards while encouraging an entrepreneurial spirit that welcomed ideas from all levels. Many of these ideas contributed to the company's astonishing success.

In amassing a $500-million fortune, the king of the hamburger transformed the nation's cultural landscape and forged an industry that is among America's greatest exports. The widely imitated success of McDonald's offers an excellent example for today's managers and executives searching for greater production efficiencies. By putting the humble hamburger on the assembly line, Kroc showed the world how to apply sophisticated process management to the most prosaic endeavors. To succeed the McDonald's way, companies must define the basic premise of the service they offer, break the labor into constituent parts, and then continually reassemble and fine tune the many steps until the system works without a hitch. Today, companies engaged in delivering pizzas, processing insurance claims, or selling toys benefit from the kinds of systems that Ray Kroc pioneered, To the degree that such operations maintain quality control, and cherish customer satisfaction, profits may flow.

Discovering the Future in San Bernardino

As a milk-shake machine salesman, Raymond Kroc routinely paid visits to clients. But when the fifty-two-year-old salesman traveled from his home near Chicago to southern California to meet two of his biggest clients, the result was anything but routine.

Maurice and Richard McDonald had left New Hampshire in 1930, seeking to make their fortune in Hollywood. Unable to strike it big in Tinseltown, the brothers wound up as proprietors of a drive-in restaurant in San Bernardino, a dusty outpost fifty-five miles east of Los Angeles.

While most restaurants bought one or two Prince Castle Multimixers, which could mix five shakes at once, the McDonalds had purchased eight. And Kroc was curious to see what kind of operation needed the capacity to churn forty milk shakes at one time. So he trekked to San Bernardino, and what he saw there changed his life. Kroc stood in the shadows of the stand's two radiant golden arches, which lit up the sky at dusk, and saw lines of people snaking outside the octagonal restaurant. Through the building's all-glass walls, he watched the male crew, clad in white paper hats and white uniforms, hustle about the squeaky-clean restaurant, dishing out burgers, fries, and shakes to the working-class families that drove up. "Something was definitely happening here, I told myself," Kroc later wrote in his autobiography, *Grinding It Out*. "This had to be the most amazing merchandising operation I'd ever seen."

Unlike so many food-service operations Kroc had come across, this joint hummed like a finely tuned engine. As *Forbes* put it: "In short, the brothers brought efficiency to a slap-dash business." They offered a nine-item menu—burgers, french fries, shakes, and pies—eliminated seating, and used paper and plastic utensils instead of glass and china. They had also devised the rudiments of a hamburger assembly line so they could deliver orders in less than sixty seconds, And the prices were remarkably low: fifteen-cent burgers and ten-cent fries. Kroc instantly knew he had seen the future. "When I saw it working that day in 1954, I felt like some latter-day Newton who'd just had an Idaho potato caromed off his skull," Kroc said. "That night in my motel room I did a lot of heavy thinking about what I'd seen during the day. Visions of McDonald's restaurants dotting crossroads all over the country paraded through my brain."

Kroc had seen his destiny. In 1906, Kroc's father had taken four- year-old Raymond to see a phrenologist—a practitioner of a nineteenth- century "medicine" that divined insights into a person's character and capabilities from the skull's shape and size. After groping and probing the bump on the youngster's head, the phrenologist pronounced that the child would work in the food-service industry.

Kroc had an intuitive feel for the restaurant business. He also possessed a more practical working knowledge of the industry, having spent the past thirty years selling paper products and milk-shake machines to restaurants all over the nation. In his journeys, Kroc saw an astonishing variety of operations—coffee shops, mom-and-pop dinettes, diners, burger stands, and ice-cream chains like Tastee-Freez—and became something of an expert on the low end of the American restaurant scene. Kroc concluded that too many of his clients were hamstrung by haphazard, unscientific management. And to their great chagrin, Kroc took to offering unsolicited advice on how they could improve their businesses. "I considered myself a connoisseur of kitchens," he said. "I prided myself on being able to tell which operations would appeal to the public and which would fail."

Kroc felt sure the McDonald brothers' operation could succeed wildly if it expanded. So the next day, he offered them a proposition. "Why don't you open a series of units like this?" he asked. The brothers demurred. They had already sold franchises in Phoenix and Sacramento for very little money, and had reaped no great benefits. At root, they were indifferent businessmen, satisfied with the $100,000 they earned annually and unwilling to invest the energy to build a chain. But Kroc was a veteran salesman with more than thirty years of experience. Using every ounce of persuasion he could muster, he finally convinced the brothers to cut a deal: Kroc would sell McDonald's franchises for the low price of $950. In exchange, he would keep 1.4 percent of all sales and funnel 0.5 percent back to the brothers. Because franchisees kicked back such a meager percentage of total sales—just 1.9 percent—the corporate parent made very little money.

This arrangement was far more favorable to the McDonalds' than to Kroc, for that small slice of revenues would have to account for Kroc's overhead and marketing costs—and profits. But it was the act of a desperate man. While Kroc made $12,000 a year from Multimixer sales, the business was marked for extinction due to heavy competition from Hamilton Beach-brand mixers. Too old to start again from scratch, the middleaged salesman believed the comfortable existence he and his wife, Ethel, led in suburban Arlington Heights, Illinois, would vanish if this venture failed. "If I lost out on McDonald's, I'd have no place to go," he said.

Branding a Service and an Operating System

With the deal in hand, Kroc set about fulfilling his vision of McDonald's restaurants blooming from coast to coast. He started by building the chain's first link—an experimental model in Des Plaines, Illinois, outside Chicago, that featured the same low prices, limited menu, and rapid service as the San Bernardino stand. Opening on April 15, 1955, the store rang up a respectable $366.12 in sales, and quickly became profitable. Kroc watched over the store with the vigilance of a new mother, personally overseeing the kitchen and scraping gum off the parking lot with a putty knife.

For Kroc, duplicating the McDonald brothers' single store was just the beginning. To build a chain, Kroc knew that he had to impose discipline on the loosely run restaurant industry. And that meant refining standardized operating procedures into easily replicable processes. Forty years earlier, Henry Ford had realized that the mass production of automobiles required the marriage of precision parts to an efficient assembly process. Kroc's insight was to apply the same rigor to the construction of sandwiches. Espousing the idea that "there is a science to making and serving a hamburger," Kroc endowed his beef patties with exacting specifications—fat content: below 19 percent; weight: 1.6 ounces; diameter: 3.875 inches; onions: ¼ ounce. Kroc even built a laboratory in suburban Chicago to devise a method for making the perfect fried potato in the late l950s.

The upstart company became an obsession for Kroc. "I believe in God, family, and McDonald's—and in the office, that order is reversed," he liked to say. But it seemed McDonald's always came first. Kroc's sales experience taught him that business was a Darwinian proposition, in which those least fit and adaptable would go the way of the dinosaur. Apparently, Kroc's marriage was not strong enough to survive the challenges of starting a new business. Ethel didn't share her husband's visceral feel for the restaurant business, and angered by Ray's late-life gamble, she resented the way the new company had taken over her husband's life. "This was a veritable Wagnerian opera of strife," Kroc wrote. "It closed the door between us." The thirty-nine-year marriage would finally end in divorce in 1961.

In seeking to build a chain, Kroc knew that McDonald's did not have the field to itself. When he opened for business in 1955, A&W, Dairy Queen, Tastee-Freez, and Big Boy were all modestly established chains, and the first Burger King (known then as InstaBurger King) had just opened in Miami. Consequently Kroc took great pains to differentiate McDonald's from these players—for competitive and intellectual reasons.

The crucial difference between Kroc and his rivals was one of world view. He saw franchisees as business partners, not as mere customers. In his travels selling the Multimixer, he had observed the way franchisers milked franchisees for profits without concern for their long-term viability. Kroc vowed not to fall into that lucrative but ultimately unproductive trap. "My belief was that I had to help the individual operator succeed in every way I could. His success would insure my success. But I couldn't do that and, at the same time, treat him as a customer," he said.

Instead of simply supplying franchisees with milk-shake formula and ice cream, Kroc wanted to sell his new partners an operating system. In other words, he branded a service. And this was the revolutionary means McDonald's would use to create a chain in which a store in Delaware and a store in Nevada could serve burgers of the exact same size and quality, each containing the same number of pickle slices and topped with the same-size dollops of mustard and ketchup, each arrayed on a similar tray alongside potatoes deep-fried for the exact same length of time. As Kroc recalled, "Perfection is very difficult to achieve, and perfection was what I wanted in McDonald's. Everything else was secondary for me." But the exacting demands served a strategic goal. "Our aim, of course, was to insure repeat business based on the system's reputation rather than on the quality of a single store or operator," Kroc said.

Among Kroc's first partners were fellow members of the Rolling Green Country Club who had seen Kroc's busy flagship store, which was a great advertisement for success. By 1958, Kroc had sold seventy-nine franchises, some of them to Rolling Green golfing buddies. Many customers, their curiosity piqued by a pleasant dining experience, knocked on Kroc's door. Still other prospective operators answered Kroc's newspaper ads. One of them was twenty-three-year-old Fred Turner, whom Kroc hired as a dollar-an-hour burger flipper in 1955. Turner shared his boss's fascination for the mechanics of burger-making, and quickly became a favorite of Kroc, who had only a daughter. "I have a son—his name is Fred Turner," wrote Kroc. Turner became Kroc's top assistant and joined two other key employees in the central office: June Martino, who had been Kroc's secretary from his Multimixer days; and Harry Sonneborn, a former Tastee-Freez finance executive who offered to come work for McDonald's for the low salary of $100 a week in 1955.

Real Estate as a Financial Engine

Although McDonald's franchises sprouted up across the Midwest and West like wildflowers after a spring rain, the company's success appeared to be short lived. While the original deal he had struck with the McDonald brothers endeared Kroc to early franchisees, it also set his fledgling enterprise on a direct course to insolvency. Through 1960, when the chain's restaurants racked up $75 million in sales, McDonald's earnings were a mere $159,000. "In short, Kroc's concept for building McDonald's was financially bankrupt," wrote McDonald's historian John Love. And Kroc's dream house of cards began to collapse under its own weight. Unable to give valued employees like Martino and Sonneborn raises, Kroc paid them by granting them 30 percent of the company. He further diluted his equity by ceding 22 percent of McDonald's stock to two insurance companies to get a $1.5-million loan in 1961.

Even this loan, obtained at remarkably onerous terms, only temporarily slaked the firm's thirst for capital: Kroc needed to raise a huge chunk of money—$2.7 million—to buy out the McDonald brothers. His relationship with them was a continuing source of irritation. They did not meet his precise standards at the McDonald's franchises they had sold in California. Worse in Kroc's eyes, they took the liberty of selling a McDonald's franchise to a competitor in Cook County, Illinois, Kroc's home territory. Such actions intensified Kroc's desire to manage the growing enterprise on his own. However much he came to rue his connection with the McDonald brothers, Kroc realized the value of product identification created by the more than 200 outlets bearing their name. "I needed the name," Kroc lamented. "How far could I go on Kroc burgers?" Desperate for ultimate control of the McDonald's name, in 1961 he mortgaged the company's future again. A New York money manager arranged a $2.7-million loan from several college endowment and pension funds, the interest payments on which were calculated as a percentage of McDonald's sales.

Deep in hock and with no profit growth in sight, Kroc faced a classic dilemma. He couldn't afford to expand. And he couldn't afford to tread water. Fortunately, Harry Sonnebom came up with a solution. He thought McDonald's could make money by leasing or buying potential store sites and then subleasing them to franchisees initially at a 20 percent markup, and then at a 40 percent markup. Under this plan, McDonald's would scout out sites and sign twenty-year leases at fixed rates. Franchisees would then pay McDonald's either a minimum rate or a percentage of sales, whichever was greater. As sales and prices inevitably rose over the years, the company would collect more and more rent as its costs remained virtually constant.

Embracing Sonnebom's idea, in 1956 Kroc set up a subsidiary, the Franchise Realty Corporation, to execute the new strategy. In the years thereafter, he flew around the country in a small airplane, scouting suburban neighborhoods dotted with tract housing, schools, and churches—which he regarded as fertile ground for the planting of new "Golden Arches." In this pre-strip-mall era, real estate along well-traveled byways was both cheap and plentiful. And in a short period of time, the real estate operation became a high-margin contributor to McDonald's bottom line. As Kroc noted: "This was the beginning of real income for McDonald's."

The real estate strategy played perfectly into Kroc's larger goal of control. Rather than sell blanket geographic franchises, which would grant the holder the right to build as many or as few stores as he chose in a particular area, Kroc sold only individual franchises, for a low fee of $950. This insured that operators unwilling to play by his rules could open no more than one outlet. As a landlord, Kroc could compose legal documents guaranteeing further control. And by writing leases that would force tenants to conform to corporate policy, he could more easily insure that the look, feel, and taste of McDonald's would be identical in Bangor, Maine, and Butte, Montana.

Leaving the company's stabilized finances in the capable hands of Harry Sonnehorn, Kroc set about expanding and professionalizing the growing industrial empire. Under his novel conception, each franchisee and operator was like a plant manager. Knowing that the hallmark of any sophisticated industrial complex is professional management, Kroc in 1961 launched a training program—later called Hamburger University—at a new store at Elk Grove Village, Illinois. There, the faculty trained franchisees and operators in the scientific methods of running a successful McDonald's and drilled them in the Kroc gospel of Quality, Service, Cleanliness, and Value. "I put the hamburger on the assembly line," Kroc liked to say. Hamburger U also contained a research and development laboratory to develop new cooking, freezing, storing, and serving mechanisms.

While Kroc dictated the size and shape of burgers, he gave franchisees wide latitude in other areas. He knew that McDonald's had to simultaneously unleash the entrepreneurial energies of hundreds of operators while maintaining the standards and regulations crucial to the efficient operation of a far-flung industrial enterprise. As McDonald's chronicler John Love wrote: "Ray Kroc's genius was building a system that requires all of its members to follow corporate-like rules but at the same time rewards them for expressing their individual creativity."

Going Public Through Advertising and a Stock Offering

Nowhere was the dichotomy between central control and operating autonomy more evident than in advertising. At Christmas in the late 1950s, Turner and other managers would tour the Chicago Loop in the "Santa Wagon," an ice-cream truck converted into a rolling likeness of a McDonald's drive-in. But despite this penchant for old-fashioned hucksterism, McDonald's had no company-wide advertising strategy. Instead, when Minneapolis operator Jim Zein saw his sales explode in 1959 after running radio ads, Kroc encouraged operators to take to the airwaves with their own campaigns. Following this directive, two Washington, D.C., franchisees, John Gibson and Oscar Goldstein, decided to target kids by sponsoring a local children's show, Bozo's Circus. When the station canceled the show in 1963, the franchisees hired the headliner, a twenty-five-year-old television announcer named Willard Scott, to create a new clown persona for local ads. Thus was born one of advertising's most enduring icons: Ronald McDonald.

Successful advertising helped spur even greater growth. And in 1965, with 710 McDonald's spread throughout forty-four states, $171 million in sales, and a relatively tidy balance sheet, McDonald's finally blossomed. The company went public on April 15, ten years to the day after Kroc opened the Des Plaines store, selling 300,000 shares priced at $22.50 each. Many of the shares were offered by Kroc, who reaped $3 million on the sale, as well as by Sonneborn and June Martino. As investors jumped on the McDonald's bandwagon, the stock jumped to $30 on its first day of trading and soared to $49 soon after.

Kroc deployed the cash to expand and fend off rapidly proliferating rivals, for the company's success had spawned a slew of imitators seeking to cash in on the growing industrialization of fast food. In 1965, there were already 1,000 Kentucky Fried Chickens, 325 Burger Chefs, and 100 Burger Kings in operation. Each chain, fortified by cash infusions, expanded rapidly in the late 1960s, so much so that by 1970, fast food had grown to a $6.2-billion business garnering 17.8 percent of all money spent in restaurants.

In such an environment, standing still was tantamount to shrinking. "A laurel rested upon quickly wilts" was a favorite Kroc-ism. So aside from opening new restaurants at a breakneck pace, McDonald's added a new weapon to its arsenal: national advertising. Having labored mightily to create uniform standards throughout the system, Kroc expended capital to forge a uniform image. In 1967, McDonald's spent $2.3 million, or about

1 percent of its sales, on its first national advertising campaign, which was an unheard amount for a fast-food chain. "What small businessman wouldn't cheerfully give up 1 percent of his gross to get our kind of commercials and things like sponsorship of *The Sound of Music* on network television to promote his store?" Kroc asked rhetorically. Expanding the Ronald McDonald campaign created by the Washington franchisees, the company outfitted the clown with a gaggle of kid-friendly characters such as the Hamburglar, Mayor McCheese, and Grimace, a large purple creature who craved shakes and french fries. "We're not in the hamburger business; we're in show business," Kroc liked to say.

Kroc backed up the advertising blitzkrieg with several new products, many of which were created by franchisees. Pittsburgh operator Jim Delligatti, seeking to bolster sales, in 1967 began testing a new double-decker hamburger that he dubbed the Big Mac. McDonald's introduced the sandwich throughout the chain in less than a year, and it has since become the firm's enduring signature product. Other new menu items, ranging from the Filet-o-Fish to the Egg McMuffin, also sprouted from the fertile imaginations of McDonald's operators and were similarly welcomed by Hamburger Central, as the headquarters came to be known.

Becoming a Global Institution

Through rapid growth and extensive advertising, McDonald's in the early 1970s became the nation's largest fast-food chain and an easily recognizable feature of the American cultural landscape. And the supreme ruler of McDonaldland, Ray Kroc, became a figure of national stature. In 1972, when more than 2,200 McDonald's outlets racked up $1 billion in sales, Kroc received the Horatio Alger award from Norman Vincent Peale. As the value of his stock holdings rose to about $500 million, the septuagenarian acquired certain trappings of wealth: a house in Beverly Hills, a mansion in Florida whose doorbell chimed "You Deserve a Break Today," and the San Diego Padres baseball team. But Kroc remained at heart a simple man, who spoke proudly of "the peasant bones of my Bohemian ancestors." Unlike so many other newly rich captains of industry, he developed no taste for great art or society events. Instead, he continued to find beauty in the simple bun. "It requires a certain kind of mind to see beauty in a hamburger bun," Kroc rhapsodized. "Yet, is it any more unusual to find grace in the texture and softly curved silhouette of a bun than to reflect lovingly on the hackles of a favorite fishing fly?"

Just as the Ford Motor Company aroused the scrutiny of muckraking journalists and reforming politicians, Ray Kroc's high-profile industrial juggernaut attracted attention from many quarters. As McDonald's fare became a staple of the American diet, it aroused the snobbery of the food industry elite. *New York* Magazine's Mimi Sheraton proclaimed: "McDonald's food is irredeemably horrible, with no saving graces whatever." Nor did the nutritionists take kindly to McDonald's offerings. As Dr. Jean Mayer, a Harvard professor, wrote: "The typical McDonald's meal—hamburgers, french fries, and a malted—doesn't give you much nutrition. . . . It's typical of the diet that raises the cholesterol count and leads to heart disease."

Politicians took note, too. In 1974, when the company's market value surpassed that of lumbering U.S. Steel, Senator Lloyd Bentsen complained: "Something is wrong with our economy when the stock market is long on hamburgers and short on steel." But the future Secretary of the Treasury ignored the fact that burgers had become an industrial product nearly as significant as rolled steel, for the McDonald's industrial complex was a prodigious consumer of raw materials. It bought about 1 percent of all beef wholesaled in the United States and a huge quantity of potatoes besides. Each store was an opportunity-generating machine—providing one out of fifteen young Americans with a point of entry into the workplace. To broadcast its booming output, McDonald's made a practice of posting its latest chain-wide total sales figures on the Golden Arches. And the mounting billions were monitored in the highest offices in the land. President Richard Nixon, upon meeting Kroc in the early 1970s, asked him: "What is it now, eight or nine billion?" Kroc replied: "Mr. President, it's twelve billion."

Many analysts viewed McDonald's rampant growth as unsustainable. But Kroc believed the company needed to continue to expand in order to survive. "I don't believe in saturation," he said. "We're thinking and talking worldwide." Kroc envisioned a world in which 12,000 sets of Golden Arches would stand as outposts of a mighty commercial empire. Sure, there was one store for every 90,000 citizens of the United States in 1972. But there were three billion people outside America's borders who had never wrapped their mouths around a Big Mac. So just as Henry Ford sought foreign markets for the Model T, Ray Kroc embarked upon an ambitious campaign. McDonald's started by invading former Axis powers Japan and Germany in 1971. And in 1977, it introduced the fast-food sandwich to the land of Sandwich, opening the company's 3,000th store in London. "With all the fervor of the Pilgrims returned, McDonald's set out to introduce Europe to the joys of the real American hamburger," *Forbes* noted.

Establishing beachheads in European capitals was just the beginning. Over the course of the decade, the thousand stores that the company opened overseas fueled its 27 percent annual growth rate. Golden Arches sprouted from the soil in virtually every continent—in South America, in Europe, and in Asia, The chain became so universally recognized as a symbol of American enterprise and influence that, when Marxist guerrillas blew up a McDonald's in San Salvador in 1979, they proclaimed the terrorist act a lethal blow against "imperialist America."

Adapting to Foreign Climates

One key to McDonald's continued growth is international expansion. With operations in more than 65 countries, McDonald's now opens about one-third of its new restaurants outside of the United States. In the early 1990s, Fred Turner predicted that international sales would eventually surpass U.S. sales.

While foreign markets can sometimes offer new obstacles for the American company, like hostile government bureaucracies and unreliable local suppliers, McDonald's faces an even greater overall challenge. In each country, from Belgium to Brunei, the company is forced to walk the tightrope of selling its uniquely American product, while simultaneously catering to local tastes.

Although McDonald's always insisted on planting its rigid operating system in foreign soil, when it came to other aspects of the restaurants' operation, the company was more flexible. For example, to make the chain's name more easily pronouncable for Japanese consumers, it was changed to *Makudonaldo*, and its mascot became Donald McDonald. Hamburger Central also allowed local operators to devise unique promotional campaigns. "Our name may be American, but we're all Irish," ran one promotional campaign for outlets in Dublin.

Today, even the menus at McDonald's restaurants in foreign locations clearly reflect differences that do not exist at the company's American outlets. While the stores offer fare like hamburgers, french fries and milk shakes, there have been some additions: for example, when McDonald's restaurants opened in Germany in the early 1970s, they started serving beer; in the Philippines they offer McSpaghetti noodles, while Norwegian franchises offer a salmon fillet sandwich, the MacLak.

Although Kroc stepped down as chief executive in 1968, giving way to Fred Turner, he remained a vital symbol of the company's roots, and an enduring influence over day-to-day operations. The founder reviewed first-day results from each new store, and kept watch over the company-owned McDonald's outlet from his office in southern California. "Despite McDonald's success, and his personal wealth of $340 million, he always worries," *Forbes* wrote in 1975. "When Kroc travels, he insists that his chauffeur take him to at least six McDonald's for surprise inspections."

Though he killed the competition, the competition didn't kill Ray Kroc. He passed away from old age in January 1984, at the age of eighty-one, just ten months before McDonald's sold its 50-billionth hamburger.

Ray Kroc didn't live to see his company's ultimate triumph. The Dow Jones Industrial Average, the best daily barometer of the nation's economy, consists of the nation's thirty most important companies. In 1985, when the value of McDonald's $4.16-billion real estate portfolio surpassed that of Sears, the New York Stock Exchange added McDonald's to the Dow. With this stroke, Wall Street validated Ray Kroc's contention that beef patties could be placed on the assembly line. The once-humble hamburger finally took its rightful place among planes, trains, and automobiles as a titan of American industry.