Sonic Drive-in

American Drive-in Fast-food Chain

Chapter 01 –
Introduction

Announcer: In 1953, Troy Smith purchased an old root beer stand on the outskirts of Shawnee, Oklahoma. Within the next six years, he perfected a simple but memorable menu and added controlled parking, canopies, music, a carhop, and an innovative system for ordering food over an intercom speaker system. Most importantly, he formed the first of many partnerships that would define a formula for success—shared responsibility and shared profit.

Today, that formula is still at the heart of a dynamic chain of restaurants called Sonic, America's Drive-In.

A Book, The History of America's Drive-In, was written by historian Bob Blackburn and he tells the story of Sonic for the oral history website Voices of Oklahoma.

Chapter 02 – 10:44
Reason for Book

John Erling (JE): My name is John Erling, and today's date is September 12th, 2023. Joining me is Dr. Bob Blackburn, the former executive director of the Oklahoma Historical Society and, of course, a well-respected historian throughout our state. Dr. Bob, we have recorded your oral history already, which captures your life from birth and your journey to becoming a historian. We thank you for joining us. You're busy these days, aren't you? What are you doing?

Bob Blackburn (BB): I am, John. Thank you for asking. I'm taking on consulting projects. I'm still writing books. I just had two books out this summer. So I've signed a contract to write a history of parks, open space, and landscaping in Oklahoma City since the very beginning. So it's an environmental history as well as political and recreational.

So I'm enjoying that. But taking even more time is museum exhibit design. I've now worked on three different projects in Oklahoma, including the Oklahoma Military Academy Museum. And you're part of the woods in Claremore. Finished that last September. But now I'm working on a project in Fort Worth in the stockyards, Texas Cowboy Hall of Fame. So they've got a bunch of Okies helping the Texans with a new museum.

JE: Did you know you were going to be this busy when you retired?

BB: No, I should have guessed because I've always had a servant personality. That's the reason I think I was drawn to public history rather than academic history, is that I like helping people.I like doing things. And when people ask for help, it's really difficult for me to say no. I'm learning to say no to a lot of this, especially speeches. You know, we're at as during my public service years, I was doing 80 to 90 speeches a year.

Well, you as taxpayers were paying me to give those. Now I'm on my own consulting. So I'm not doing as many speeches, but I enjoy the research and I enjoy the three-dimensional world of taking a historical idea, combining it with words, with images, with objects, with spatial relationships and scenic backdrops and interactive videos. And it's such a multilayered process. It's like going from just being a piano player to being in a full orchestra. And I'm really enjoying that learning curve is still going up, but I enjoy that the creative process a lot.

JE: Well, everybody is fortunate that you still want to be working and be that busy. So we're here to tell the story of Sonic for our website and podcast. Now, you wrote the book, Sonic: The History of America's Drive-In. It was published in 2014. And I had never really thought about Sonic being America's drive-in. We're just so consumed. We think this is Oklahoma. But the more I got into your book, I realized why you chose the title. This is an Oklahoma company that became America's drive-in. Aren't we in, we, I say Sonic in most states right now?

BB: Yes, almost every state. They've moved north. At one time, Sonic leadership thought we are a southern company because that's where drive-ins do the best. People are out before air conditioning, out in their cars, driving around, stopping. They thought that was the business model that worked well.But as Sonic has opened stores in places like Long Island, New York, it became a safety hazard because people were backing up onto the interstates trying to get to their Sonic.

And what's happened, and we'll talk about this a little later on their advertising, is that it was so effective with national advertising, Sonic was being advertised in markets where there was no Sonic. And so it was building up this pent-up demand until finally, when that Sonic opens, everyone wants a Sonic. And for years, my national meetings, people would know, I either wrote the book or I was from Oklahoma, and they said, “We can't wait for the Sonic to come to Seattle. We can't wait for it to come to Minneapolis-St. Paul.” And so it's been very successful adapting the business plan to a bigger geographical market.

JE: So today they have over 3,000 stores?

BB: Yes, almost 3,600 right now. It's pretty much the same when Sonic was taken over by a national company about four or five years ago. It's about the same size that it was then. There was aggressive expansion up to that point. Now I think it's more internal change.

JE: So you interviewed Troy Smith Sr., the founder, for this book. When did you interview him?

BB: I started immediately. The way the book came about is that in 2003, I knew that Sonic had really started as a little drive-in in Shawnee, Oklahoma. And it wasn't called Sonic until ‘59, but I knew that the top hat had been created because it was a top hat in Woodruff where my wife is from, and I knew that story.

And of course, Cliff Hudson, who is chairman of the board, CEO for many years, legal counsel originally in the 80s, he and I were friends. And so I knew about the 50th anniversary coming up in 2003. So I said, “Cliff, you really need a book about Sonic. People need to know this story.”And we missed the opportunity. But then the 50th anniversary of the name Sonic and franchising was coming up. And so Cliff finally decided that Troy is getting older, and he wanted to honor Troy Smith. It was his true motivation.

Yes, he wanted a book to pull the network. And we'll talk about this in a little bit. There's this dynamic tension that's made Sonic successful, which is some centralized direction. I was starting to say control, but it really wasn't control. Direction and motivation.But then the energy of franchisees around the country who are putting their heart and souls into their little business and developing internal leadership themselves.

What he was looking for is a way to unify this decentralized network of businesses. And he thought the book might help that everyone shared a common beginning. Everyone shared a business plan. Everyone shared the ups and downs of the economy.

And I think he wanted something. But I think as importantly, he just loved Troy Smith so much and respected Troy. And Cliff never really changed the business plan. Of course, he expanded it with technology and other leadership decisions, kept going.

But he wanted to honor Troy. So he finally asked me if I would write the book and interview Troy. And so I interviewed him off and on for two years.

JE: How old was he?

BB: I would guess he was 86, 87, 88, somewhere in that range, late 80s. He had lost his eyesight. He had lost an eye as a child, but his eyesight in the other eye finally failed. And I would go in to interview him and typically two hours at a time. And I found that a two-hour interview, everyone gets tired. The person asking the questions, you start rounding off the corners and not following up. And a person gets tired of concentrating. So I thought two hours, well, I probably did 25, 30 interviews over those two years.

And I learned to look forward to those and would set aside an entire morning if he got to going. I could usually tell him when he was tired. Leslie, his daughter, was always with us. And I learned so much. I wish I had met Troy Smith early in my career. Because a lot of the values that he brought to Sonic would help any of us, whether it was in radio broadcast or it was someone at the Oklahoma Historical Society.

Those same values work anywhere in a system of free enterprise, a republic, democracy like America. And I really learned to love Troy Smith.

JE: And he died in 2009. He was 87 when he died.

BB: He was 87, so it must have been about 85, because he got to see the book. And he passed away one week later.

JE: Is that right?

BB: And I read every chapter to him as I was writing the book. So it took probably a year to write, maybe more. I don't remember now exactly. But as I would write a chapter, I'd go in and say, “Troy, can I read it?” So he'd sit there very patiently and kind of looking ahead. Occasionally he would correct something if the facts were wrong, but he never changed my opinion or my historical interpretation. So he had heard the entire book in his memory. It was incredible. And it was like he could recite it.

And then finally we got the selection of photographs. I went to see him again. I said, here are the photographs I intend to use in the book. Then gave it to the designer, Skip McKinstry, a great designer here in Oklahoma City who had done most of my books. And so we designed the book, and it was printed. And as I went in, I said, I handed the book to Troy, and he felt of it. He put the book in his hands, and he was feeling it. It's got a nice laminated cover.

And I said, “Troy, that cover is mustard yellow and ketchup red.” And he just smiled. He said, “oh, great.” And I said, there's a rotor skate on the front and on the back, a photograph of you and Cliff, two generations of leadership. And then we went through that book page by page. He opened it up, and he started turning pages. And I was looking at the page, and I would tell him what the photograph was. And for two hours we sat there. And he read that book, even though he couldn't see it.

He read it through my eyes. And at the end, he was so proud of it. Leslie, his daughter, who's since deceased, but anyway, Leslie called me later. She said, Bob, you wouldn't believe it, but the minute you left, “Daddy,” she always called him, “Daddy got on the phone calling everyone he knew, saying, ‘I just read this new book, and I want you to have a copy.’ And he was so proud of it.”

Literally one week later, he gets ill, goes into the hospital, never comes out.

He was living to see this book. I think Cliff Hudson knew that. I suspected it. And Leslie, and I've remained close to Leslie until I did eulogy at her funeral. Stayed very close to the family after that because they said he was so happy. And that was a great way to end your life, knowing that your story would be preserved for all time.

JE: And what a special moment it was for you.

BB: Oh, absolutely. It's just, you know, I live to write and research and to hear stories, and to hear such a great story, and to get stories from Marvin Jairus and Ralph Mason and Cliff Hudson and Matt Kinslow and the whole generation of leaders. I enjoyed putting that together. And before I came in today, it's been so long since I wrote it, I was kind of brushing up on some of the dates.

I know the stories, but the dates seem to get a little fuzzy. But I was thinking, this is a pretty good book, so I'm proud of it. When people ask me my favorite books, I typically will say, well, I love the story of Sonic, but I love the character of Jack Zink of Tulsa. I enjoyed that book. But this one had everything in it that I wanted to do. And so it was a real joy to be involved in this.

JE: Beautiful, beautiful book.

Chapter 03 – 11:10
Top Hat to Sonic

John Erling (JE): Today, Sonic is owned by Inspire Brands, parent company of Arby's, Dunkin' Donuts, and Buffalo Wild Wings. Headquarters for Sonic is here in Oklahoma City. So we get started in the fall of 1958. Talk about top-hat restaurants.

Bob Blackburn (BB): Well, it really has two founders. Most people think of Troy Smith. And Troy, it was his basic idea, but there's another man named Charlie Pappy. Born in Kingfisher, Pappy family had come, made the land run of ‘89. Grandson, Charlie, is born into this merchant family, and uncles were doing this. They had saloons before statehood. They had filling stations when cars were.

So it was this merchant family who believed in free enterprise. And, of course, the heart of free enterprise is taking a risk, investing time, money, and all of that, network of friends. Well, it was really their partnership that we get to in ‘58.

But starting with Troy, Troy was the son of an oil man going from oil camp to oil camp. His dad was a big man in the oil patch. And as I said in the book, he was a big man in a small town, Seminole, Oklahoma. But if people wanted jobs, they had to go through Les Smith, Troy's daddy. And so Troy grew up, hardworking kid, doing what he had to do, learned how to work on things, served the country, World War II, got married, had a baby, wanted his own business, did not want to be in daddy's shadows. That's a common story in a lot of our entrepreneurs in Oklahoma history.

Didn't want to be in daddy's shadow, so he said, “I'm going to own my own business.” Drove a milk truck, little towns, looking at businesses, what was working well, what was not, learning. Then he drove a bread route, Martha Ann's, out of Shawnee, little towns, learning what worked well, what didn't, observing, learning. Finally bought a little cafe called Cottage Cafe on the wrong side of town, where the oil workers typically would either start early and come by for coffee and breakfast or late at night. And Cottage Cafe did not make much money for Troy, but he was learning.

He learned how to balance food, waste, labor, timing, marketing, what size menu. And he learned the value of music. He put in a jukebox and he said his only profit that first year were the nickels put into that jukebox to listen to the Hank Thompsons of the world who were just making popular music and radio. You know, your career. Hank Thompson was huge. He just expanded music.

Most people don't understand the impact of Hank Thompson, but it had an impact on Sonic because he made enough money to eventually sell and he was very creative. One Thanksgiving, no restaurant in Shawnee was open. There were 50 restaurants in Shawnee at the time. He said, “OK, folks, we can stay open on Thanksgiving and make a little extra money. Are you willing?” Oh, yeah. So he bought one turkey on his bread route, brought it in, gave it to the cook, and out of one turkey that he bought for like four bucks, she cooks the turkey, big old pot of cornbread dressing, a big pot of mashed potatoes and gravy.

And that day they served like 140 meals out of that one turkey with a little slice of turkey covered with gravy. And so a dollar a meal in Shawnee in the mid 50s. It's amazing. But he was learning. Went to a steakhouse, learned how to do takeouts from television, started drawing audiences away from the movies. The theaters were one of his big markets. People could eat chicken before and chicken after. Well, suddenly no one's going to the movies. They're watching television.

OK, come by, get it, eat it on your TV trays. Innovation. He and a partner buy an old log cabin. They create a steakhouse. But it has a little restaurant in front that had been kind of like an A&W root beer stand. One person, very limited menu. Well, after a year, he's making 5% return on that white tablecloth steakhouse, but he's making 20% return on what he's putting into this little roadside stand. So he starts investing in it.

He said, “Well, I think I can do better.” And so while he's making homemade salad dressings and expanding to lobster and things like that and high dining in Shawnee, he's adding to the menu. He adds another person. He has carhops, which had been around since the 30s. The name, interestingly enough, came from the days when you had running boards on cars. You and I remember those. Not many of you young listeners will.

But as cars would drive into the drive-ins of Southern California, these carhops, real aggressive, would jump onto the running board to be able to get a customer. So they were carhops. But anyway, Troy did carhops. Then to protect the carhops, he needed canopies.

Then he saw the advantage of music, so he added speakers to it and got a local company, the Dixon Music Company in Shawnee, to put in the speakers and was playing the new records by Elvis Presley. And he told me a story that I actually put in the book. He said, “Bob, I really wanted to put in polka music and old-fashioned music, but my young employees said, ‘oh, no, no. Look at the people in your parking lot. They're all young. They want to hear Elvis Presley.’”

So they would bring in their records and play it. And it worked. Well, one day, it was called Top Hat because it was supposed to be the aristocrat of hamburgers and hot dogs. And the logo was a weenie dog, a little Dachshund with Top Hat on. Well, here comes a guy who's a traveling salesman who had gone bankrupt in Woodward. If you're from Woodward or have driven through Woodward, there's still a famous diner called the Pollyanna.

If I'm going through Woodward, I schedule a meeting in Fort Supply so I can eat at the Pollyanna. It's the old-fashioned diner. For like today, it's eight bucks, but in the day, it was like three bucks for a full meal with a little dessert. Great bargain for us cheap people. It was just perfect. But anyway, he owned that. He owned the Oasis Steakhouse. He owned a hotel, went bankrupt, becomes a salesman. He's traveling through Shawnee, sees the Top Hat, stops for a meal.

Looking around, he says, “Dang, they're selling a lot of hamburgers and milkshakes here.” So he comes back, starts taking notes. And the staff says, “Troy, there's a guy out in the parking lot taking these notes kind of mysteriously.” Troy goes and says, “Sir, can I help you?” And so the guy gets out of the car. He was well-dressed. He always carried a gold watch in his pocket with a gold chain visible, the old-fashioned look.

And he says, “Young man, I am really interested in what you're doing here. He says, I've had restaurants in Woodward. I want to invest again. I would like to use the Top Hat formula.” He says, “I've measured all of your parking spaces that are diagonal.” He said, “Why?”

He said, well, I didn't want to do parking spaces coming straight in because the kids would roll down their windows and talk to each other. He said, diagonal, they can't talk to each other. They have to get their Cokes and hamburgers and go down to the church parking lot to socialize, more turnover.

He said, “Well, why are all these spaces different sizes?” He said, “Just one day, I had a bunch of cars here, and I just measured the space between the cars. Didn't realize they were all different sizes.” Oh, and he talked a little about the business plan. He said, OK, “I'm going to be partners. I want to open a Top Hat in Woodward.” So they opened the Top Hat in Woodward. Later, a Top Hat in Stillwater, Top Hat in Oklahoma City, out on 39th Expressway, my old stomping grounds when I finished high school. And so they had four Top Hats.

Finally, they say, this is a good idea. The economy is going well. Women are going into the workplace slowly. The glass ceiling is there still for women in 58 and 59. And so the business model is working. And they're developing their own leadership coming up from the guys flipping the hamburgers or the carhops. They recognize who's the best worker and promote them. They said, man, we've got a system here.

We could expand our workforce, good motivation, 20% return on investment. We can get people. Don't have to borrow a lot of money because he's little. Basically, it's just a kitchen with canopies. We need to find someone to buy the land. We'll put in the equipment, find a hardworking kid, work for little or nothing, but for dividends and a bonus at the end of the year. So they go to franchise. They find out Top Hat was taken. Some company out of Chicago had it.

So by this time, they already had a slogan, service at the speed of sound, because of the little speakers. Originally, you and I remember in the old drive-in days, you'd get the speaker and put it on your window and you could hear. Well, they used those with a little toggle switch. Hit the toggle. You could give your order the other way. You could hear the person inside the kitchen. So service at the speed of sound. Well, this is the days of the sonic boom test in Oklahoma City.

This is the age of Chuck Yeager and X1 and breaking the sound barrier. And so Sonic was a fairly looking like. He says, “Sonic. He says, I like Sonic rather than Top Hat because it's going to be a couple of letters short that'll save me money on the next sign.”

JE: Who said Sonic?

BB: This is Troy Smith.

JE: Okay.

BB: He came up with that. And he was the manager, the organizer. Charlie Pappy was the energy, the high voltage guy who could get out and never met a stranger. Perfect partnership. So it's a handshake agreement. They never had a contract. Handshake agreement, 50-50. We'll do it. Troy says, “I'll run the business. You get out and sell. You find people who are willing to do this.”

And so they then have franchises in Edmond and Elk City, and they start expanding around the state. And it works. And they're keeping labor costs low. They're finding people to invest. Troy is investing a lot of the land because he's made enough money by this time. He becomes a partner.

But he might say, okay, “John, we think the market in Ponca City is ready for a drive-in. There's really no competition. There's a Dairy Queen, but they're not very aggressive. They don't advertise. I think we can do better. John, if you'll be the manager of it, you don't have to invest. I'll invest in the land. We'll get another partner locally, a banker or someone, to invest in the equipment and the sign and the little building, which is basically a big kitchen and the canopies. There's a company in Oklahoma City that will build it all and put it up. We'll supervise that, and you run it. At the end of the month, you're not going to make much money on your paycheck, but on your dividend at the end of the year, you're going to become a rich man.” And then you'll have a chance to expand. And so you say, “Okay, I'll do it.”

It started expanding that way. And then, so, John, you have a store in Ponca City. And they come to you and say, hey, we really think that there's room for something over here in Tecumseh or Seminole or whatever little town they're looking at. And they say, why don't you take your best employees, send them over there as a manager.

You spend two days on the road managing, making sure it's working, but you train somebody that you trust to be that kid who works for little or nothing, making the money at the end of the year. And so start expanding. And so Troy and Charlie together recruit that first generation of leaders who come in and really make Sonic what it became.

Chapter 04 – 9:58
Franchising

John Erling (JE): So then did the idea of franchising come at this moment you're talking about?

Bob Blackburn (BB): They did. And one story, to personalize, and I always like, when I tell stories, I like to personalize it. It's easier for people to understand and remember. But there's a young man from Perry, Noble County farm kid named Marvin Jirous.

And Marvin is a young kid. He had looked for a business in Perry, didn't find it, worked for pennies, learned about structure and corporate organization and all the lessons of the pennies, but could tell that it was going to be slow promotion.

He was ambitious, impatient, had a kid, another kid coming. So he and his wife said, let's go into business. And so they go to Fairview, Oklahoma, and open a Dairy Boy. And that's out of Enid, a dairy company in Enid. They decide there's too much milk production here in the 1950s. And they learned that once they sold their milk, they still had leftover. So they started taking that and converting that to ice cream mix.

This is the age of soft serve ice cream. And largely it's because of this overproduction of milk in America when you still had local dairies. And all of these farmers were still, you know, trying to make a living by having ten milk cows. And they'd put the milk out in the can and the dairy company would come by and pick up all these big old milk cans that you and I remember. But with that overproduction, they go to soft serve. So to make money with that, they have to have a place to sell the soft serve.

So they're financing young, ambitious people to go out and open a franchise. And there's a company in Wichita that makes these Airstream kind of Art Deco-style dairy boys. And so Marvin Jirous finds out about that. He has to have a little cash. Leases a place in Fairview. Enid provides the product. Pay at the end of the month.

The company in Valentine is the name of the company in Wichita that's doing this across the country, converting old World War II airplane-making skills to making these Valentine diners. And he buys that on credit and opens up with just he and Barbara, his wife, running it. And at the end of the day, he knows what his profit is because he started with $22 in the morning and he has $23 at the end of the day. So it's that kind of operation. One day, Charlie Pappy, after he and Troy had come up with this franchising idea, pulls in. And he looks at the operation and watches it for a while. And all these people coming and going. He goes in and says, “Young man, I need to talk to you.” He says, “What's your profit and loss statement? What's your P&L?” He says, “What's a P&L?” And he says, “Well, it's your profit and loss. What did you start with?” He says, “I don't know,” He says, “At the end of the day, I look at what I have in my pocket. I go buy my stuff. The next day, I look and that's my profit.” He says, “Oh, you can do better.” Goes to a TGNY. Comes back. Here's a penny record book. Teaches Barbara how to fill in profit and loss. And he comes back and he gets to know Marvin Jirous.

Finally, he comes back and says, “Young man, you're too ambitious for this little dairy boy. You're making a lot of money?” “Oh, yeah. I'm making a lot more money than I could at pennies.” But he says, ‘Well, you can do better. Why don't you come in with me and my partner and you'll be part of a franchise that we can open in Alva, which is a college town that has the kids who want those hamburgers and shakes. There's nothing that would really compete with us.”

You take your energy, our business plan, and they open that next Sonic in Alva. It's one of the first five. And Marvin just takes to it and starts expanding and becomes really a protege of Charlie Pappy. He has that outgoing personality. He's a natural salesman, energy abundant with a strong partner there in Barbara, farm girl, again, from Perry, Noble County. And so they're doing well as a family.

The business is working and everything is exploding. Well, they're recruiting other people like Matt Winslow from Tecumseh, who's doing the same thing at Tecumseh and expanding around him. Ralph Mason, who was an IBM salesman. And if you were working for IBM in the 1950s and early 60s, that means you're on the fast track. But a lot of movement. He was a family man, strong church leader, didn't want to do that. He sees this, goes to Troy.

So he becomes one of Troy's proteges. And he's working with Troy and he's expanding, become the largest franchisee in Sonic history with well over 300 stores. And so they're attracting this generation of young people willing to work hard with organizational skills that can motivate their local partners and take advantage of this system.

And what Troy and Marvin are making up to ‘67 when things change, is that they're making a nickel royalty on each sack used for a hamburger. They didn't want to have to go out and stand over somebody and count on someone's honesty, even though most people are honest to a degree. But people tend to cut corners or forget.

And so to make it simple and to cut down on overhead at the central office that Troy eventually moves to Oklahoma City, he makes it very simple. He finds a paper company led by a man who's still with us today. And they name it Cardinal Company. Bob White is the man's name. And young Bob White sees Troy Smith, loves him, loves Charlie Pappy. And they say, if you will print our hamburger bags, we'll send these hamburger bags at all of our stores. And they have to use our bags.

And when you go out the next month, if you replace 200 bags, that meant they sold 200 hamburgers, which means we're going to get a nickel. We'll charge them a nickel for each one. And so that's how they're doing it. And at one point, someone brings in for another company, an efficiency expert. And that corporate America was looking for efficiencies at the time. So this efficiency expert was in town.

And someone said, “Hey, you need to go see this guy over at Sonic. He's really expanding.” So the consultant comes in, interviews Troy. He says, “Troy, tell me about your business.” He said, “Oh, yeah, I've got like 400 stores” or whatever it was at the time.

He said, “Man, that's a good operation. What's your gross income?” He said, “Well, if you take all of them,” you know, gave him a big figure. He said, “Well, how many staff have you got here in Oklahoma City?” He said, “Two of us, me and my wife.” He said, “what?” He said, “Well, how many trucks have you got to deliver stuff?” He said, “Don't have any. We let them buy their own stuff.” He said, “Well, how about your accounting office to keep track?” He said, “Oh, Cardinal does that for me.” The guy says, “I cannot help you. You're about as efficient as I've ever seen anybody.”

But Troy was accumulating his own wealth, buying property, expanding. He decided not to compete with his franchisees, a man of integrity. He thought, well, if I'm going to run this organization, I don't want Marvin Jirous or one of these franchisees who's investing their lives in this to think that I'm competing with him. So he says, I'm not going to run any.

He sold what franchises he owned, went into buildings, real estate. He understood that. That had come from the land, oil man, leases, contracts. He's good at that. So he builds up his own portfolio of land in finding these entrepreneurs. Then he has Sonic Supply. And Charlie is running that part of it, and that is selling a package. “So, John, you want to open a store in Tecumseh? Okay, well, you've got to buy the franchise. But that comes with a sign. That comes with all this printed material. For $500, you can become a franchisee.”

Well, so Sonic Supply was making that money, and they found the local company to build the signs, to build the canopies and all of that. So they were making money in construction. Well, all that's working well until 1967 when Charlie Pappy dies. Heart attack. Breaks Troy's heart. Here's my partner, my soulmate, almost in the business world. He's gone.

Well, he takes two of his most aggressive and efficient franchisees, Matt Winslow from Tecumseh and Marvin Jirous, and brings them in to run Sonic Supply. So they start running Sonic Supply. Troy is continuing to control the franchisee. But as they're out looking, they're saying, “Hey, yeah, we're building you this. Who do you know that might want a franchise 30 miles down the road because there's no competition?” They knew the demographics of a Sonic.

And so it just starts expanding wildly. And then from about 1970, as they're getting this going, to 1980 and really the second Great Depression in Oklahoma with the collapse of the oil patch and really beginning with bank failures, they expand over 1,000 stores, almost 1,200 stores in one decade. It's that fast. It's one of the fastest-growing food networks in the country. And it's a closely held corporation. So some of these franchisees also own stock in Sonic Supply.

But it's this very efficient operation that really is built on expansion, a decentralized business plan, some centralized sources. But the motivation to run a place is there with a local manager. The motivation is there for that kid flipping hamburgers because they might get the next franchise that they'll prove themselves. Local bankers are willing to loan them because it's bringing a couple of jobs to town. So the financing is there. The labor structure is there. The efficiency of the menu, innovations coming out, and it's working.

Chapter 05 – 6:21
Sonic Menu

John Erling (JE): There are many quotes from Troy Smith that you've indicated throughout your book, quotes that could be, as you said earlier, applied to most any business. One of them is ownership could make a manager. If they own it, they will take care of it. And I like this one. “I always told my managers they would be able to afford a big car, golf clubs, and vacations. I also told them that if they succeeded with Sonic, they couldn't afford to use them.”

Bob Blackburn (BB): That's right. They would have no time to use any of that stuff.

JE: They established a standard Sonic menu, didn't they, that everybody used? But I think each individual franchisee didn't have to follow it. They could add things to it. Like one of them started a breakfast that was unique to Sonic.

BB: Yeah. If there's one constant theme throughout this book, it's this balancing act between centralized control and individual control of a franchisee. And that balance would change. And typically the trajectory was more responsibility coming to central operations.

But at the time that Charlie Pappy died, yeah, they recommended certain things, but you had regional. So out in New Mexico, they could add a chili burger because they had, you know, the chilies from New Mexico. Or it might be in the south where they would have some kind of hot barbecue they could add.

And so the menus were different and they ordered materials or supplies locally. So if you had a franchise – because trucking was not efficient. It would not have been efficient to buy a bunch of hamburger patties in Oklahoma City and ship them out to Durant and then into Texas or up into Kansas as they were expanding.

So they allowed people to buy their own stuff. So that was a difference in quality. So that was part of this diversified decentralized business plan. And that was a problem because America started traveling more by road and they said, “Oh, there's a Sonic. Let me get that hamburger. I love that hamburger back in that last town.” And it was different. So that hurt sales. And so people were becoming aware of this balancing act of the menus. But they tried to keep the menus as lean as possible.

So you eliminated wastage. Troy learned back at the Cottage Cafe. He was putting money in the trash can at the end of the day if he hadn't sold what wouldn't keep overnight. He was learning how to use his materials more efficiently.

So wherever they might, a good story here is on onion rings. Everyone who goes to Sonic, onion rings is one of their signature dishes. They've been there since the very beginning. Troy and Charlie had different views of how to do.

They both agreed they would use their ice cream mix to dip the onions in it. And the onions, they found out, could be cut the night before. And you take a big onion and you take the center part of the onion that's fairly uniform. And then those would be the rings that would go into tomorrow's onion rings and put them in ice water. Ice water in the refrigerator. Because you want your onion rings to be real cold before they're coated. So when they're put in the hot grease, they hold on. And it shrinks.

The water has an impact and it keeps the bread. If you ever tried onion rings at home, you use warm onions, they're going to lose all the coating. So that was consistent. But Troy had worked in a bread company. And although Charlie used breadcrumbs on his onion rings at the time, Troy remembered the guy who sliced the bread at Martha Ann's and Shawnee, and he chewed tobacco. As the stack of breadcrumbs started growing after slicing all this bread all morning, Troy would witness that guy spitting the tobacco juice into it.

So Troy says, I'm not going to use breadcrumbs, I'm going to use something else. So he had a different recipe for his onion rings. But eventually that would have been systematized so everyone would get the instructions how to do onions, where you're taking advantage. And then the ends of the onions would be chopped up to go on your hamburger or hot dog or footlong chili dog the next day. So there were efficiencies built into the system. And they would do training and all. But the menus did change.

And really not until after Cliff Hudson came. And we'll get to that story here soon. Did you start having centralized control of menus, of ordering supplies, centralized advertising. So in the days of the 60s and 70s during expansion, largely the local people did their own advertising.

Typically that would be an ad in the yearbook or the student newspaper on campus. That would be an ad in the local newspaper. So when advertising was local, and there was a newspaper in every town, you and I remember that. It's so different today.

But they would advertise locally. They would have local promotions, you know, bring in your graduation top hat with a tassel on it and a 10-cent discount on your next hamburger. And so that would be the way people would do it. But as advertising grew and television and radio became more important, and radio went from every locally owned station in every little town, you were part of that pioneering effort, as you get consolidation, then one person can go to the network, get advertised on all these stations with a discount.

Well, all that was changing during this time period. But there was much more local control in the 60s, and that would only change gradually. But Marvin Jirous, as president of Sonic Supply, Sonic Inc., would do some advertising nationally. He sponsored things at air shows. He would sponsor some regional events. But it was still largely a southern company, mainly in Oklahoma, some in Kansas, Arkansas, Texas, New Mexico. And then it was gradually expanding by the time the Second Great Depression hits with the failure of the deep gas industry in the early 80s.

JE: So let's remember, we started in 1958 talking about this. The magazine Inc., the magazine for growing companies, surveyed the top 100 fastest-growing companies in America and found that Sonic was number one over the five-year period from 1973 to ‘78. So that was just 11, 12, 13 years later, they had received that kind of endorsement. Pretty amazing.

Chapter 06 – 6:04
Sonic Toys

John Erling (JE): You talked about advertising. They came along with a lot of these promotional items, glasses, cigarette lighters, and all that. Why did they go to that? And they were obviously a success.

Bob Blackburn (BB): Well, it was a success, and this is the, probably the age more so, you and I grew up with drive-in theaters, drive-in restaurants. Today, people buy differently. Demographics have changed so much. But at the time, it would have been a family. So you'd put your three kids in the backseat of your ‘51 Chevy, 15 years old, and here you go to Sonic.

Well, today, if you have grandkids, the grandkids want to go to McDonald's and have those, I'm not going to say, but anyway, they want chicken nuggets. And you can say, man, I haven't been to a McDonald's forever, but the kid wants the little toy pack. Because Sonic, I mean, McDonald's has learned how to package their chicken nuggets with a drink, with a little bit of fries, and a toy inside of a box. And basically, you're paying a premium for that because that kid wants it.

And so when I was taking care of my grandsons in Denver this last year for nine days while my son and granddaughter, or daughter-in-law went to Iceland, two or three times, I just had to relent. My six-year-old dragged me to McDonald's. Well, same thing.

Sonic realized that we've got to sell to kids. They're not going to notice advertising in the paper. And the parents may not come in. They may want to go down to the diner, but those kids will want those little toys. And it was another way for centralized Sonic to make a little money.

So they might produce 2,000 or, let's say, 20,000 plastic monkeys to go on the side of a glass until they discovered the kids were swallowing those. It was a safety hazard. But if you're making 20,000 of those, you're charging those franchisees maybe a penny apiece when it's costing you half a penny to make them. A little bit of profit margin in there. Not a lot, but a little. And as you expand, the margin goes up.

And so glasses, little plastic doodads, takeaways, promotional things that might be associated with something that time of year. And we have pages in the book. They just have pages and pages of these giveaways. And that would remain fairly common probably well into the 21st century that finally was phased out.

But it was really popular and collectible. Star Wars, you know, I can't remember when Star Wars came out. I would guess the 80s, but I'd have to look back. When Star Wars came out, Sonic gets a franchise. It's one of those deals. We want to use Star Wars images on our glasses. And those are people who are coming in and buying something for an extra buck, buying a glass that maybe costs 50 cents. But they're saying, hey, this is a $3 glass with a Star Wars character on it. A little more money. A little more money for the local manager. A little more money for centralized offices.

JE: I hadn't thought about McDonald's happening. And McDonald's goes back to I don't know when.

BB: In the 50s, about the same time.

JE: All right.

BB: So it's about the same time.

JE: Now, McDonald's was not a drive-in.

BB: It was originally.

JE: All right. So is there – I hadn't even thought about this. Is there some competition here that Troy sees with McDonald's?

BB: Oh, absolutely. McDonald's, the big competition for him in Oklahoma would not have been McDonald's at the time in ‘53 to ‘59. It would have been A&W. A&W had a strong series. And as Troy often said, even he made his own route big. You could make your own root beer in those days if you had your recipe. And so you didn't have to franchise with Coca-Cola or PepsiCo or Nehi or whatever company it might be. You could make your own.

So your profit margin on that drink of root beer for a 10-cent cup of root beer on ice, you might be making 8-cent profit. Coca-Cola maybe 5 cents because you're paying 3 cents franchise. And so root beer was very popular. And A&W had excellent root beer. A little town of Weatherford where I went to college starting 1969, the only drive-in in town was an A&W because I remember their hamburgers were 35 cents.

So I had to save money to afford a 35-cent hamburger at the time. And that was competing with Tomane Annie's. It was the Mark Hotel restaurant, you know, all these local places. But A&W was the real competitor in Oklahoma in the region.

McDonald's was largely going into urban areas. And Sonic was not. Sermon was going into towns, 5,000 to 10,000 people was their demographic. And Troy and Charlie and then later Marvin and later Cliff understood that was their demographic originally. So they were not expanding so much in urban areas initially. It was these small towns, especially college towns.

Because not only did you have the high school students who were out dragging Main Street at night wanting to see their friends, get a cherry Coke or vanilla Dr. Pepper or whatever it might be, and eat because they had cash in their pocket, parents let them use the family car.

And you add the college and you're doubling your student population. So that's where they were going. McDonald's was going in to the big cities and A&W's business plan wasn't working so they were closing. Sonic, while they were going up, some of the older ones, Dairy Queen could not really compete.

Dairy Queen always had it where you walked up to the booth and ordered so you had to get out of your car. A lot of people liked the toggle switch, order from your car. Here comes the carhop, some on skates. Good looking young teenage girl from the community where they're working 20 hours a week. That was just a better experience.

And the Sonic food was good, well prepared, there were standards. And with the efficiencies, the owners were making money.

JE: So they beat out A&W.

BB: They really did. Nationally as well, starting regionally they did.

JE: And today you see an A&W every once in a while but you see many Sonics obviously around today.

Chapter 07 – 10:06
Tough Economic Times

John Erling (JE): In 1980, the oil boom ended and then collapsed on Penn Square Bank in Oklahoma City in 1982 and then other banks. How did this affect Sonic?

Bob Blackburn (BB): Well, a lot of people forget, here in Oklahoma we tend to think of the decline of the deep gas business, really causing all the bankruptcies. Over 300 banks failed from '82 to '85. And all these companies out in the oil patch started, it was the dominoes. As one would go bankrupt, they couldn't pay. Then that next company couldn't pay. Then the person couldn't make their mortgage payment, their house goes back.

It was the second Great Depression in Oklahoma and Texas. Well nationally there was a recession in 1980. We'd had hyperinflation throughout the 70s. Sounds familiar now with the central bank ramping up interest rates to try to tame the roaring economy. Well that was happening in the 70s. Jimmy Carter's president was fighting that. He promoted.

Ronald Reagan gets a lot of credit but Jimmy Carter started it. He said we need to really back off of price controls and monopolies. Let's create more competition in the workplace. Ted Kennedy in the Senate was a champion. Let's deregulate the airline industry, which happened in ‘78. Let's deregulate trucking, which happened in ‘79. Let's deregulate all these things. More competition, then the price will come down.

And so while the central bank was raising interest rates over 10 percent, I remember 15 percent loans. You may not. You're probably always wealthy. But anyway, my first house loan was 9 percent in ‘78. I thought I'd get in a bargain.

But anyway, it really started hard times in ‘80 with the national recession and Sonic felt the impact. As these local communities were suffering, oil was really leaving the small towns. A lot of those small fields where Troy Smith knew well, Tecumseh, Seminole, Shawnee, those were all oil towns. Even Woodward was an oil town in the 50s.

And so as the oil patch depletes in production and fewer jobs and is moving to a more down hole, they were drilling to three miles by the 1960s. And as we're consolidating ownership because all these little oil companies finally are going bankrupt, well, here comes Marathon and here comes Shell. And they're buying up all this production and centralizing it. It's changing the economy at the grassroots of Oklahoma.

And so these local franchisees are having troubles. And as it starts tumbling down, it accelerates. And they close over 200 stores in the early 80s. Marvin Jirous says, hey, I'm going to go back and save what franchises I can because that time he had a number of franchises. Today, he has interest in over 150 or more stores. But he said, I've got to take care of my stores.

So I've got to change my focus. So suddenly, Troy Smith stepped back in as president for a couple of years. They stumble through division in the ranks of leadership. Some of the board members who own some stock, Troy being still the majority stockholder in this closely held corporation, there's dissatisfaction with it. Others are saying, we can do better.

In effect, a hostile takeover starts. And Troy says, I'm going to fight this. He gets enough proxy votes from the people who support him. He's got a smart, young attorney, now a legal counsel by the mid-80s named Cliff Hudson, who grew up in Oklahoma City, Northwest class and graduate, OU grad, Georgetown Law.

Looking at the law, bored with that, wants to get into the action. He's in-house counsel, and he helps Troy navigate this consolidation of control. And then with the new executive or CEO who they bring in, they privatize the company with this group of people putting up the money with some investors.

Art Linkletter, most famously, is one of those investors to do this consolidation. And so to do this leverage buyout is what it is. Art Linkletter and others put up money. And everybody on the staff, Cliff tells the story, I had to mortgage my house, mortgage the car, sell the dog, to have a little bit of money to throw into the pot to do this leverage buyout of a company that is failing, seems to be failing to many people.

So with Steven Lin now in the role of CEO, with Troy Smith still hovering over the organization, and still these people like Marvin Jirous and Matt Kinslow and Ralph Mason running their franchises, they consolidate and say, we can do better. That's a turning point in the story of Sonic, really, coming out of the mid-80s by ‘85, ‘86.

JE: They came out of that. The pace of growth for Sonic, 91 to 94, was slow because of the first Gulf War. How would that affect Sonic?

BB: Gas prices. People were driving less. And to have a drive-in, people have to drive to get in. And so people are driving less. And again, a recession. People don't have a little bit of money. Consumer confidence may not be up. So what can you eliminate?

If your weekly food budget goes from $40 to $35, well, instead of going out to Sonic and spending, you know, 85 cents on a hamburger and onion rings, you're just going to cook a hamburger patty that you can buy for about 20 cents. So a little bit of lack of consumer confidence, a little bit of recession, a little less driving, and Sonic is not expanding as fast.

And two, it's still dealing with these growing pains of this balance between centralized control or really direction. I keep using the word control, which is really not accurate, but direction. In trying to set an example, like we have a system. If you follow it, you'll make more money. Well, they don't have to, but they start rewriting the contracts. And Cliff Hudson helps write a revised Sonic contract here in the mid-80s.

So by the 90s, the revised contract. Some people would leave. There was one large original founder of that first generation. He said, hey, I'm going to split off from Sonic and I'm going to rename all of my franchises Star. So he starts a new business called Star Hamburgers, largely in Texas, some in Oklahoma, and others are leaving. They're shutting down and saying, we're not going to make it. We're going to try something else.

But those who hung on, like Marvin Jirous and Ralph Mason and his partner, working with Cliff on this restructured contract to be a franchisee. And in these contracts are more money flowing into the centralized operation because things are changing with advertising. They're saying, if we can advertise, you will do better out here.

Even though it's not you spending advertising on your local radio station and your local newspaper. It might be going to this new thing called cable television. People that watch cable television. And so cable has an impact in this regional business model and more quality control and ramping that up and saying, we've got some weak franchises. How can we strengthen the strong ones in the weak ones?

Maybe go away instead of just looking at numbers. Let's look at quality. Let's see who's making only 10 percent return on investment. And look at those that are making 20. Well, it's leadership. It's market. Let's do that. Let's. And they started doing their own corporate stores at this time, which is a way to really almost do an in-house laboratory. And so but trying instead of trying to convince John and Bob to put in breakfast menu. What do you mean breakfast menu?

That's going to cost me more money to bring staff in in the morning. I've got to I've got to start six hours earlier. Well, there's no way that's going to pay for it. So, well, with their own corporate restaurants, they could start serving breakfast and then they have the numbers to go back to John and Bob and say, here are the numbers.

When we took this one restaurant, our growth increased by 25 percent, which means that here we were making our 20 percent net. Here's the dollars at the end of the day. After we take out labor and supplies, you can make an extra fifty thousand dollars over the next year if you go to this breakfast menu.

Easier to convince Bob and John that they should do a breakfast menu or soft serve or expanded or whatever the new thing is. Having your own laboratory in-house, having your own chefs, having your own business people looking at it, crunching the numbers, working on new ideas, new designs of the way a Sonic should look.

Trying to find a uniform look, because at one point other than the sign, you might see a Sonic with 12 parking places. Others, you might have 36. Some might be on a vertical lot going in. Some might be on a horizontal lot like the old Top Hat and Woodward is still a horizontal lot. And it's still a Sonic today at the very same location. Of course, it's expanded. And so coming up with something that's consistent so people know, yeah, that's a sign. I see the sign, but it doesn't look anything like what's in my hometown. Then they start to look alike and they can prove with their own restaurants.

Here, all of ours have this consistent look. Yeah, you're going to have to spend another five thousand dollars on this retrofit. But here's the impact it's going to have on your bottom line. So it's convincing. It's the carrot and the stick.

And once you have these contracts in place, you have a little bit of a stick. But if you whack the franchisee too much, they're going to come dissatisfied and they're going to drift away and do their own thing with the carrot. They're being pulled in and it's a gradual, incremental process that

Cliff Hudson would use like this magician coming up with new ideas with Troy standing. Yeah, go, go. I'm going to support you, Cliff. And let's let's make this thing work.

Chapter 08 – 7:03
TJ and Pete

John Erling (JE): In 1953 to 2003, 50 years. Now, 2023, they're 70 years old. Would that be right? My math is right. So they went into a TV campaign, a reality TV. Let's talk about these two improvisational actors, TJ and Pete, and they probably the most successful TV campaign for Sonic. Would that be true?

Bob Blackburn (BB): It would be true. And that story is in the book because Cliff had to make the final decision. And if you go back in the story of Sonic all the way to the very beginning, the branding is really important, especially in the restaurant business.

And quick serve branding is all important. So Troy did the branding with the sign. Well, eventually a branding goes to what's on the menu. The branding goes to the way the building looks, the way it's configured. The branding would continue with advertising. So how do you build the brand? How do you create confidence in the brand? Not just your friend who's running that local Sonic. So all this is changing over the years.

And so advertising becomes more important. For a while in the 70s, it's Frankie Avalon. This is the generation. So the people driving the car trying to decide where are they going to stop in and get a hamburger are the Bob Blackburns of the world who grew up watching Beach Blanket Bingo with Frankie Avalon and the love of my youth, Annette Fuentechello, who I thought was the thing. It was either her or Hayley Mills. I didn't know who I loved more at the time.

But here's the Bob Blackburn and has a three-year-old kid that wants a toy. Where am I going to eat? Well, Frankie Avalon is the brand. Well, yeah, I'll go in here. Frankie is all over.So advertising had changed over the years and advertising is very expensive. And as the cost, of course, a company like Sonic that's now advertising nationally can't use just mom and pop to do their advertising.

They need a big firm that has head of production, head of creative, head of distribution, head of accounting. And so you're getting up to these more layered. Well, as you do that, of course, the cost keeps going up. So to get the big advertising agency in Dallas or Kansas City or New York costs more than what – of course, we had a big firm here in Oklahoma.

Stepped on that national stage and did very well. But at the time, Cliff had his advertising agencies around and was moving the contract to where he thought it might be more effective. And I think it was in Kansas City. I may be wrong on the location.

But wherever the new contract was, they had a collaborative effort to come up with these two guys who are stars in AdLib. And this is the age of AdLib comedy. The capital players. You and I have seen the capital steps. That's what they call it. A lot of that is AdLib as well as scripted. But you leave room for the AdLib.

The Chicago players, Saturday Night Live began. The creative heart there is AdLib comedy. So AdLib comedy is going. So you have these young people who are learning AdLib and how to do it. So it's more effective. So all of that combines with this one advertising agency, Cliff looking for a new brand. And they shoot a couple of demos and Cliff and his central staff in charge of advertising look at it and, well, that works.

But when they looked at the numbers, you project making one ad here the cost. Let's just say that it's $100,000 to produce that. And so to produce that first one, no matter who you use, might be. But if you're going to keep this brand going and have something new next week, so maybe people have heard the first AdLib jokes. Well, the second or third time you hear an AdLib joke, it's not as funny. You expect it.

So you've got to have something new. Well, if that's going to be the business model, how do you do the repetition to keep it fresh and to keep the cost down? The AdLib guys were perfect. You set these two guys in a car with the two cameras set up. The sound is there in a small sound stage. And you just let them riff and just let them go.

Someone throws a couple of bones in. Okay, talk about your mama. Talk about your grandma. Talk about... And so they're just sitting there and riffing on these. Some people are throwing in a few opening lines. And most AdLib people have a way to start and stop. And in between is when you do the riffing. It's like a jazz musician. There is going to be a structure to a jazz.

Whether it's the Deadheads or Bob Wills, they're going to have a way to start and a rhythm. And then you AdLib within. Well, that's the way these guys were operating. And so it was cheap to produce because you might cut 10 commercials in one day. So whereas you had paid for the setup, you're paying for 10 setups.

Instead of 10, you're paying for one. Instead of 10 days of talent, you're paying for one day of talent. And so the efficiencies are there and it resonates with the public who is ready for improv. Ready for these two guys who have this dynamic. One's the straight guy that we'd seen ever since Martin and Lewis, Abbott and Costello. You just go on and on with the straight guy and the comic who's kind of a buffoon.

Then you have that here. So it's an old act. New Times. Set in a car. Talking about food. And literally, it's more about the comedy than the food. But it's branding. And people see that Sonic sign. That's the brand. Oh, yeah. And it's branding and it's loyalty. It's getting repeat customers. It's convincing these loyal customers to come in early in the morning for breakfast as you roll out the breakfast menu.

It's to come in when you start the two to four happy hour on drinks, half price. Well, instead of spending 80 cents on a Coca-Cola, I'm going to get that for 40 cents. Well, I may not want a Coke, but I want to save 40 cents. So you go buy a Coke.

So you're filling in the hours that didn't have any turnover. You do ice cream specials at night. When people have quit buying hamburgers at seven and they're only buying the drinks thereafter at ice cream, you're doubling gross with the same labor costs, same real estate costs. And so Cliff and his team and Cliff is always the first to say, yeah, I was making the final decision.

But I had some very creative people. I had people with energy. I had people who knew the business. I had this dialogue with the Marvin Jirouses of the world and the Ralph Masons and getting their ideas.

So you have this system of people. What works in Kentucky may not work in Southern California. So you take what's best and you create this system with the two way street with information coming in, information going out, but trying to find mutually beneficial ways.

Chapter 09 – 5:34
Wealth at Crass Roots

Bob Blackburn (BB): Cliff would start an annual convention that had been they really tried to start that in the 70s. Didn't work with the failures there, going private in the 80s. But Cliff resurrects that where you bring in the franchises. You recognize those pioneers like Marvin Jirous or or Ralph Mason, franchisee of the year. And this is why he's successful and use him as a model.

So that new franchise group that you might have in Jacksonville, Florida, knows who to call – Marvin. You know, here's what I'm facing. What would you suggest? So it's sharing all this information is kind of a brotherhood, sisterhood of people within this network where there's motivation out on the ground.

There is planning and experimentation, central sharing of ideas, finding things that are mutually beneficial. And then we who are eating at Sonic that like the commercials are buying the stock. And the price of stock would go up until he splits. So generally, it would start around ten dollars and get more valuable. About 30. Cliff like split goes back down, rises.

How many splits do we go through in 30 or 40 years that Cliff was there?

And so people are making money. Gene Rainbow, famous banker, still alive and one of my heroes in life. He was starting banking in the 1950s and 60s is there in the 80s and helps formulate the new banking system. There are three banks are really taking the lead in the new banking laws after the failure of banking in the 80s.

And out of that comes bank first. And Gene was on the board. He was in Shawnee. He knew Troy. Troy wanted his expertise. They needed a finance guy. Will Gene had been on that bank for many years. When I interviewed Gene, I remember his quote so clearly.

He said, Bob, he says, I've I've been involved in business recruitment, retention, expansion in all sectors of the economy from all the way from finance to trucking, railroads and everything. He says, I've seen everything. But he said, “There has been more wealth created at the grassroots level in Oklahoma by Sonic than any other business in our entire history.”

Because that kid flipping hamburgers who proved himself to that owner making a little bit of salary, but making a lot load of money at the end of the year is then giving his own restaurant.

He does well. He expands to another. He finds another kid flipping hamburgers or waiting on cars. Hey, you go over here. I'll be part owner. And so you take all of these the genealogy of all of these franchisees and you're expanding and and the genealogy is like a family tree growing across the top, nurtured by these pioneers led by Cliff Hudson before Troy Smith. And it's expanding and it's creating more wealth at the grassroots level where those kids in Shawnee, those kids in Fairview never had many chances.

They would have had to move to Oklahoma City or Tulsa or Los Angeles or at that time, Dallas. My son went to Denver. And so you have this out migration of talent. Sonic kept that talent in town, in small towns, rural economic development.

Of course, they would expand to urban areas today. I don't know how many Sonics there are in Tulsa and Oklahoma City, probably more in Oklahoma City than Tulsa. But I'd guess it's more than 100. But I know they're everywhere.

But the business model could be adapted to different demographics, different regions, different climate, different styles of leadership.

And of course, financing would change. So that would go all the way from the local banker putting up a little money for the building to savings and loans to pension funds to corporate bankers to leverage buyout. And so the financing would change over those years. And of course, things are more expensive now to sort of start a franchise instead of five hundred dollars to buy the franchise and getting three partners willing to put up a little bit of money.

Today, the cost would be much higher. So how do you finance that? So typically, Sonic now will sell a region. So let's say John and Bob want to get into Sonic. We say, hey, we like that brand. We like that model. And we're here in New Jersey, in southern New Jersey or northern New Jersey and don't have enough food. It's a little bit of a food desert in terms of quick serve. Well, they might put together a capital to get a territory in which they can put ten franchises. Well, let's start with this one, this one, this one. And then they know they can expand there.

So that's been kind of the history of Sonic in more recent times. So financing has changed. Communication, of course, with computers. Now you have instant access to training, quality control, feedback. When I've been on vacation with Cliff, the first thing he does in the morning, he pulls up the returns from the day before and he's analyzing, you know, what stores are doing well, what are not.

What's the margin, the profit margin? What's the gross? What's the net? What's the turnover of people putting boots on the ground? And, of course, he has an entire team doing that. But they're keeping track. Well, the computers allow that.

So that's changing the business plan. Without computers, it never could have expanded to the size it is now. Without television, it could not have promoted it the way it is now. So, yeah, all of this comes together to really explain the story of Sonic.

Chapter 10 – 7:58
Culture of Mobility

John Erling (JE): When you talked to Troy, he had some ups and downs. Was there any time he wondered whether this was going to fail or not?

Bob Blackburn (BB): Good question. I don't – I never pose that question quite that directly. But I really thought – well, one, let me explain that Troy never foresaw Sonic being 3,600 stores, not in his wildest imagination.

Troy was pretty much a conservative businessman. Originally, Charlie Pappy was the risk taker. Yeah, let's get out on that little small limb and maybe that will hold our weight. And if it breaks through, we'll have a soft landing and we'll get back up, dust ourselves off, start again. He had gone bankrupt. Troy was unwilling to go out onto that little small limb. He would go out on a limb, of course.

Any entrepreneur, anybody who succeeds in free enterprise is willing to do that. And so he was willing to take that risk but within reason. He saw Sonic as a regional company. He saw himself as creating the centralized part of the business plan without owning all of these stores. And he knew that real estate was going to be real estate at the end of the day.

He knew that that kitchen with two canopies was a single purpose investment. Well, if that goes bankrupt, what are you going to do with it? It's not an asset anymore. You have to tear it down to – but that land, that land may have started with a thousand dollar value.

It's still going to have a thousand dollars value at the end of the day, a little more conservative approach. So I don't think he did – he had faith in himself, a very confident man. He was a big man. I guess six, two or three, I don't know.

We all shrink in age, but he was a big man originally. He could take care of himself. I have one story where at the Cottage Cafe, about 80 percent of his business was on credit. In that day, if you went to the grocery store in 1953, you were running a tab. At the end of the month, you got your paycheck. You go in, you pay your bill, same thing at a restaurant. People would sign their bill. You spent 55 cents at the restaurant.

Well, some guy skipped town owing him like 50 some – I think it was $55. And Troy, of course, was watching the pennies, not just the dollar. Well, 55 bucks was huge to him. He heard the rumor. The guy was back in town and he had done well in the oil patch. And he had a wad full of bills he was flashing out at the bars the night before. Troy finds out where he's staying in the motel. He goes, knocks on the door.

The guy looks and he pushes the door open, pushes the guy on the bed, big guy, holds him down with one arm, gets his bill pulled out, takes out $55. He says, thanks for paying your bill. Well, that's a confident guy. And that's a guy who's willing to take care of business.

So he was tough to stand up to the pressures, to say, well, yeah, these headwinds are really slowing us down. Is this really going to be the future? But he was willing to double down, to take a risk within reason, and found the people like Charlie Pappy, Marvin Jirous, willing to take a similar risk and investing in that next door, making the business, learning the next series of lessons, applying that to the old problems, looking for the new opportunities, changing demographics and dealing with the changes as any business does.

I don't think he really ever had the fear that it would go bankrupt, that he would have a good landing and that it would be okay.

JE: Yeah. Some Sonics reached $1 million in less than 100 days. Amazing. Went from $1 billion, according to your book, in 1997 to $2 billion in 2001 and to anticipated $4 billion in 2010, all on flipping burgers. Isn't that amazing?

BB: It is. It's a great story. It's a personal story of leadership, of teamwork, of adaptive practices, of being open-minded, of really watching your environment, never getting behind, never being reactive, but being proactive. You know, fits and starts, that system has worked all these years.

JE: All because of good food, fast service, a partnership structure, shared responsibility and shared profits. Pretty simple.

BB: There you go.

JE: Yeah. In many cases, the branches of the Sonic family consisted of son and daughters, grandsons and granddaughters. Isn't that interesting? And they had the ability to embrace the times from the 70s to the 90s. They had to learn to change. So, the company today still operates on the basics of Troy Smith and Cliff Hudson was going to make sure that all happened to this very day.

Well, all of Oklahoma should be proud of this story of Sonic. How would you think we should remember Troy Smith?

BB: Troy Smith, he was formed out of the dirt of Oklahoma. Literally. You know, his dad was digging in the dirt, looking for oil. So, he came out of the soil of Oklahoma, which is his experience of diversity. We've all come from someplace else into this one place we call Oklahoma, starting with the Indian tribes, removed from someplace else. Then there come these desperate families, starving out, in my case, starving out in South Carolina, then Arkansas or Texas or Kentucky.

Coming here, looking for opportunity. And then, looking at the situation and just being tough enough, willing to work hard enough to know that we've got to work together. I hear these people today saying, we can go this alone. That it's this rugged individualism. That's BS. Oklahoma's story of people learning to work together and to help each other, that we're all in this together.

If we can, you know, finding the greatest good for the greatest number of people, we lose sight of that too often in Oklahoma politics anymore. But that's where we started. And Troy Smith comes out of this culture. And it's a mobile culture. Errol Gibson once wrote an essay for me when I was editor. Errol Gibson being a great, distinguished historian at OU. Many books. But Errol said the defining nature of Oklahomans is mobility.

We've been willing to pick up and leave and go over here. If it's not working, we pick up and go over there. Whether it's a radio broadcaster coming south to Oklahoma to Tulsa, or it's a Bob Wills coming out of Texas to Tulsa, or Bob Blackburn's family saying we're starving out in Arkansas on 25 and let's go over and lay pipeline for Oklahoma natural gas.

You know, this mobility is there. Troy Smith came out of that culture of mobility and recognized it, learned how to deal with it. And then when you have a chance to tap into that mobility with a quote drive in where people are driving, it was a natural for him.

Embracing a man like Charlie Pappy, recognizing the brilliance of the man, his salesmanship, recognizing the talent of a young man like Marvin Jirous, of recognizing he needed a corporate attorney like Cliff Hudson, anticipating where things were going, preparing, getting the team together, being tough enough to fight through the hard times, and willing to share the benefits that's adding to motivation, being willing to share credit.

Troy would be the first to say, I didn't build Sonic, we built Sonic. Cliff Hudson would be, if you read his new book, that's really for business leaders. It's not I did not do this, we did this. And Cliff, just like Troy, was proud of the diversity of the workforce, proud of the diversity of the people investing their time and their talents.

And plugging into the motivation to become a Sonic person and finding a way to generate wealth, to create a business they're proud of, to give back to the community, creating jobs, creating wealth. Troy was very satisfied with where that started. Cliff is very pleased with where that went. And the business model has been consistent since the very beginning.

Chapter 11 – 5:14
Early Instinct

John Erling (JE): I've noticed when I've interviewed a lot of these very successful people, that even when they were very, very young, they had more than one job. When I interviewed T. Boone Pickens, he had two or three paper routes when he was 10, 11, 12 years old.

And there are other stories that these kids were born to be that way and energetic, looking for ways to make money. They were born to do this, and a Troy Smith was born to do this, no question about that.

Bob Blackburn (BB): Cliff Hudson delivered the Oklahoma newspaper. He'd get up at 4 a.m. every day before school. And that's very typical of that. I'm doing a museum exhibit in Durant on John Massey, who created a banking empire down there, well over 50 branches of his bank, mainly in Texas but partly in southern Oklahoma.

John Massey, at the age of six, in the little town of Boswell, one-room school, the state did not provide textbooks at the time in the 1930s. You had to buy your own textbooks. John found they couldn't afford to buy the textbooks for him in first grade. John goes to the local banker and borrows the money to buy his textbook. And he says, would you add a little bit more to the loan so I can buy a shoeshine stand?

And he goes into town shining shoes to pay off his loan for his schoolbooks and the shoeshine kit until he gets old enough to deliver the newspaper. Gets out of the army in the 1950s, gets a distributorship for the Oklahoma in southeastern Oklahoma, the habit of getting up at 4 a.m.

Then he applies that to his banking empire. These people have that ability, and they're born with it, as you say. I've noticed the same thing in Jack Zink. Even though his dad had made a lot of money, he would get up and tear down a car and put it back together just to see how it worked.

There's this early instinct for that willingness to take a risk, to be the entrepreneur that we see time and time again. Fortunately, in Oklahoma, we've had a lot of those over the years. The Sam Waltons, the families with Hobby Lobby, the Greens. You get it in the oil patch, obviously, coming up. We see it with Quick Stop. We see it with Sonic. We see it with TGNY. We see it with Otasco.

I curated an exhibit here at the Oklahoma History Center a few years ago, and I tried to show the public that this spirit is there. From a J.J. McAllister opening and marrying a Choctaw woman and opening a little trading store as the Katy Railroad is building through in 1871, where the local Choctaws can come in and trade.

Well, that grows, and then we take it in to other entrepreneurs. The Sonic story there, I've got – Marvin Jirous donated to us one of the original Sonic signs. There were some bullet holes in it because it had been behind his barn outside of Perry for years, but he gave it to us.

Sonic paid to have it retubed, but it's up right now. I show an interview with Troy Smith, an interview with Marvin Jirous. We have two cabinets full of the merchandise from Sonic, but I also have Jack Zink's story there. I have the Otasco story. I have the Bob Will story. I have the story of television and radio, early television in 49, radio starting in the 20s.

All of that is part of the Oklahoma story, and fortunately, we've had the kind of people who can make it work.

JE: I'm thinking of Chester Kadjo and Quick Trip, and I interviewed him. He was a print salesman driving around town looking for a way to make money, and then just happened to bump into Burt Holmes, and the two of them come up with Quick Trip. Isn't that amazing?

But it was the mind of Chester Kadjo, “I don't want to be a print salesman the rest of my life. I need to look for a way to make money.” I never thought that way. When I was working in a radio station, it never dawned on me that I want to own a radio station, that I want to run it. I just wanted to be on the radio, and I did that for 40 years. Well, maybe if I'd owned a radio station, I'd had a bunch of them.

I'd had a network by now, but I did what I loved. It never even occurred to me. Did it ever occur to you to be a businessman, to own something?

BB: Well, a little bit. Of course, I've done that with some real estate and the books.

It's kind of an entrepreneurial thing, because that's investing your time and effort and network. So 27 books later, here I am. But no, I had a passion for history and for writing. My mom was disappointed I didn't become a millionaire.

She knew that I had a salesman's personality. She said, in the old adages, there are three ways to become a millionaire. You inherit it, you marry it, or you sell it. And she said, Bob, you can sell it. Get out there and make us some money for the family. Take care of me in old age. Well, I disappointed her because I became a historian, vowed to poverty.

But I was doing what I loved. And when I give commencement speeches now, my final word is, whatever you decide to do, do it with passion and follow it, and you will be a happy person at the end. You may not have much money, but you're going to be happy in what you've done.

JE: Yeah, you'll never work a day in your life. There you go. Well, thank you. You've been very kind over the years to Voices of Oklahoma, your encouragement and your participation, and I appreciate it very much. So thank you, Bob.

BB: Thank you, John.