



COMPETITION IMPACT

System Savings

Issue 6 - 2017

Cheese

1991
DQOA Board of Directors concerned with the common issue of rising cost of goods and reduced DQ franchisee profitability determined that there were cost of goods savings to be realized. The Board was committed to forming a cooperative buying group for Dairy Queen Franchisees so that operators would have an alternative source of products that were ADQ approved and/or met ADQ specifications and that were priced favorably for the Franchisees. The Dairy Queen Operators Cooperative (DQOC) was formed.

1994
Collins Litigation - A group of franchisees in Georgia filed a class action litigation to protect their contractual rights to purchase products, goods and services from alternative sources of supply. The litigation was filed because ADQ would not provide the standards and specifications for products to alternate suppliers at the request of the franchisees.

2000
The Collins Settlement Agreement (CSA) was created as a result of negotiations between the DQOC and ADQ to end the Collins Litigation. The Collins Settlement reaffirmed the franchisees' rights to purchase approved products from alternative sources. The Dairy Queen Operators' Cooperative is recognized as the sourcing agent working on behalf of the franchisees.

Your DQOC first made available Sliced American Cheese over 23 years ago in June 1994. The savings your DQOC provided at that time was approximately 1%. It doesn't sound like a lot, but when you add up all the savings your DQOC provided on each and every cheese product that was approved over the years, it has really added up. (Cheese Sauce in 1994, Shredded Cheddar Cheese in 2002, Sliced Cheddar and Swiss Cheese in 2004 and Cheese Curds in 2006.) Prior to the availability of the DQOC products, ADQ was the sole source of supply for DQ cheese products. As a result of the competition introduced by the DQOC, ADQ lowered the prices of the comparable products immediately to match or slightly undercut the DQOC product prices. Every Dairy Queen franchisee in the system has benefited from the cost of goods reductions. Who knows what the price would be today for cheese if it wasn't for your DQOC creating competition on the products sold to DQ stores?!

**\$2 million
in system
savings**

Take a quick look at how much money your DQOC has saved the DQ system since the introduction of the Sliced American Cheese in 1994, just one item. Let's estimate the average DQ food store purchased 82 cases of Sliced American Cheese per year over that time span.

82 cases per food store
x \$.43 savings per case
\$35.26 annual savings
x 3,000 food stores in the DQ system
\$105,780 annual system savings
x 23 years
\$2,432,940 system savings

DQOC has estimated system savings of over \$2 million dollars!!! Let that sink in for a bit...that's just one product that DQOC introduced with substantial savings in the 1990's. Your DQOC went a step further and calculated the system savings for all the other cheese products your DQOC rolled out at that time as well. In total, the DQ system has saved over \$28 million on a mere handful of cheese products! That's 28 million reasons to support the DQOA and DQOC!