



# COMPETITION IMPACT

## System Savings

Issue 5 - 2017

## Paper Cups

**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.

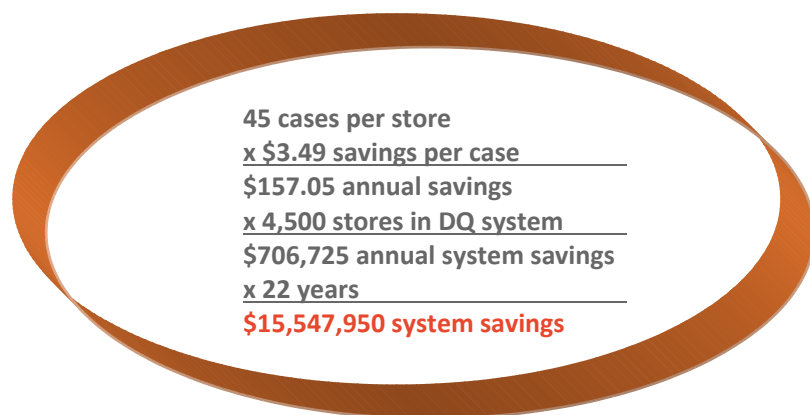
**1994**  
Collins Litigation - A group of franchisees in Georgia filed a class action litigation to protect their contractual rights to purchase products, goods and services from alternative sources of supply. The litigation was filed because ADQ would not provide the standards and specifications for 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 Crown Select Paper Cups nearly 22 years ago in December 1995. The savings your DQOC provided at that time were approximately 5-10% depending on the paper cup size. For example, the 21oz paper cup price from the ADQ supply chain warehouse at that time was \$38.40 per case. Your DQOC introductory price was \$34.91, a savings of \$3.49 PER CASE. Astonishing savings and that doesn't even include your DQOC Dividend! Prior to the availability of the DQOC products, ADQ was the sole source of supply for the DQ paper cup items. As a result of the competition introduced by the DQOC for the paper cups, 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 21oz paper cups if it wasn't for your DQOC creating competition on the products sold to DQ stores?!

**\$3.49/case  
in savings**

Take a quick look at how much money your DQOC has saved the DQ system since the introduction of the 21oz paper cups in 1995, just one item. Let's estimate the average DQ store purchased 45 cases of 21oz paper cups per year over that time span.



DQOC has estimated system savings of over \$15 million dollars!!! Let that sink in for a bit...that's just one product that DQOC introduced with substantial savings in the early 1990's. Note, the per store annual savings of \$157.05 is nearly the cost of your annual DQOA dues, which validates that your membership has been a great investment in your bottom line. DQOC went a step further and calculated the system savings for all the other paper cups and lids your DQOC rolled out at that time as well, including the 12oz cup, 16oz cup, 32oz cup, 32oz lid and 12/16/21oz lid. In total, the DQ system has saved over \$47 million on a mere handful of paper cups and lids! That's 47 million reasons to support the DQOA and DQOC!

DQOC will be sharing more of these examples in the future, so stay tuned.