



COMPETITION IMPACT

System Savings

Issue I - 2017

Plastic Dishes

1991
DQQA 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.

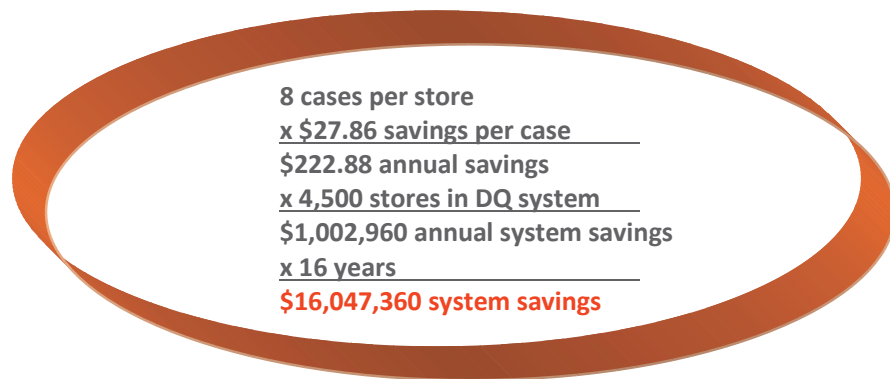
1994
Collins Litigation - A group of franchisees in Georgia filed a class action litigation to protect their contractual rights to purchase products, goods and services from alternative sources of supply. The litigation was filed because ADQ would not provide the standards and specifications for products 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 plastic DQ treat dishes nearly 16 years ago in June 2001. The savings your DQOC provided at that time were approximately 30-40% depending on the plastic dish. For example, the banana split dish price from the ADQ supply chain warehouse at that time was \$67.50 per case. Your DQOC introductory price was \$39.64, a savings of \$27.86 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 plastic treat items. As a result of the competition introduced by the DQOC for the plastic treat dishes, 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. What's even more astonishing is that the pricing today for the banana split dish is only slightly higher (starting at \$42.42 per case) than it was when DQOC first made this product available in 2001. Still well below what DQ franchisees were paying for the ADQ product in 2001. Who knows what the price would be today for banana split dishes if it wasn't for your DQOC creating competition on the products sold to DQ stores?!

30-40%
in savings

Take a quick look at how much money your DQOC has saved the DQ system since the introduction of the banana split dish in 2001, just one item. Let's estimate the average DQ store purchased 8 cases of banana split dishes per year over that time span.



DQOC has estimated system savings of over \$16 million dollars!!! Let that sink in for a bit... that's just one product that DQOC introduced with substantial savings in the early 2000's. Note, the per store annual savings of \$222.88 is nearly the cost of your annual DQQA 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 plastic treat dishes your DQOC rolled out at that time as well, including the small, medium, large sundaes, treat and parfait dishes. In total, the DQ system has saved over \$50 million on a mere handful of plastic treat dishes! That's 50 million reasons to support the DQQA and DQOC!