



COMPETITION IMPACT

System Savings

Issue 2 - 2017

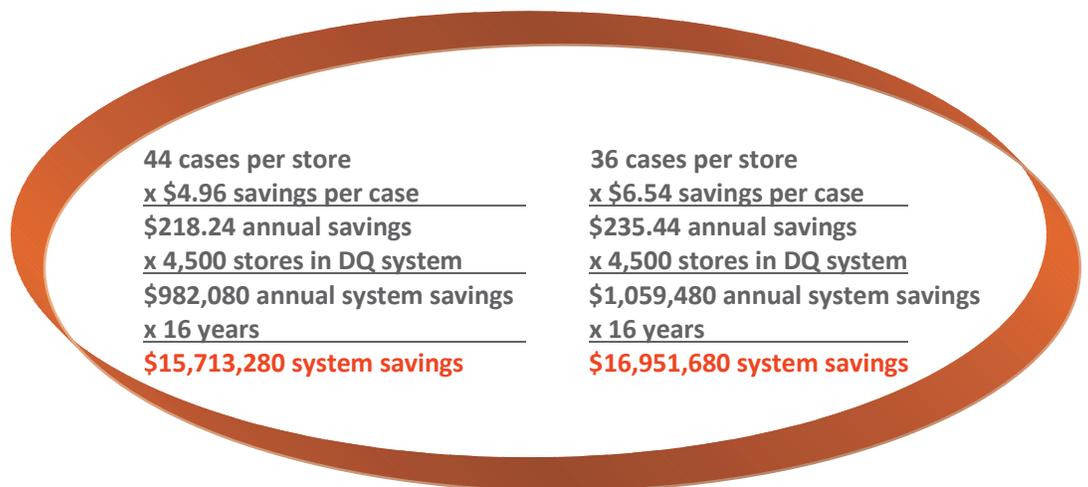
Spoons

We're back again with another example of the dramatic impact the DQOC has had on the DQ system over the years. Last time we discussed the plastic treat dishes.

Your DQOC first made available the plastic DQ spoons 16 years ago in June 2001. The savings your DQOC provided at that time was around 30-35% depending on the size. For example, the large DQ spoon price from an ADQ supply chain warehouse at that time was \$15.75 per case. Your DQOC introductory price was \$10.79, a savings of \$4.96 PER CASE. Astonishing savings and that doesn't even include your DQOA Dividend! Prior to the availability of DQOC products, ADQ was the sole source of supply for the DQ spoons. As a result of the competition introduced by the DQOC, ADQ lowered their prices of the comparable products immediately to match or slightly undercut the DQOC product prices. As a result, 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 large DQ spoon is only slightly higher (starting at \$12.86 per case) than it was when we first made this product available in 2001. Still well below the ADQ price in 2001. Can you imagine what the price would have been for the large DQ spoons today if it wasn't for your DQOC creating competition and providing an alternative source of supply?

**30-35%
in savings**

What has this meant in terms of cost savings for the entire system? See below.



To date, the cost reductions made possible by the DQOC on DQ spoons have saved the DQ franchisees over \$32 million dollars!!! Once again, let that sink in for a bit...that's just two products that the DQOC introduced with savings in the early 2000's.

We'll be sharing more of these examples in the future, so stay tuned.

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.