



COMPETITION IMPACT

System Savings

Issue 3 - 2017

Toppings

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 and DQ spoons.

Your DQOC first made available Crown Select Toppings manufactured by Lyons Magnus over 25 years ago. It was the very first product line that was made available through your DQOC. The savings your DQOC provided was significant. For example, the Hot Fudge price from an ADQ supply chain warehouse at that time was \$28.73 per case. Your DQOC introductory price was \$22.20, a savings of \$6.53 PER CASE. Astonishing savings and that doesn't even include your DQQA Dividend!

**\$6.53/case
in savings**

Prior to the availability of DQOC products, ADQ was the sole source of supply for approved toppings. 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. Can you imagine what the price would have been for approved toppings today if it wasn't for your DQOC creating competition and providing an alternative source of supply?

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

Hot Fudge Topping
35 cases per store
x \$6.53 savings per case
\$228.55 annual savings
x 4,500 stores in DQ system
\$1,028,475 annual system savings
x 25 years
\$25,711,875 system savings

To date, the cost reductions made possible by the DQOC on Hot Fudge alone have saved the DQ franchisees over \$25 million dollars! Let that sink in for a bit...that's just one topping that the DQOC introduced with savings in the 1990's. We went a step further and calculated the system savings for all the other Crown Select Toppings your DQOC rolled out at that time as well. The system savings have totaled over \$90 million on toppings!

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

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.