



## ***A COMMENTARY ON IDQ'S UNIFIED SUPPLY CHAIN***

*by Bill Anton, Executive Director - AZDQOA; Director Emeritus - DQOA*

One of the recent initiatives by IDQ, which has been receiving a lot of “air time” lately, is the establishment of the Unified Supply Chain, Inc. The potential positive effects of a unified (underlined for emphasis) supply chain are enormous. Driving out the inefficiencies that plague our supply chain will have a significant effect on every franchisee’s bottom line. You have to look no further than here in Arizona to see what a unified group can do to reduce dairy prices, distribution margins and prices for a host of other services you use in your stores on a regular basis. Beyond Arizona, you can look back at the positive effects that DQOA/DQOC has had on your food costs since 1991. (Citing all of the dramatic cost decreases here would be redundant and lengthy).

What IDQ has chosen to do is a noble endeavor. There is absolutely no criticism that one could aim at IDQ for trying to form a unified supply chain. Unless, of course, the supply chain wasn’t truly unified, (i.e. encompassing all of the strengths of the entire franchisee community).

A little bit of history is appropriate at this point.

Over a six month period of time during 2003, the DQOA/DQOC and IDQ were involved in discussions to form a “cost plus” entity. The details of the discussions, as mutually agreed upon by both parties, were to be kept confidential. Needless to say, the discussions failed to result in a truly unified cost plus program. Mr. John Gainor was hired by IDQ even before the discussions were concluded.

In January of 2004 IDQ announced the formation of its new supply chain entity. Below are the criteria established by IDQ for franchisee representation on the supply chain council:

1. Licensed store operator who is physically involved in the day to day operation of the store and in good standing.
2. Purchased at least 75% of total dollar spent (products as included in the entity) from an ADQ authorized warehouse during the past calendar year.
3. Does not hold an officer or director position in a competing purchasing and distribution entity.
4. Willing to sign a Confidentiality agreement due to the sensitive nature of pricing and financial documents that will be made available.

(Now remember, this is supposed to be a unified supply chain). Take a look again at number 2 & 3 above. Number 2 eliminates any franchisee who buys more than 25% of his/her products from a DQOC warehouse. Number 3 eliminates any board member of the DQOC (“A competing purchasing and distribution entity”). You have just eliminated a substantial amount of people from the total talent pool that are available to advise IDQ.

Let's take a look at the criteria for eligibility for participation on the local Distribution Advisory Committee:

1. You must be a franchisee who is active in the daily operations of your store or restaurant.
2. Your store or restaurant must be located within the DAC territory of the DAC you are elected to serve on.
3. You should purchase 70% of your product needs from the ADQ Authorized Warehouse or warehouses within the DAC territory you are elected to serve in.

(Now remember, this is supposed to be a unified supply chain). Take a look at number 3 above. Any franchisee that purchases more than 30% of his/her products from a DQOC warehouse is not eligible to participate. In Arizona that would leave about 5 stores out of 102 that would be eligible to represent all of us on the DAC. That's some unity isn't it?

It's important for you to understand the reality of IDQ's new Unified Supply Chain, Inc. This is not a unified body, but an exclusionary body. There are many, many deficiencies that exist in this new supply chain, (we in Arizona have seen this first hand), but the biggest misnomer is that this is a unified supply chain.

There are still some franchisees that think the DQOA/DQOC is an impediment to franchisee unity and corporate cost cutting in our supply chain. Read the above criteria and you'll see that unity is not one of IDQ's goals. The company (DQOA/DQOC) that has saved you 10 points a year on your food and distribution costs is considered by IDQ to be a competitor and therefore excluded from participation in the unified supply chain. That means you, members of the DQOA/DQOC, are excluded also. We didn't write the by-laws, IDQ did.

This system will never be unified until IDQ acknowledges the positive impact that all of the members of the DQOA/DQOC have had on this system's profitability and treats those members as partners, not competitors.