



IS THE DISTRIBUTOR ADVISORY COMMITTEE (DAC) ALLOWED TO WORK FOR YOU?

By Kevin Scheunemann
DQ franchisee

Before you answer that question. Read on. USCI has not been telling you the whole story.

I'm from an area of the country that endured the Ameriserve debacle. Ameriserve was an IDQ warehouse that went bankrupt in March of 2000. IDQ relied heavily on them. Many of my franchisee peers used to describe the IDQ-Ameriserve relationship in this way; "IDQ was in bed with them." The bankruptcy was a disaster. We were scrambling, as franchisees, for product for those next two months.

IDQ next selected US Food Service-Chicago (USFC). They had problems. More problems. And still more problems. By the Milwaukee DMA meeting that fall, it was not a marketing meeting, it was a group complaining session about US Foods. I foolishly stood up (and I was the only one) and said "let's give them a chance, they came in under the gun and they need time to resolve these problems." (ahh, to be young, foolish, and idealistic, once again.) I was splitting my orders with Waukesha, the DQOC house, at the time and minimizing my contact with USFC. I even offered to the franchisees at the meeting to come to my store to see the dial in ordering software I just got, to make your life easier. Franchisees in the room, at the time, thought I was on drugs. You have to remember that DQOC did not have near as many alternatives available as they do today. We still had to rely on an IDQ warehouse.

Well, life experience has a way of grabbing hold of you quickly. Three months later USFC nearly put me out of business and put me in the hospital from stress. These are an abbreviated list of transgressions that occurred in those 3 months;

- 1.) My people would dial in the order online, receive a valid confirmation number, no order would show up. We would miss the delivery window until next week. No one from USFC ever fixed it, despite my valid confirmation number, you could never get a hold of anyone.
- 2.) Predatory credit holds. Including running checks through my bank without applying them to the account and not processing checks. I faxed the same canceled check 3 times to them at one extreme low point and did not get a USFC order for 5 weeks at one location!
- 3.) No communication. No one would ever call you that you were on credit hold (which 99% of the time was their fault with their idiotic bookkeeping). No one would ever return phone calls.
- 4.) When we gave up on the on-line software, you could never get through to the customer line because it was always jammed with a busy signal or no one ever answered the phone!

I could talk about mis-picks, shorts, damaged goods, lack of credits, and other little things as well, but these were the big things that made running my 4 DQ stores absolute hell. I was servicing my distributor, instead of them servicing me. I remember the week of Christmas 2000, I spent 80 hours that week just trying to pin down this distributor and trading and swapping product to keep the doors open at all 4 locations. I was in the hospital New Year's Eve Day. I had to receive medication to slow my heart rate down. In short, I regret ever defending this distributor at the Fall 2000 Milwaukee DMA meeting.

I was discharged from the hospital and was planning to go to the Las Vegas DQOC convention 2 days later. I told my wife, we can't go, we have too many IDQ distributor issues to go anywhere. SHE FORCED ME TO GO! (Thank God, she made me.)

For those of you that don't remember, this was the year the lawsuit was settled and Chuck Mooty spoke at the DQOC convention. I got the first Q & A opening and put him on the spot about this awful distributor. He, in a nutshell, didn't know anything about it.

I was not pleased. I got up and went to the back of the room. Harris Cooper approached me and told me that was not an acceptable answer. At the same time, Bill Kunderman, from Southern Products Company (SPC) in St. Louis (IDQ and DQOC distributor), handed me his card and said "we'll take your stores!" I said, "O.K.!" I had an order guide at each store from them before I got back from Vegas and before I even filled out a credit application. (The DQOC convention saved my business that year.)

SPC established a Milwaukee route just on the partial volume of my 4 stores. Other DQ locations soon joined in. At one point, SPC ran TWO routes per week to the Milwaukee area, 1 more than USFC did! Life was good again. DQ was fun again, at least until August of 2005. (FYI, SPC or Waukesha never put me on credit hold once in following four years.)

I withheld payment of one invoice, on purpose, from December 2000 at one store to see if USFC would actually call me.

January 01.....

February 01.....

March 01.....

April 01..... Nothing.

Not even a call to ask if I'm going to pay that invoice.

Something interesting happened in April of 2001. Rich Shirk held a "hearing" on USFC in the Milwaukee area. I called every store to see if they were going. If the franchisee was not going, I got a signed statement from every franchisee not in attendance demanding this distributor be removed. (Everyone in attendance wanted them gone as well).

45 minutes. That is how much sunshine and daisies franchisees had to listen to between Rich Shirk and Jim Wieseman, VP of USFC, before we could speak. "We want your business" was the mantra.

I was first to speak after the whitewash of the miserable distribution failure we were enduring. I asked, "If you want our business so bad, then how come I have not received 1 phone call in 4 months asking why I have not ordered since December 2000." (Silence filled the room.) "Everyone in this room wants them gone and here are signed statements from franchisees not here that want them gone!"

All Rich Shirk could say is "O.K." (later, in a 2005 DAC meeting, he described this meeting as "contentious".) I walked out. I told everyone, good luck, I use SPC. Later, I found out a large chunk of Chicago stores near the USFC warehouse were using the warehouse from St. Louis too! You think USCI would have a clue, but it was the same old whitewash from IDQ when the DAC was established in late 2004.

August 5, 2005, SPC pulled out of WI. (The day of my 5th Wedding Anniversary, no less) I swore to myself I would never go back to USFC. I made one last gigantic order of IDQ exclusive product and relied on my DQOC warehouse exclusively for the rest of the year. I was pushing my DAC for an RFP for a new warehouse.

November 2005, The Upper Midwest convention. I ran into my favorite VP of Distribution from IDQ. He tells me "don't worry about what happened in the past." Look to the future. Rich Shirk is a persuasive guy. His soothing serene song of 'its just me' is very good. The USFC reps followed up by saying "we're better, we're better."

I reluctantly decided to pursue this bad idea, because I really had no choice. I went to a once a month ordering process with USFC in December 2005, getting everything possible from my DQOC house.

Improved?

Product outage is awful. Including Shrimp, Meat, Fries, Sauces, etc. It's unacceptable to substitute these products for the health and safety of the system! I've had to correct predatory COD's, service charges, erroneous tax charges. I've had to fill out the tax resale certificate 3 times. (USFC lost the first two, even after I confirmed they had the second copy.) They still take 3 weeks to process checks (from the time you send it to them until it clears the bank. In the old days, you were just blamed for not paying them.). They seem to have problems finding product in their own warehouse according to DAC members and have given out stale, out-dated product. A DAC franchisee was put on credit hold because they had a CREDIT (USFC owed her money) on the account! This is just the last two-three months. Good thing I only deal with them once per month per store. Fool me once, shame on you. Fool me twice, SHAME ON ME! It gave me war flashbacks to December of 2000.

This gets me to the point of the story. This warehouse, by USCI's own admission, has NEVER, EVER met the USCI distributor standards. NEVER! EVER! EVER! The DAC called for a Request For Proposal (RFP) for a new distributor.

We are in the middle of an RFP, for good reason, and IDQ just excluded an excellent alternative warehouse. Dierks Waukesha, our DQOC warehouse. They saved many franchisees from going out of business due to the complete incompetence, I just described above. Local franchisees love them. They are a good house with good service. They literally saved the DQ system in this part of the country. But no good deed goes unpunished! If Waukesha literally saved the DQ system around here, why would they possibly be excluded by USCI and the DAC, when they should be thanking them?

ANTI-FRANCHISEE USCI RULES REQUIRE AN EXCLUSIVE WAREHOUSE!

DQOC bent over backwards for USCI, indicating, in writing, that it was OK for USCI to pick our warehouse. We could unify locally and co-exist side by side. Franchisees on both sides of the fence wanted to entertain the possibility. That is not good enough for USCI! (If DQOC asked to put product into a USCI house, DQOC would not even get the time of day, much less a written blessing from USCI!)

Bill Zucco and Mike Rinke, two mega high-powered lawyers for IDQ, overpowered the defenseless, hard-working, non-legally represented, DAC franchisees on a conference call. The wishes of the DAC were to include this viable alternative warehouse in the RFP process. No dice, Mike Rinke, Master Legal Counsel for IDQ, made sure of it!

This begs the question. **Why do two high-powered IDQ lawyers need to be involved in what is supposed to be a franchisee-driven process?** *Answer: It is not a franchisee driven process!* If any of us still believe that, you are kidding yourself. The current USCI structure will NEVER, EVER allow franchisees to protect their interests, when it affects IDQ's bottom line. This situation is solid evidence of this dynamic. **DAC's are not allowed to disagree with the bottom line of IDQ, even if it's a great decision for the franchisee.** The Chairman of the DAC doesn't even want the responsibility for this decision put on him. Who could blame him? Why should he take heat from franchisees, as a franchisee representative, when he has absolutely no input on the decision? I feel bad for him. He was sold a bill of goods and he's stuck defending an indefensible USCI position that disregards franchisees. He's asked Bill Zucco to draft a letter to franchisees explaining the legal-powered anti-franchisee decision from above.

The next question is, why do DAC franchisees bother? If IDQ is only going to allow a rubber stamp of pre-determined USCI decisions from the franchisees on the DAC, let's stop wasting our time at these meetings and run our stores. The decisions have already been made from the IDQ legal ivory tower. Just implement them and stop pretending like we have a say in what happens!

My Supply Chain Representative has been very quiet on this issue. If he's not going to choose to defend the franchisees on this one, what can he possibly say? "Yes, I support IDQ legal and the inflexible USCI rules in this case." He isn't going to say that, but his silence screams that position.

Our FAC President, Kevin Hitzeman, astutely and correctly, stated that DAC franchisees should be able to include whatever distributor they wish in the RFP. USCI going against the wishes of the DAC, the franchisees in the DAC, and the FAC President? The USCI brochure says nothing about that. The annual brochure does say; “Success through Involvement.” (Rich Shirk’s USCI distribution page headline)

(Hmm...that must mean involvement of high-powered IDQ lawyers telling franchisees how wrong they are for protecting their legitimate interests.)

“These changes are designed to ensure our franchisees receive the highest quality service possible from their USCI Authorized Warehouse and USCI Corporate Staff.” (page 13)

(Excluding viable choices for franchisees and apologizing for a USCI warehouse that has never met the USCI distribution standards makes this statement completely false. It should be retracted.)

Jan/Feb 2006 USCI Newsletter:

“In addition to contract negotiations, the members of the DAC must decide if the current warehouse is best for the franchisees they represent or if that warehouse should be replaced with another. Talk about a huge responsibility...” Craig Hageman, USCI Representative

(How are the DAC’s supposed to take that responsibility seriously if IDQ refuses to let DAC’s consider the best possible choices?)

“I can’t emphasize enough what powerful effects the decisions made by these groups have on our profits.”
Craig Hageman, USCI Representative

(Are you going to blame this DAC when franchisees have less than the best possible warehouse choice for years to come? I think that’s a little unfair.)

My personal favorite from the September 2005 USCI newsletter:

“...the DAC is your voice to make sure that service from your distributor meets expectations, and that any ongoing service problems are addressed. After all, good service from your distributor saves you money. Being knowledgeable about the issues your local DAC is discussing and voting on is vital.”

(I’m still laughing about that voting part!)

Don’t worry, the RFP has a few more months. US Foods-Chicago will win by default and we will continue another 6 years of USCI distributor standards being talked about, but never enforced. Our DAC, will probably never attend anymore meetings, since everything is pre-decided anyway. DAC’s are mainly just there to take the heat for pre-determined decisions of Bill Zucco and Rich Shirk. I certainly would pass on that job, if they just ignore our input anyway.

I want unification. I pushed for it on a local basis. The franchisees in the area liked the idea. What did we get? Two IDQ lawyers who get paid hundreds of thousands of dollars a year to tell us we cannot consider using a superior distributor.

Given IDQ’s complete distribution failure in this area; to exclude a good distributor for franchisees to consider is a raw exercise of naked power. Power exercised by those representatives who are really in charge of USCI; **IDQ lawyers.**

IDQ still has a lot to learn.