



# NEWS ALERT

August 5, 2004

## *THE GOAL STATEMENT OF DQOA/DQOC*

- To advance the interests of its members in a healthy and successful Dairy Queen System.
- To protect the interests of its members in enhancing the profitability, and building the equity value, of their Dairy Queen restaurants.
- To constructively engage IDQ in an active, ongoing collaboration as equal partners in the stewardship of the Dairy Queen System.
- To foster the success of the Dairy Queen Operators Cooperative in delivering products and services conforming to Dairy Queen System standards to members at the lowest sustainable delivered cost.
- To foster active and democratic participation by all member franchisees in DQOA governance.
- To speak for Dairy Queen franchisees in matters relating to System issues, with IDQ, other trade groups, government, news media, and the public.

## *THE HISTORY*

The DQOA was founded in December of 1970 by a group of Dairy Queen franchisees who were concerned about the future of the Dairy Queen system and their equity interests in the face of new ownership and leadership of International Dairy Queen/American Dairy Queen Corp.

The DQOA (known initially as IFSOA), a national organization, was affiliated with several older, independent state and regional Dairy Queen associations which held and sought similar Dairy Queen franchisee goals and objectives.

The DQOA through the years 1970-1987 worked cooperatively with IDQ/ADQ on many franchisee issues. These projects included franchise transfers/transfer fees and franchise terms. In addition, the DQOA worked with IDQ on new product introductions and supported the annual pledge method supplementing Dairy Queen marketing funds. Between 1987 and 1991 there was a hiatus in relations between the DQOA and IDQ/ADQ. Several issues – the most serious of which was the Dairy Queen franchisees' rising cost of goods - were left unresolved during this period.

Around 1991, the Directors of the DQOA with the help of an accountant researched the question : “How are IDQ/ADQ’s profits growing by leaps and bounds while Dairy Queen franchisees’ sales and royalties paid were flat or slightly down?”

The answer: The Dairy Queen franchisees had only one source of IDQ approved products – IDQ/ADQ – and one source of product distribution – IDQ/ADQ authorized distributors. There was no competition. This meant no franchisee control of product cost or distribution cost.

What to do? The directors were advised to start a Dairy Queen franchisee owned product and distribution cooperative to offer IDQ/ADQ-approved products as an independent, competitive choice for Dairy Queen franchisees. Competition is a wonderful and healthy thing.

The DQOA directors sought the help of Harris Cooper, President, The Cooper Factor, Inc. a franchisee industry consultant who had been President, CEO and COO of IDQ/ADQ 1970-1987. After negotiations, Cooper became Executive Director in 1991 of the DQOA and the newly created Dairy Queen Operators' Cooperative, reporting to the elected franchisee Boards of Directors of DQOA and DQOC.

The Board of Directors of both corporations consisted of 13 in 1992 elected on a national basis. In 1997 the election of the directors was modified to be representative of regional constituencies.

There are currently 12 regions each with an elected director.

Today the DQOA continues on with its stated goals working in the area of protection of franchisee rights and their attendant remedies, franchisee education, franchisee profitability and the fostering of active and democratic participation of all Dairy Queen franchisees in the governance of the DQOA/DQOC. This includes an annual convention which strives to be both educational and Dairy Queen family enriching.

Since the formation of the DQOC, in 1991 it has been responsible for securing the rights of all Dairy Queen franchisees to have an independent, competitive source of IDQ/ADQ- approved products, and the DQOC-endorsed distribution of these products. These rights, gained through six years of contentious litigation, together with other marketing concessions (30+ million dollars to the Dairy Queen marketing funds) and 5 million dollars paid to the DQOA/DQOC to provide DQOA/DQOC with an infusion of substantial capital to assist it in further developing and operating its independent product distribution and purchasing programs and business. This has enabled the Dairy Queen franchisee system to save and put in the Dairy Queen franchisee profit column more than 100 million dollars in the past 10 years. The sales \$\$ have and will continue to grow with DQOC's ability to add additional IDQ products, priced based upon volume purchases of its members, and continued improved savings in distribution costs.

#### *ADDITIONAL 2005 GOALS OF THE DQOA*

- To continue the protection of existing franchisee equity by whatever method is required. To insure that the IDQ/ADQ evolution policy is fair, equitable and does not destroy the equity of franchisees who have invested in the existing Dairy Queen system as we know it. To protect the "sweat equity" of the current Dairy Queen franchisees that made the Dairy Queen trademark the great name and product of today.
- To support IDQ/ADQ positions that are fair, equitable and profitable for the Dairy Queen franchisee.
- To continue to provide savings on cost of goods and distribution of IDQ/ADQ products by producing an alternative source of these products and their distribution.
- To continue to attempt to come to an agreement with IDQ/ADQ on a unified purchasing and distribution cooperative whose direction and insight is governed by the DQOA/DQOC as provided for in the settlement of the Collins litigation which designates the DQOA/DQOC as the Dairy Queen system representative in this regard.

#### *NEXT NEWS ALERT:*

Who are the current directors of the DQOC and what is their Dairy Queen and or other business experience? How is the DQOA/DQOC staffed and what are their responsibilities?

## DQOA/DQOC

Please note new mailing address:

1654 West Lake Drive

Phone numbers are unchanged

952-556-5511

Fax: 952-556-5522

DQOA members who find themselves in a contractual dispute or difference of interpretation with IDQ are asked to contact the DQOA office (952) 556-5511. There may be other franchisees in your similar circumstances.

## SAVE THE DATES

Mark your calendars for DQOA National Convention

January 3-9, 2005

JW Marriott, Phoenix, AZ

**WATCH YOUR MAIL FOR REGISTRATION MATERIALS**

1654 Lake Drive West • Chanhassen, MN 55317