

# Purchasing & Costs

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## Question

- The DBRI purchasing department negotiates and purchases food and supplies on behalf of the franchisees with unit level profitability of the franchisee as their top priority.
- Overall Score: 1.82

## Answer

- 77% Disagree/Strongly Disagree
  - 155 ppl, 254 stores
- 9% Agree/Strongly Agree
  - 18 ppl, 30 stores

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## Question

- The entire Franchisee system would benefit from utilizing either a reputable third party purchasing co-op or establishing an Owner's co-op.
- Overall Score: 4.09

## Answer

- 6% Disagree/Strongly Disagree
  - 12 ppl, 20 stores
- 72% Agree/Strongly Agree
  - 145 ppl, 238 stores

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## Question

- I have confidence that DBRI's proposed 'Road to 30' will provide a system-wide 30% F&P.
- Overall Score: 1.74

## Answer

- 78% Disagree/Strongly Disagree
  - 157 ppl, 257 stores
- 2% Agree/Strongly Agree
  - 4 ppl, 7 stores

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## Question

- I am able to run a cost of goods at 36% according to the Dickey's Success Matrix.
- Overall Score: 2.07

## Answer

- 68% Disagree/Strongly Disagree
  - 137 ppl, 224 stores
- 12% Agree/Strongly Agree
  - 24 ppl, 40 stores

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## Open Comments

- You can hit 36%, but you have to buy off program. Also the rebate program being held hostage is unacceptable.
- Only way to get to 36% or lower COGS is to go over program.
- Should be able to purchase items much cheaper for us.
- 30%COGS will never happen if we want to have competitive prices and use quality products. I run at 34% currently.
- I would love to see better negotiations specifically for our beef prices. I understand beef prices are driven by demand. But if we could reduce these costs it would greatly increase profitability. And allow us pass a lower cost to our guests.
- I have not seen any real progress in the current system
- Anything that comes off the truck marked "Dickey's" is overpriced. Other franchises do not operate this way. Chick-fil-A is a good example, they do not overcharge their operators. If it comes in the back door marked "Chick-fil-A", it is at cost. They also operate a warehouse for equipment and small goods with no mark up.
- US Foods costs should be uniform across the system

## Open Comments

- The only way to save on COGS is buying off program. I should not be able to find identical products for less cost than my order sheet from US Foods. Dickey's looks out for their own interests and the rebate joke of a program is the perfect example of that. The road to 30 is a joke and not real world examples or obtainable, the road to 30 should be removing rebates and pass those savings on to the owners so we can get to 30 without changing system operations, and possibly passing those savings on to our customers.
- Many items are grossly overpriced compared to whole sale outlets or other company's
- Have never had COGs lower than 40% in 6+ years and no one from DBRI has offered any advice except to tell me I have too much waste.
- We need to get rid of you US Foods as they do not treat owner operators correctly and they are very on organized.
- All rebates should be net, not requiring any forms to be filled out. DBRI, should not get any of the suppliers rebates.
- I can purchase things from smart and find I can purchase things from smart and final cheaper

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## Open Comments

- It is impossible to make money given the ineptness of purchasing
- Been with DBRI FOR 5 years have never seen 36%
- Cost should be lower at back door not a possible rebate. Absolutely co-op. Have 0 confidence without pricing ourselves out of business. I do run between 36-38%
- BRISKET same price as at grocery store. What's the benefit of being a franchisee?
- I think getting to 30% food and paper cost is quite ambitious. I'd obviously like to get there, but I'd be happy if we can get to 33%
- The COGS need to come way down. A co-op needs to happen because DBRI wont help.
- The switch to US Foods has increased my food costs and the distribution centers have been consistently running out of product. This includes running out of brisket.
- I have no confidence that DBRI runs the rebate program properly

## Open Comments

- I should not be able to find better pricing on my own. An Owners' CO-OP is needed to get our purchasing in line. I have zero confidence that expertise exists in Purchasing (or their leaders) to put best pricing together for me.
- Rebates are a JOKE. DBRI should pass through EVERY rebate to ALL owners on the front end and allow us to have the benefit in order to help us get profitable. Once the O/O's get profitable DBRI will see greater profits that are more sustainable in the long run.
- The reason why over a hundred fifty dickeys have closed their doors because you guys jacked the prices on our cost of goods. if you guys would have cut the cost of our products 50% of those stores that have closed will still be open today. why should we buy products from US foods when I can buy cheaper products from the grocery store down the street. why did I sign up with a nationally-known franchise to supposedly get your buying power when I go buy cheaper stuff on their average Joe down the street.
- Our costs from US Foods are not even close to the cheapest available. I don't know what a 3rd party co-op is, but anything is better than what Dickey's has done. And, I never meet 36%. It is impossible, with the cost of goods Dickey's has "negotiated."

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## Open Comments

- Don't appreciate the fact that rebates are held hostage to jumping through a bunch of meaningless hoops that provide no benefit to anyone other than preventing franchisees from participating in rebate program.
- When I used all on program purchasing, my COGS were consistently 40%. In order to survive and keep two of the three of my locations operating, we purchase some cleaning products and paper products off program. This allows me to reduce my COGS by 2 - 3%. It is still a stretch to hit 36% throughout the year because of the increased cost of core food items to my locations since we have lost all the locations in the state except for my 2 locations. My costs went up because I am the lone survivor in my US Foods distribution hub.
- food cost are bad we went from us foods to Sysco back to us foods and they say its better pricing. the only thing that happens is meat goes down paper goods go up so you don't see any change.
- I fear with the road to 30 we will sacrifice quality which is our main selling point.

## Open Comments

- The 36% COGS is a bit difficult to stay within, given our existing pricing and anticipation for upcoming product. There are times, at least 1x month that I will order a staple item (i.e. 32 oz BYC or straws) and it will say it is out of stock.
- Everything is cheaper at retail stores. EVERYTHING
- Rebates should go to the person/company paying for the product. Just like a fuel surcharge should go to the person/company buying the fuel.
- This has been one of the biggest areas of frustration for me. We haven't been able to ever run under 40% despite even having over 30% catering. Our family owns other stores in fact 1 of them is a barbecue restaurant and his local pricing for choice and prime meats and sides is so much cheaper and he is with US Foods also. So where is this buying power that you talk about?
- I can buy comparable COGS items for less than I can buy on program. It takes buying off program to run lower numbers. It's a shame. Greedy?
- COG last year were 37.1%

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## Open Comments

- 36% F&P isn't a good food cost, however DBRI's MO is that they try and sell you on the fact that you will use less labor, which isn't so. However, I have been able to run successful restaurants, one even across the street from my Dickey's at a 33% F&P, with an all you can eat buffet. We have an owner's purchasing co-op. I have had discussions with leadership about purchasing. I have asked Jeff Gruber to open up the contracts and allow a third party to purchase on our behalf, but DBRI refuses to allow this. They claim that they have to protect their revenue from rebates and affiliates. Our F&P with Dickey's runs around 39-40%. What DBRI is refusing to acknowledge is that continuing down this road of a profit center with their affiliates will not produce the growth they will need for success with this Brand. DBRI's road to 30 will not produce a 30% F&P because as I've pointed out to them, not one of their proposals on the road have anything to do with purchasing. In not one area do they even mention reducing prices in purchasing. I have spoken with the third party IPC, who the POA engaged and asked to work with DBRI, and they have confirmed that DBRI is refusing to open up the contracts and allow them to bid, even though they have claimed that they can get a significant reduction in our prices. (Con't)

## Open Comments

- (Con't) In the other brand that I operate, we can literally purchase apples to apples items, same spec, same brand at a third of the cost. We have shown this savings to various franchise directors who come into the restaurant, who look at our invoices and say..."go ahead and continue to purchase from the other distributor, and just put it into one of our boxes". Even the FD's can't fathom as to why we are paying 3-4 times as much for certain products. I've mentioned this outlaid at board meetings with DBRI Leadership, only to be squashed down and silenced by others, as DBRI then continues on with their meeting. So maybe if it's in black and white, someone might acknowledge this. I even conducted a test with our grand opening, after noticing that the required aprons were about 3 times the price that they should have been, around \$20, I obtained the spec and found the same spec, dimensions and brand on a popular web restaurant link and purchased them for less than \$6 each. When DBRI trainers and VP's came into my restaurant and spent a few days during Grand opening, they never mentioned the aprons, and on about the 4th day, I asked, do you see anything different? They said no, to which I pulled out the invoices and showed them that the only difference was a saving's of about \$15 each. I brought this and several uniform items up to Renee Rozeen who was a VP at the time, and nothing was done about any of it.



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## Open Comments

- There is no doubt the entire system benefits from one source buying. In my opinion DBRI purchasing is not impressing to say the least. Coke is a great example. Cant even get true information about a little coke rebate. To many special orders at the expense of the franchisee. Takes 4 weeks to dish soap. Come on!
- We should not be able to go to Sam's Club and purchase 10 different items for less cost than our USF pricing.
- We pay more for a lot of things at US Foods that you can buy at Sam's club cheaper. Stupid.
- Start kick-backing to owners not just Dickey's!
- When I can go to a store down the street and beat the prices that I get from US Foods is can't be good. The prices are an absolute joke and there is not way I could be convinced that franchisee profitability is a priority for the Dickey's family.
- DBRI has only their own profits and rebates in mind when it comes to purchasing. I can negotiate better prices on my own with one location. If DBRI wants stores to stay open they need to stop taking money from owners so they can be profitable. Owners should work open to close 7 days a week for hardly any profit.

## Open Comments

- Things are costly at DBRI for example portion cups @ Sams club are \$28 and DBRI \$55.
- Why are we able to buy items from street accounts with vendors and/or local grocery stores at better prices?
- I have a lot of experience with other franchise systems that used coop's to purchase food. We are in a competitive business. Not allowing or providing the franchisees with the best possible pricing ensures the likelihood of franchise units failing because they can't make money. If franchisees are not making money they won't build more stores. DBRI's strongest asset should be its franchisee's. Sadly that's not the case.
- It is very easy to find cheaper products, and sometimes same brand, nearly anywhere other than US Foods or Sysco; such as souffle cups and lids, sandwich wrap paper, plastic wrap, paper plates, utensils, paper towels.....We Identified several pricing discrepancies and had to notify DRBI and vendor to get corrected. CAN GO ON AND ON.
- Eliminate Wycliffe Douglas.
- Impossible to keep food costs at 36%.

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## Open Comments

- I also have a 6 unit deal with coke (not Dickey's, another business) and am able to get my coke cheaper through a business with only six stores (Yes that includes the rebate). This does not include the paper towels and even pork or ribs I can buy cheaper 90% of the time.
- DBRI should provide pricing guidelines and better help to help stores achieve even better than 36% COGS. I don't believe they do a service to franchisees when they give little guidance on proper pricing to owners.
- DBRI should want owners to achieve proper margins without wasting time on special reports to get rebates so a coop would be good.
- It is clear that store profitability is not a priority in purchasing. DBRI has a vested interest in store COGS being higher because they make money off of the food and supplies each store purchases.
- Prices went up with the change to US Foods despite being told they will go down. Items are systematically being replaced with more expensive items. 38%-40% is normal.
- A joke and 36 percent is not success. It is a lie.

## Open Comments

- Hard to understand why some items such as film and paper are so much less money at Sam's club than they are through US Foods. Don't think we are really getting the best value on many items. I am thinking I can save more by buying items from Sam's club at lower costs and give up my rebates and overall will be money ahead. 36% COGS is not at all in line with the restaurant industry.
- there is no way I can get my food cost at 36%. Food cost is way too expensive. Certain items are now way more than it was with Sysco
- Non-Dickey's items such as paper goods should be priced fairly. As it is, the vendor can and is allowed by DBRI to price these items so high that looking around, I can get some items at a lower price locally.
- Currently, I can get a better grade brisket from a different supplier at less cost. Paper and produce are much higher than other vendors as well. It is obvious that we are paying for DBRI rebates. I save \$8/bag in wood pellets alone.
- Consistently run 38-39% food costs
- Way way way way way too much markup on products that go back to corp office.

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## Open Comments

- Currently, I can get a better grade brisket from a different supplier at less cost. Paper and produce are much higher than other vendors as well. It is obvious that we are paying for DBRI rebates. I save \$8/bag in wood pellets alone.
- DBRI use of Dallas redistribution center and taking margin from purchases is a violation of its fiduciary and ethical obligations under the franchise agreement. COS targets fail to take into consideration local market pricing. CPP pricing levels are not realistic in all markets. This causes significant disconnects between DBRI COS targets and what O/O can achieve market by market.
- US Foods prices appeared to be higher than those of the previous supplier (Sysco). Also, I do not get why prices in retail are often lower than those that the purchasing department managed to "negotiate" for us.
- Their attempt to lower our cost of goods only cheapen the products that we get.
- US Foods prices appeared to be higher than those of the previous supplier (Sysco). Also, I do not get why prices in retail are often lower than those that the purchasing department managed to "negotiate" for us.

## Open Comments

- US Foods should have to deliver any item on the long order guide within 3 weeks of when it is ordered. Letting them take over 8 weeks to deliver ice cream cones just makes more hassle for us.
- Purchasing seems to be based on how much DBRI makes rather than whether it is a workable price for the franchisees. REAL cost reductions in what we purchase need to be made. Tactics such as getting rid of foil and wrap or reducing portion sizes of sauce will not get us down the Road to 30. We are not able to consistently get below 36% COGS even with buying some items off program. The fact that so many owners feel the need to buy off program speaks volumes.
- Third party Purchasing CO-OP is the only way that COGS is lowered.
- I believe we should be able to save money where we can on non-branded food items without repercussions. I can purchase wood pellets at a \$6.50 savings per bag. But am told that it is not right and I can't do that.
- Paper products and many other ingredients can be purchased from other vendors at considerable savings. I can only keep my COGS below 36% because I purchase about \$140K off program each year

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## Open Comments

- Getting these cost of goods down is essential to this system getting to the next level. What that 5-10 difference would mean to owners is the make or break to a lot of us. As I shop around and price compare, everything in our system is slightly higher or significantly higher than exact same items on the open market. Could someone please tell me why that I am paying 9% of all my sales out to be in a system with 500 store buying power only to pay more for goods than I could get on my own? The force shipping on LTO's and Holiday meats burn me too. I get expensive goods rammed into my store that takes forever to move or ruins and has to be thrown away. Holiday meats are at 50% COGS already. Why am I paying \$2.50 a pound for a pre smoked turkey when I have a \$10,000 smoker sitting in my kitchen and I can get fresh turkeys for 49-99 cents a pound. Heck the same time you were force shipping me pre-smoked Butterball turkeys for \$2.50 a pound I could walk across the parking lot to Walmart and get the exact same turkey for \$1.99 a pound. I think someone is taking advantage of me and lining their pocket. I think at times DBRI is more concerned about how much they can pump through Wycliff Douglas than they are my stores being successful, open, and generating them royalties. That's what all this never ending couponing is all about. (Con't)

## Open Comments

- (Con't) Buy a cookie get a whole brisket for free. DBRI gets a royalty and a brisket moved through Wycliff Douglas and the customer gets his free stuff but the poor owner has to take out a second mortgage on his house to fund the party. I know that is an extreme example but I am saying it that way to get your attention. This has to stop and we have to get in a buying coop like yesterday. You need to stop all the wheel reinventing changing the brisket rub recipe, dreaming up LTO's, and developing software and do the most important thing and that's get us in a Coop and get our COGS down. Saving us a dollar a bag on brisket rub or some of the other stuff I have heard that saves a nickel a year does us about as much good as peeing in the ocean. Set a goal to have us in that Coop by the end of 3QTR 2019 and give us something we can sink our teeth into. Thanks Eric Evans
- We run at about 37-38% food cost. We also buy probably a third of our inventory off program at either Sams Club, GFS or a third party pellet supplier.
- Every negotiation corporate makes is with the intention of improving their bottom line instead of creating a strong franchise with profits for owners, which in my opinion would strengthen the brand and improve their bottom line even more.

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## Open Comments

- Lower cost products are one thing however moving to a lower quality product is never good for business. Stop trying to buy cheap crap and just give us back our rebate money! I spend \$7,000 a week on all of my groceries through US Foods. All of my meat and most everything else comes from US Foods however I buy a better plastic wrap from Sam's at a much lower cost and I don't get my rebates. How does that make sense? Of course! It keeps all of you people paid. Similar to our US government
- I do a lot of "non standard" purchases but maintain all dickeys branded products to keep costs down. If dbri would lower the prices of their own products then a significant amount can be saved. Too many people complain about paper goods but the real money to be saved are in the core meats and sides.
- It is completely unbelievable that we have the purchasing power of 500 restaurants yet I can buy many similar products off program for less. Very funny math. Similar situation the downfall of Quiznos as far as the corp greed when it come to forcing purchasing on franchisees.
- getting to 30% without increasing sales for every day we are open is a pipe dream.

## Open Comments

- We can generally keep COGS around 36-38% by setting higher prices. Dickey's is driving the price of our products up by controlling the supply. I strongly disagree with this practice and think it is completely counter productive to growing and sustaining this brand. Taking rebates from franchisee's and controlling prices is NOT a sustainable practice and extremely short minded.
- Purchasing department is terrible
- I'm able to keep my cost of good at or below the 36% according the "Success Matrix", but even adhering to that target it is not a formula for success.
- Paper good and clean supplies price is outrageous, can not even run 38% with these.
- While belonging to a franchise system I should NEVER be able to get any supplies cheaper from a supplier that is outside of the system. I can routinely & consistently do that with a significant portion of paper, cleaning, and food supplies that are necessary to run my restaurants in the DBRI system.
- a person can get cheaper paper goods, meat, potato, onions, chemical from Business Costco, Cash & Carry or Restaurant Depot then US Foods through DBRI.

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## Open Comments

- Would love a different purchase program relative to sales performance. Average cost should be 28 to 32 percent based on some franchise systems. DBRI has consistently retained extra margin for the organization which leads to owner increased cost. Paper products are getting more and more poor in quality as well.
- DBRI only does what is in its best interest. They do not actually care if I am profitable, only if I am sending them 9%.
- USFoods continues to mess up orders, example I order gloves and get fruit cups instead or I order sugar and get cooking oil. Right now the struggle is with the Double Berry Bar that was a one time forced purchase. So now my guest wants it and I can not get it.
- While road to 30 is a step in right direction... we are far from getting cogs to 30%. Rebates should go back to the owner/operators.
- DBRI should reduce the cost of their brand products, paper and consumable foods, to allow the O/O to make more profit. The LTO's and other specials they introduce is to increase the sale of their products, i.e. Free BYC, free sides, BOGO...

## Open Comments

- Dickey's at the end of the day has too many rebates built into the system. We as owners should get 100% of those rebates back to us. It is good that we are getting some now but we should get the full amount and if we are plan then there shouldn't be any other hoops attached to how much we get. For example sales year over year shouldn't be tied into it. This isn't a bonus program and shouldn't be used as one. Were the ones making the purchases and paying for them therefore we should get the rebates back from those purchases.
- Lack of transparency as to the reasoning behind the selection of products available to us. The pricing will always be questionable until a franchisee Co-op is created. The rebate program is convoluted and sets up franchisees to fail.
- The rebates to Dickey's make it impossible to buy products at a fair price. It's literally less expensive to buy products like film and foil for half the price at Costco and Sam's Club.
- When one buys into a system with buying power that means the cost are passed onto the franchisee and not kick backs to the corporation because the more money I can save/make the more outlets I can open and create more royalties for them.

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## Open Comments

- I hate that we can't get the rebates without an MSR turned in I'm busy enough running my store to keep labor down that looking at multiple websites( for online sales, delivery sales etc) to get the MSR filled in is stressful.
- We should not have to fight for this so called 2% rebate from US Foods. It should be given to us in our pricing
- When one buys into a system with buying power that means the cost are passed onto the franchisee and not kick backs to the corporation because the more money I can save/ make the more outlets I can open and create more royalties for them.
- US Foods cost is too high.
- I could negotiate a better deal for myself. DBRI makes the deals for themselves!
- my COGS tend to be 38%. 36% is a pipe dream.
- As the largest Barbecue Brand in the US, we should be able to secure better protein pricing. Coming from other brands, our Brisket pricing is not competitive. Paying at or above market is not a good strategy for profitability.

## Open Comments

- Dickey's rolls out new items and doesn't provide marketing support to its franchisees to move those items and notify the public of the new items in our stores. They expect us to start at a set date to start to sell items that we may not want to carry or can't carry and forces purchases of minimums down our throats. An example is the Au Jus, Dickey's require us to buy a certain number of Au Jus which we are not able to sell, next thing we know we are getting more before the items are even gone. It should be left to the franchisee to order the items they carry and replenish as they run out.
- Very disappointing