



THE MARKET

The history of soft-serve ice cream can be traced back to J. F. "Grandpa" McCullough and his son, H. A. (Alex) McCullough, proprietors of the Homemade Ice Cream Company in Green River, Illinois, who believed that ice cream was more flavorful when it wasn't frozen solid. The McCulloughs' experimentation with mix formulas, along with their knack of tinkering with freezer parts, resulted in what today is known as soft-serve ice cream.

The Homemade Ice Cream Company and its innovative soft-serve ice cream set in motion the formation of one of the world's most iconic brands: Dairy Queen. The original Homemade Ice Cream Company's building gave way to the first Dairy Queen mix plant in Green River, and in 1940 the first official Dairy Queen store opened with the soft-serve ice cream concept tested and developed by the McCulloughs.

Today, with more than 5,700 restaurants worldwide serving hamburgers, hot dogs, various dairy desserts, and beverages, Dairy Queen has become one of the largest and most experienced retailers in the \$125-\$150 million segment quick-service restaurant (QSR) industry.



In 1981, Dairy Queen frozen cakes premiered, and in 1985, the signature Blizzard debuted, arguably Dairy Queen's most famous product innovation. The Blizzard Flavor Treat blends soft-serve ice cream with candy, cookies, or fruit. That first year, more than 175 million Blizzards were sold. The original Blizzard Flavor Treat is unique in the industry — so thick that it's served upside down.

In January 1998, International Dairy Queen, Inc., was purchased by Berkshire

Hathaway Inc., a company owned by Warren Buffett, the legendary investor.

HISTORY

When Grandpa McCullough partnered with Sherb Noble to open the first soft-serve store, he created the name "Dairy Queen" because he believed his soft serve was a "queen" among dairy products and the epitome of freshness and wholeness. The first Dairy Queen officially opened on June 22, 1940, in Joliet, Illinois, and America's love affair with soft-serve ice cream began.

Food franchising was all but unheard of in the 1940s, but this new product's potential made it a natural for such a system. Dairy Queen's Harry Axene is credited with creating the company's present franchising system by distributing the rights to use a system freezer and a name — Dairy Queen — and collecting royalties for those rights. Dairy Queen grew from fewer than 10 stores in 1941, to 100 in 1947, to 1,446 in 1950, and then to 2,600 in

1955. Today, there are more than 5,700 DQ locations worldwide.

THE PRODUCT

Although "The Cone With The Curl On Top" marked the beginning of a long line of ice cream treats that Dairy Queen made famous, the Blizzard Flavor Treat took the system by storm. Drawing on the Blizzard's incredible success, Dairy Queen launched a new Blizzard of the Month program in January 2003. Each month, Dairy Queen stores feature a traditional, new, or seasonal favorite, including some for kids. In fact, Dairy Queen also introduced a new line of Tween treats to please the palates of kids from 8 to 12 years old, including the Cotton Candy Blizzard that has also become popular with adults.

From malts and milkshakes to Peanut Buster Parfaits and banana splits, from its signature Blizzard to its famous Dilly Bar, Dairy Queen's treat lineup satisfies even the most discriminating sweet tooth. Also, Dairy Queen's DQ Fudge Bar, DQ Vanilla Orange Bar, and DQ Vanilla Raspberry

Bar are sugar free, fat free, and gluten free, an important factor for people with wheat allergies.

Research and development have played a significant role in Dairy Queen's success, in both the treat and food sides of the business. The menu is kept fresh with mouth-watering treats such as the Oreo Brownie Earthquake and the delicious Pecan Praline Parfait. The addition of exciting new food items such as the Flamethrower Burger, the Chicken Strip Basket line, Popcorn Shrimp, and freshly made chicken salads have further expanded the company's customer base.

RECENT DEVELOPMENTS

With an eye on future growth for existing and new franchisees, Dairy Queen is testing a new chapter in the company's history with the opening of the DQ Grill & Chill concept. DQ Grill & Chill blends the best of Dairy Queen's heritage with the most modern innovation in quick-service food and



design. An all-new food menu features burgers cooked to order on freshly baked buttered buns and expansive condiments, along with a selection of natural cheeses and hot and cold toppings such



as grilled onions and peppers or sautéed mushrooms. Among the food items found on the menu are the Grilled Turkey Sandwich, Philly Steak Sandwich, Chicken and Vegetable Quesadillas, and salads and soups.

Some locations also feature a full breakfast menu as well. The restaurant's design is one of the new twists to what guests know and love about Dairy Queen. The concept is



designed to leverage the power of Dairy Queen's respected brand and expand sales by raising the bar on the quality of food served by a quick-serve restaurant.

Highlighted by a modern open-air grill and separate "grill" and "chill" areas, the DQ Grill & Chill's interior brings an innovative dimension to the quick-serve restaurant environment, with comfortable booths and large wooden tables, warm lighting, music, and an overall inviting environment. The restaurant's design is one of the new twists to what guests know and love about Dairy Queen. The first DQ Grill & Chill opened in Chattanooga, Tennessee, in December 2001.

PROMOTION

Helping communities grow, fostering goodwill, and championing causes have long been commitments of Dairy Queen. Over the years, local store owners have sponsored Little League teams and Scout troops and raised money for organizations in

their communities. In 1984, Dairy Queen adopted Children's Miracle Network as its national charity of choice and has since raised more than \$50 million for that organization. Each year, more than 170 Children's Miracle Network hospitals treat 17 million children afflicted with diseases, injuries, and birth defects of every kind. All of the funds raised locally stay in the community where they are collected.

BRAND VALUES

Dairy Queen is first and foremost a people business. Our "DQ Something Different" campaign embodies the spirit and commitment of the company, franchisees, and employees who offer a variety of great-tasting, high-quality, classic original food and treats made with a twist that helps customers not take life too seriously. Our products are served with pride in a friendly place in a way that helps turn customers into long-term friends.

Success for the Dairy Queen system is as simple today as it was in 1940: Dairy Queen is still, and

always has been, the place to find kids' sports teams celebrating victories, businesspeople on their lunch break, and families taking time out to enjoy great food and soft-serve treats.

THINGS YOU DIDN'T KNOW ABOUT DAIRY QUEEN

- Dairy Queen restaurants sell enough hot dogs in a single year that, if placed end to end, they would extend 1,500 miles (from Minneapolis, where Dairy Queen is headquartered, to Los Angeles).
- Ray Kroc, founder of McDonald's, actually began his career supplying cups and milkshake-mixing machines to Dairy Queen operators. He credited his Dairy Queen experience with teaching him about food franchising.
- Famous Dairy Queen employees include U.S. Attorney General John Ashcroft; Bonnie Hunt, who appeared in *Rain Man*, *Beethoven* and *Beethoven's Second*, and *Jerry McGuire*; and Gwen Stefani, lead singer of the band No Doubt.



ACHIEVEMENTS

Dairy Queen is probably best known for "The Cone With The Curl On Top." Each of Dairy Queen's soft-serve treats is topped with a curl, created all over the world by a patented freezer and a flick of the wrist by a trained employee. Although rated as the 10th-largest chain in the QSR industry, Dairy Queen is ranked first in terms of frozen treat retailing.

