

NEW SOUTH COALITION SUMMER MEETING 2016 MINUTES

PAC Reception: Host Mr. and Mrs. Francis Lott

Congressional Guests:

MD Deligate and Senatorial Candidate Kathy Szeliga

Congressman Ron DeSantis, FL

Congressman Joe Wilson, SC

Franchisees: Pete and Lynn Cotter, Eric and Ronni Oppenheim, Brent Northrop, Michael Northrop, Carla Cribb, Tom and Pam Roose, Brian Vaughn, Ed and Joan Northrop, Mike and Kathy White, Andrew and Jennifer White, Maruti and Minni Seth, Alex and Fonda Salgueiro

Sponsors:

PayCor: Rebecca Robinson

Coke: Charlita Stephens Walker, Julie Schumaker, Brian Verhoef

July 18 BOD Meeting

7:45 AM Meeting called to order- Eric Oppenheim

- Review of Finances-Pete Cotter
- Approximately \$150K on hand with \$10K already paid toward winter meeting
- Discussed possibility of combined meeting with other association(s)
- NSC elections: Seeking one NC representative and two at-large representatives
- Website needs work to ease payment and record keeping- Vance and Eric to meet with IT specialist to address issues
- Discussed 2018 meeting venues. Amelia Island is the summer venue for next two meetings.

8:20 AM BOD Meeting adjourned

8:30 AM General Meeting Greeting-Eric Oppenheim

- Review of fishing charter information

8:45 AM Vendor Presentation- NUARX, Mark Wayne, Executive VP

- PCI compliance is major issue with breaches often driving small businesses out of operation
- Breaches cost an average of \$80K per location

9:00 AM Golf Update- Brent Northrup

9:10 AM RSI Update-George Hoffman/Robin Denton

- Sales +-1% on top of an all-time high from last year
- Two-year comp. +5-10% GP% and \$ are strong Promotions Calendar: significant number of LTO's
- 2/\$10 Whopper meal produced 25% increase in Whopper sales
 - 2 for \$10 might be extended through August....check average very strong
- Commodity prices are low, allowing for favorable long-term contracts

- Food cost as percentage of sales is lowest since inception of data collection
- Highest GP% since 2007
- GP\$ high but beginning to level
- \$1.49 10 pic nuggets extended through 12/31
- Mac and Cheetos have exceeded numbers and we will run out inventory depletion Forecast was based off of the loaded potato bites.... exceeded those numbers...all produced prior to beginning of the promotion DC ordered 80% of total production quantities up front
- More promotions than last year
- Grilled hot dog event a little below expectations

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Obsolete Inventory

- Over 1M YTD...not bad based on the number of LTO's this year...up for 800,000 in F15 and 300,000 in F14 Goal to keep under 2% of total \$ authorized...we are at 1.8%
- Auto shipments will be refined and there is a procedure for adjusting amounts
- Distribution Center issues: Drive shortage exacerbating DC issues

Food and Packaging Cost Outlook

- Looks very good for the rest of this calendar this year Most favorable outlook "See Slide"
- Avg cost/case \$32 all products combined (40 in 2014)...beef is the key driver as well as agriculture Whopper at 67.00/case...huge decline in beef
- 1/3 of beef blend imported from Australia with favorable exchange rates Domestic supply of beef increasing Growing conditions favorable for corn and soybean which is very good for Chix Record corn production crop projected COG Forecast: -5.5% decline over last year "slides"

P&L Trends

- 4500 to 4600 represented
- Avg sales \$1,325,000
- Food Cost lowest since 2007 at 27%
- GP 70%

RSI Update

- Freestyle Drive Through: reduction to \$75/month
- Improved cartridge credit procedure: currently \$4-5 million credit not claimed due to inefficiencies in program
- ICEE: Equipment list price reductions; warranty now includes one year parts and labor coverage; financing option for 7 years; installation costs capped at \$500

10:00AM-10:20AM- Break

10:25 BKC Presentation- Alex Macedo/Lawrence Brown

- 1st negative quarter in last ten quarters; expecting system to have positive annual comp sales despite slow April and May sales

- Expect year end to finish 2.5-3% positive 4th of July week the highest in the history of the brand...functioned at 1.5M...
- Week of June 27th had strongest sales in brand history but worst service measurements
 - service and ops were the worst Industry has taken a little dip in Q2 McDonalds is growing check, but they are declining in traffic
 - We don't want to grow the wrong way...we are growing the right way We are positive in traffic and getting more people in the doors YTD EBITDA Margin up to 14%
- Industrywide sales are down; McD's skewing results with sales although their traffic is down
- BK is positive in traffic count

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- Factors affecting sales: Commodity prices are down so it is becoming cheaper to eat at home; gasoline prices rising
- EBITDA is strongest in history with a goal of \$300K
- Future of the Brand: "Trust in Taste"
- Get us to 2M AUV
- Feeling good about your choices and what you are eating Taste has to be great
- Guests have to feel good about what they are doing
- 2020 Plan...300,000 EBITDA per restaurant, and AUV 2M It's about the future Real food; fresh; satisfying; respect for food Best in beef; best burger; best chicken; authentic ingredients; kitchen theatre
- Trust In Taste platform: Focus on food/ ensure guests feel good about our products
- Areas of concentration: "Real, Fresh, Satisfying, Respect For Food"
- Ops Council working to improve training platform
- Still investigating best solution for chip-enabled credit cards

12:30PM Golf/Fishing

Sponsors: ECOLAB, Coke, Darpro, Reinhart, SICOM, DMI, Franke, S&D Coffee, Traitset, Venture Construction, McEtire Produce, Nestle, Dr. Pepper, AmeriCare,
6:00PM Welcome Reception/Vendor Visits

July 19

8:35AM Opening Comments-Eric Oppenheim

Vendor Presentation: DUKE

- New PHU mandate
- New Duke product; lighter weight and easier to clean
- Duke produces their own timer bars

- VISOR: tracks information in real time

8:55AM Franchisee Best Practices-Vance Rossel/Larry Stokes

- IT/PCI presentation by Joshua Lewis
- Visit <https://www.pcisecuritystandards.org> for more information

9:40AM Vendor Presentation-RTI

- RTI Connect: BOH system: cash control, sales forecast, scheduling, ACA compliance

9:55AM Break-vendor visits

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10:15AM HIYW Foundation-Natalie Giles-Klein

BK Scholars Program

- Funds stay local
- Program administration is free
- Free PR resources
- Helps your employees and boosts morale
- Fundraising vehicles: outright donations, coupon campaigns, additional campaigns
- NSC raised \$36,100 via spring fundraiser with ten of 84 franchisees participating. Full participation could raise more than \$300,000.
- BK Family Fund: \$1.3 million in grants since 2005
- <https://fundraising.bkmclamorefoundation.org>

10:50AM RSI Mobile App Developments-George Fotiadis

- Desktop: Full suite of tools and resources
- Tablet: Restaurant-centric mobile application
- Phone: Summarized "mobile app"

Future Developments, available on some or all mobile devices:

- Restaurant grouping
- National promotions
- SOS
- PLV Alerts
- RSI News Mobile App

11:30AM Coca-Cola Presentation-Brian Verehoff/Julie Shoemaker

- Freestyle DT price reduction to \$75/month starting October, 2016

ICEE frozen beverage program:

- Significant discounts on approved equipment through September, 2016
- Savings from a change in preventative maintenance program
- Easy finance option
- Adding third barrel of FCB can add \$4.5K of annual GP
- Dining room placement can generate up to 30% of additional sales

Dr. Pepper Presentation-Kelton Graham

- Flavored soft drinks taking share from colas
- Factors negatively affecting drink sales: cheaper to cook at home; increasing fuel prices

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Grow the following to increase business:

- Traffic
- Incidence
- Serving size
- New distribution avenues

12:15PM Vendor Presentation-Prince Castle

- New PHU mandate
- New product increases hold time, is lighter and easier to clean
- Product Management System: PHU agnostic-will communicate with all brands
- New multi-slicer can replace all slicers with one piece of equipment

12:30PM Meeting adjourned for the day

2:00-4:30PM Dr. Pepper Beach & Volleyball Party

Awards: MVP: Lauren Bangasser

White Man Can't Jump: Tom Roose

Kiddy Award: Larry Stokes

SandPaper Award: Mark Berbenek

5:30-6:30PM Cocktails/Vendor visits

7:00PM Group Luau Dinner

Sponsors: Curran Architecture, Casablanca, City National Bank

NEW SOUTH COALITION SUMMER MEETING 2016 MINUTES cont'd

July 20

8:30AM Introduction/Review of upcoming meetings- Eric Oppenheim

- 29-31JAN2017, Charleston Place Hotel, NC
- 23-26JUL2017, Amelia Island, FL

8:35AM Vendor Recognition-Walt Chuda/Brian Vaughn

- Free vendor registration for next meeting won by RTI

8:50AM MFA Update-Jackie Ford

- Currently sixteen franchise groups in MFA and number may shrink due to sales/retirements

9:00AM Marketing Council-Dan Fitzpatrick

Areas of focus

- Brand Identity
- Update Creative
- Brand Positioning

Brand Positioning

- Promote Whopper
- Improve quality
- Focus on operations
- Improve “memorability” and “brand linkage”
- Remove low-volume items from Value Menu and reduce complexity
- Target teenagers and parties with kids

Investment spending

- Non-investing DMAs comping .7%
- Investing DMAs comping 2.9%
- Will continue to evaluate the ROI on investment spending

Breakfast is daypart with strongest growth but BK spends less on breakfast than our peers.

- 5.9% growth in breakfast day part

10:30 Guest Speaker-Don Fox, CEO Firehouse of America

- Discussion of birth and development of a successful franchised operation
- Power of branding

- Importance of iconic food items
- Key components of successful franchises
- Franchisor and franchisee keys to success

11:30AM NSC Elections-Kelvin Ford

- Bob Reid-NC representative
- Carla Cribb-At-large
- Rahul Gupta- At-large

11:40AM Treasurer's report- Pete Cotter

- Balance of approximately \$150K
- Strong balance heading into winter meeting with partial payment already made

11:45AM Meeting Planning-Ray Meeks

- Consolidation of franchisee groups resulting in fewer attendees
- BOD members will canvas lapsed attendees
- BOD will explore combining future meetings with other regional associations
- 2017 Winter meeting: 29-31JAN, Omni Charleston Place
- 2017 Summer meeting: 23-26JUL Amelia Island, FL
- Anson's rebuilt in Charleston
- Magnolia's possible for group dinner
- 2018 summer meeting: 20-25JUL
- 2019 summer meeting: 19-24JUL
- Motion and second to lock in above dates. Tom Roose/Bob Reid

12:05PM Meeting Adjourned-Eric Oppenheim

