

# FAST FORWARD

*A newsletter from the Association of Taco John's Franchisees*

July 2015

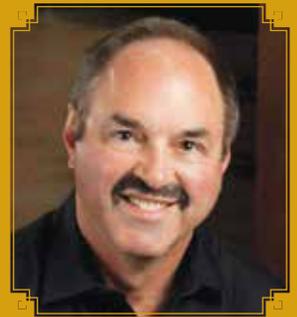
## FROM THE PRESIDENT

*by Bryon Itterman*

**A**lready at the halfway point of 2015, Taco John's is experiencing sales growth at a level that we haven't seen in a number of years. It's exciting to see what happens when strong marketing, innovative new products, and cooperative weather come together in our geographic footprint. It was great spending time talking with many of you at the Palm Springs convention and hearing stories of growing sales, increased customer counts, and the positive impact of remodel projects. Congratulations to all who have played a part in creating the environment for what should be a successful 2015.

In this newsletter we will be following up on a number of issues that were discussed at the convention.

- At the **Association Membership Meeting**, your board of directors was pleased to announce the unanimous recommendation to sign the amendment to renew your franchise agreements. Mark Dady's summary of the amendment process is available to everyone in the association. Please contact Gary Wofford or Mark directly to get a copy of his analysis of the amendment. Moving forward, achieving 100% of the chain on the new agreements is the right thing for the Taco John's chain.
- **Rick Kammerer, Chairman of the Ad Production Committee**, has contributed



an article outlining the plan that TJI is working on as we increase our digital marketing spending.

I encourage each of you to review this summary, and if you have any questions, please contact your APC representative.

- **Amy Miller from McKinneyOlson Insurance**, our insurance broker, presented our group with the largest dividend check we have received in the history of our program. This is an added benefit to being involved with the association's insurance program along with the added coverages and competitive pricing only available through our program with Nationwide Insurance. The ability to buy insurance through the ATJF program has proven to be a great reason to be a member year after year. If you are not a participant in the program, I encourage you to talk with Amy or Lori Hilmoie of McKinneyOlson before this year's Oct. 1 renewal date.

In conclusion, I want to express my sincere appreciation and thank all of you for your support of the association. Our membership is stronger than ever and continues to grow with 83% of the Taco John's restaurants that are eligible enjoying the benefits of membership in our organization. Please read through the newsletter, enjoy the convention photos, and enjoy your summer. 

## *Our Mission*

**"TO PROVIDE OUR MEMBERSHIP AN ENVIRONMENT FOR INCREASING LONG-TERM PROFITABILITY IN SUPPORT OF IMPROVED BUSINESS VALUE AND BRAND EQUITY."**

# Association Directory

## ADVERTISING PRODUCTION COMMITTEE

<b>Rick Kammerer, Chairman</b>	<i>brewed4me@aol.com</i>	<b>641-420-2230</b>
<b>Jeff Bremer, Vice Chairman</b>	<i>jbremer@quikserve.com</i>	<b>402-884-2799</b>
<b>Jim Atkinson</b>	<i>jdatkinson@charter.net</i>	<b>507-451-2023</b>
<b>Doug Heidebrink</b>	<i>tacos@premieronline.net</i>	<b>712-545-4008</b>
<b>Brian Fuder</b>	<i>tacojohn@prtel.com</i>	<b>218-998-1993</b>
<b>Lance Peterson</b>	<i>lancep@midco.net</i>	<b>507-238-2322</b>
<b>Alex Habeeb</b>	<i>alexanderhabeeb@yahoo.com</i>	<b>815-939-1313</b>
<b>Ted Miller</b>	<i>tedkmiller@gmail.com</i>	<b>605-728-6616</b>
<b>Dale Gossett</b>	<i>gossettdc@msn.com</i>	<b>701-226-2567</b>
<b>Eric McBroom</b>	<i>emcbroom22@yahoo.com</i>	<b>763-390-7092</b>

These franchisees serve on various boards and strive to represent your interests. Call them with your questions, comments, and concerns. They want to hear from you.

## ASSOCIATION BOARD OF DIRECTORS

<b>Bryon Itterman, President</b>	<i>itterman@pentexmanagement.com</i>	<b>605-229-2005</b>
<b>Jeff Brands, 1st VP &amp; Supply Chain Liaison</b>	<i>jbrands@tj-cb.com</i>	<b>605-367-0848</b>
<b>Walt Cressman, VP, Secretary &amp; Insurance Liaison</b>	<i>waltcres10@aol.com</i>	<b>612-804-9200</b>
<b>Rick Kammerer, VP, Treasurer &amp; Marketing Liaison</b>	<i>brewed4me@aol.com</i>	<b>641-420-2230</b>
<b>Scott Dominiack, VP &amp; Operations Liaison</b>	<i>scottdom@usa.net</i>	<b>605-692-6900</b>
<b>Mike Sartwell, VP &amp; Development Liaison</b>	<i>mikesartwell@gmail.com</i>	<b>701-838-3996</b>
<b>Gary Wofford, Executive Dir.</b>	<i>garywofford@atjf.net</i>	<b>877-455-4749</b>

To learn more about Association membership or committee or Board participation, contact any member of the Board of Directors or the Association office by phone at 877-455-4749 or by email to [ATJFranchisees@comcast.net](mailto:ATJFranchisees@comcast.net).

## AMENDMENT TO THE FRANCHISE AGREEMENT AND ITS IMPACT ON MARKETING DOLLARS

I'm sure you will agree there has been a lot of communication surrounding the amendment to the new franchise agreement. The Association board has worked diligently on this with TJI, and we are pleased with the outcome and believe the final version is much more favorable for franchisees. With this article, I wanted to provide an overview of how the additional 1% in marketing and advertising fees will be utilized going forward.

Under the new amendment to the franchise agreement, the current advertising fund contribution will increase by 1% over the next two years. On approximately Oct. 1, 2015, the current 3.5% marketing and advertising fee will increase by ½% to 4% of net sales, and the additional ½% increase will occur on Jan. 1, 2017.

The fee will be paid into the advertising fund and will be allocated to production and placement as needed. Similar to today, 2.85% will remain with the local advertising co-op groups. For stores that are not part of a co-op, the 2.85% will be reimbursed by TJI upon receipt of approved marketing and advertising invoices.

The effectiveness of available advertising dollars is most important. How advertising budgets are invested has changed, and

the additional marketing and advertising fees will allow Taco John's to fulfill unmet needs of the chain while also growing a presence in new markets. In 2016, the additional ½% of funds will be used in three key areas of strategic emphasis:

1. As the media landscape changes away from traditional mediums, additional digital investments are needed to retain recognition of Taco John's as a restaurant of choice moving forward. A majority of the additional funds will be used to support additional digital paid placement and marketing efforts. The current digital marketing funds of .15% limit the chain's ability to gain significant digital presence across the TJ footprint. Additionally, unlike traditional mediums, the variety of advertising platforms continues to grow, and consumers continue to spend more than half their time using digital mediums.
2. The funds will also be used to support growth of our Taco John's brand in our existing footprints. Local co-op media dollars are limited in extending their reach beyond a geographic boundary. Yet, many sponsorship



**RICK KAMMERER**  
Ad Production  
Committee Chairman

# SUMMARY OF AMENDMENT FOR THE “NEW” FRANCHISE AGREEMENT

J. Mark Dady, legal counsel to the Association, provided a presentation on the amendment to the new franchise agreement during the annual ATJF Membership Meeting during the April National Convention event. The following is a key point summary:

TJI has agreed to make changes to its “new” franchise agreement via an amendment. The amendment contains four (4) main changes:

- 1) Lower maximum advertising/marketing contribution
  - “New” FA—maximum of 6% of net sales
  - Amendment—maximum of 4.5% of net sales
- 2) Higher percentage of advertising/marketing dollars stay local
  - “New” FA—only 1.5% of net sales stay local
  - Amendment—2.85% of net sales stay local

- 3) Improved franchisee termination rights
  - “New” FA—no right to terminate without cause
  - Amendment—(limited) right to terminate without cause
- 4) Ties advertising/marketing increase to royalty increase
  - “New” FA—no connection between increase in advertising/marketing and increase in royalty
  - Amendment—advertising/marketing increased only if royalty is increased

If you wish to have a copy of Mark’s complete presentation, please contact Gary Wofford at the Association office via email: [garywofford@atjf.net](mailto:garywofford@atjf.net) or phone 877-455-4749. Mark Dady may be reached in his Minneapolis office at 612-359-5488. 

and event opportunities exist in our region to support local co-op efforts and build attention to our audience.

3. Taco John’s will also use the additional marketing funds to support new market growth. As new franchisees invest in Taco John’s with multiple-store commitments, Taco John’s will invest in advertising and marketing to ensure a successful launch of the Taco John’s brand in areas where consumers may have limited knowledge of our brand.

Key criteria and budgeting policies for use of the funds are currently in development to guide appropriate use. Additionally, Taco John’s remains committed to a positive collaboration with the Advertising Production Committee (APC).

## MARKETING UPDATES:

At the June 3-4 meeting, the APC reviewed the draft 2016 Promotional Calendar, featuring five 9-week LTO periods. The calendar promotions will feature Fish Tacos, Shrimp Street Tacos, Walking Tacos, Quesadilla Tacos, and the Chicken Sopapilla Taco.

- The proposed calendar and plan represent a high-level view of the promotional strategy goals for 2016 to ultimately reach positive transaction and 3.5% comp sales growth. In September, the calendar will be finalized, along with final plans for beverage promotions and strike periods.

- The APC also participated in a 2016 planning session with key marketing partners Lawrence & Schiller, DSI, and PepsiCo. Feedback from these sessions will be used to guide and prioritize marketing efforts in 2016 and beyond.
- The APC discussed alternative media plans regarding the September breakfast spotlight. More emphasis will be placed on the Buffalo Crunchy Chicken and Nachos Navidad. More information on these adjustments was shared on a system-wide webinar on June 18.
- Updated menu boards featuring calories will be sent to restaurants this fall to ensure compliance with the new FDA menu labeling rules.
- The Nachos Navidad promotion for 2015 will highlight our gift card program. Following the lead of many of our competitors, we will be offering a \$5 bonus card for any total gift card purchase of \$20. The redemption of gift cards in January and February helps drive our sales.

If any franchisee has questions, concerns, or wants to give the APC any input, please contact any member by phone or email. The next APC meeting will be Sept. 9-10. 

# 2015 NATIONAL CONVENTION RECAP

*By Gary Wofford, Executive Director*

The beautiful JW Marriott Desert Springs Resort in Palm Desert, CA, provided the ideal setting for franchise owners, restaurant managers, support center management and staff, and suppliers attending the 2015 Taco John's Forward15 National Convention event. Activities got underway with the welcome reception under the stars, where attendees gathered to catch up with friends and enjoy some great food and drink.

Bryon Itterman, Association President, opened the first General Session by sharing some personal insights into what is most important in life and how Association board members have grown their relationship with the TJI management team over the past year while dealing with significant challenges and change. For months, the chain has been enjoying a "winning streak" that will continue to increase the value of Taco John's restaurants. Further, it is important to remember that the franchisees, TJI, and the vendor/partners need to continue working together in order to sustain the trends in improved sales and profits currently being enjoyed.

The General Session continued with a series of presentations by leaders from across the restaurant industry including John Barone, President of Market Vision, who provided an outlook for the supply chain through 2015 and beyond; a review of restaurant industry economics was provided by Michael Serio, Wells Fargo Regional Chief Investment Officer; and Gerry O'Brion, Founder of What Big Brands Know® presented an information-packed program focused on consumer strategies to maximize potential into 2015 and beyond.

Then, TJI President & CEO Jeff Linville provided the Forward15 Keynote address that looked ahead to what's next for consumers, franchise operators, and the Taco John's chain. A number of key initiatives were introduced to support continued and future growth in the number of restaurants, sales revenues, and profitability.

*Andy and Nancy Lilleodden  
having fun at  
the State  
Fair  
party.*



The annual Association Membership Meeting featured an educational presentation on the new franchise agreement and amendment by Mark Dady, the Association's legal counsel and partner with Dady & Gardner law firm, based in Minneapolis, MN. ATJF members left with a better understanding of the amendment to the franchise agreement. ATJF board members Bryon Itterman and Walt Cressman received well-deserved special recognition from the membership for their tireless work on the new franchise agreement and amendment over the past many months. Retiring board member Denise Atkinson was recognized for her six years of service to fellow franchisees.

The Vendor Exhibit Show was again a big hit with attendees and vendors. This venue proved to be a valuable opportunity for suppliers and service providers to spend quality time interacting with franchise owners and other key decision makers and for attendees to learn what's new.

After the Vendor Show, the afternoon Breakout Seminars were well attended and provided timely and valuable information:

- ✓ TJI VP for Supply Chain Ted Suor led an informative session and shared his experiences and strategies for his integral role in managing purchasing and contracts to better protect franchisee profitability. Ted emphasized how he will work to be the "protector" of the franchisees' back doors. Franchisees left this session with renewed confidence in this important function under Ted's leadership.
- ✓ Robin Zebrowski, VP of Digital for Lawrence & Schiller Agency, explained how digital advertising and social media works and how Taco John's can be "The Talk of the Town #TJDigital." No doubt, traditional advertising and marketing has changed, and digital and social media play a large part in strategies going forward.
- ✓ Michael Davis, Client Advisor with InMoment (Tell TJ), shared with attendees the importance of customers' reactions and perceptions and how to "Put the Voice of the Customer Into Action." The customer and their satisfaction with Taco John's are most important, and we need to continue listening to what they have to say.

The annual awards and recognition banquet was the high point of the social and entertainment events. Many top-performing franchises were recognized for their achievements during 2014. For the fourth year in a row, Mike Sartwell's

Williston, ND, restaurant received top honors with the prestigious Founder's Cup award.

The second General Session was highlighted by guest speaker Walter Bond, who gave an inspirational, emotional, and impactful presentation that earned a standing ovation from attendees. Many attendees lined up afterwards to shake hands with Walter and obtain a signed book or DVD. Walter and his presentation were a huge hit! If you missed this presentation, it would be worth your while to visit Walter's website to learn more: [www.walterbond.com](http://www.walterbond.com).

Walter Bond was a tough act to follow, but Tim Brands, CEO of iBusiness Solutions, Inc., and Jeff Brands, Association board member and multi-unit franchise owner, captured the attention of attendees with their presentation of the "ATJF

Profit Study" utilizing the iLeague™ proprietary software. As an added benefit to Association members, the ATJF has partnered with iBusiness Solutions to generate this valuable information not available anyplace else. ATJF members who participate in this annual study are able to access the online information and contrast the performance of their own restaurants to others within similar sales volume categories. It is important to know that it is never too late to become a participant in this unique and valuable program. For more information, please contact the Association office. Please see the attendee ratings of convention events below.

The Association board is committed to continuing to work hard on behalf of the membership as an advocate and strong voice, communicating our members' concerns and ideas to TJI. Thank you for your support!

## ATTENDEES RATE THE 2015 TJ NATIONAL CONVENTION

Shortly after the conclusion of the event, attendees were asked to provide their rating and comments through an online post-event survey. Based on these results, the 2015 event can be considered a success. The following is a summary of the survey results:

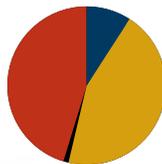
**Rating Scale:** Excellent = 5; Very Good = 4; Adequate = 3; Fair = 2; Poor = 1

### SOCIAL ACTIVITIES

Welcome Reception	★★★★★	4.3
Golf Calcutta	★★★★★	4.3
Awards Banquet	★★★★★	4.2
Golf Tournament	★★★★★	4.0
"State Fair" Final Party	★★★★★	4.3

### SHOULD CONVENTION RETURN TO JW MARRIOTT DESERT SPRINGS RESORT?

	Yes, any year	43%
	Yes, but not next year	15%
	Yes, but in 2 or 3 years	40%
	No, should not return	2%



### BUSINESS SESSIONS

Michael Serio, Wells Fargo Economist	★★★★★	3.5
John Barone, Supply Chain Outlook	★★★★★	3.7
Gerry O'Brien, What Big Brands Know	★★★★★	4.1
Jeff Linville, Forward15 Keynote	★★★★★	3.3
ATJF Member Meeting – Mark Dady, Esq.	★★★★★	4.2
Walter Bond, Guest Speaker	★★★★★	4.8
ATJF Profit Study – Tim Brands, Jeff Brands	★★★★★	4.2
Awards Program	★★★★★	3.6

### OTHER

Advance Convention Information Provided	★★★★★	4.5
On-site Registration Process	★★★★★	4.9
Awards Banquet Entertainment	★★★★★	3.6
State Fair Party Entertainment	★★★★★	4.0
JW Marriott Resort (Overall)	★★★★★	4.5

### BREAKOUT SEMINARS

"Managing Profits in 2015," Ted Suor, VP Supply Chain	★★★★★	4.4
"Be the Talk of the Town #TJDigital," Robin Zebrowski	★★★★★	4.0
"Putting Voice of Customer Into Action," Michael Davis	★★★★★	3.3



(l to r) Greg and Pat Tarrant of Marion, IL, and Sonny Pratt and Dawn Cook of Sikeston, MO.





*Megan Grundstrom receiving the "Founder's Cup" for Williston, ND—#1 in sales volume for 2014.*

*Good friends and good times for (l to r) Tom Risler, Ted Miller, and Jim Atkinson.*



*(l to r) Alby and Barb Wissink of Stillwater, MN, with Judd Selland of Cloquet, MN.*



*"Frank" greets Ginny and Kevin Custer of Sterling, CO.*



*(l to r) Duane and Barb Wamsley with Kimberly and Todd Geatches and Curt Foist at the welcome reception.*

# ES FROM THE 2015 NATIONAL CONVENTION



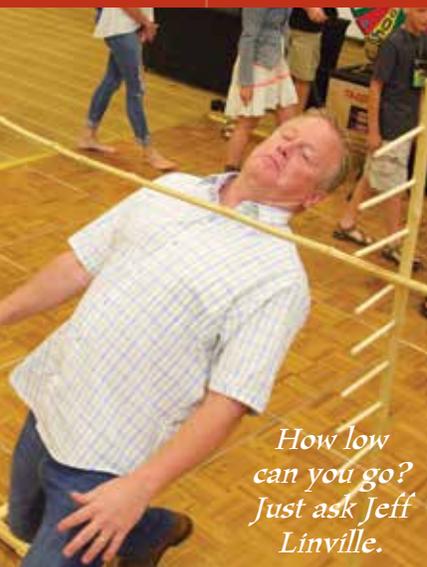
*(l to r) Ellen and Craig Heath of StouxCity, IA, with Jeff Brands of TJ's of Iowa.*



*Jeff and Debbie Bremer of Omaha, NE, enjoying games at the State Fair.*



*(l to r) Curt Foist, Tim Hanley, and Dennis and Jennifer Pollock at awards night.*



*How low can you go?  
Just ask Jeff Linville.*



*A new speed record for the Tri-Cycle races!*

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## ATJF INSURANCE PROGRAM PARTICIPANTS EARN LARGE DIVIDEND

**F**irst and foremost, I would like to thank the Association and the membership for allowing us to once again be a part of the National Convention and for giving us the opportunity to speak to the group. Lori and I truly appreciate the extra time to interact with the franchisees and build relationships.

For those of you who were not able to attend the convention, I am pleased to announce that the Association Insurance Plan has earned a group dividend for the 2013 to 2014 policy term of \$135,384.59. All the Association members participating in the insurance program will receive a portion of the dividend based on their pro-rata share of the entire premium.

When we start talking about almost \$136,000, we are talking real money! This is the largest dividend the program has ever received. The dividend is based on the loss ratio of the overall group, and we ran an outstanding ratio of 27%. The dividend is one of the primary advantages of the Association Insurance Program, but by no means is it the only advantage.

In addition to the dividend, participants in the Association Insurance Program receive preferred pricing from Allied/Nationwide and that pricing is available only through McKinneyOlson Insurance. We currently insure about 230 Taco John's locations so we understand your business.

The coverage packages that we offer are tailored specifically to meet the needs and the requirements of your franchise agreements. In addition to property, liability, and workers compensation coverage, we offer auto, employment

practices, cyber liability, flood insurance, and builder's risk coverage.

The Association Insurance Program will now be administered out of the National Account office in Des Moines, IA, rather than the regional office. While this will not change the basics of the program, it will give us access to more services from a loss control and marketing standpoint. While the insurance carrier will not be changing, the company name will be changing from Allied to Nationwide. I'm sure you are all

familiar with the Peyton Manning commercials where the "Nationwide is on your side" jingle won't leave his head and he substitutes other words but keeps singing it. Perhaps if we play our cards right, we can get him singing "Taco John's has the best food!" Or maybe we can invite him for an appearance at an upcoming convention.

Nationwide is a highly respected company, and Lori and I look forward to working with the new team. We will be meeting in late June to start on the renewal process as well as developing marketing strategies to encourage additional franchisees to participate. For those of you who are not taking advantage of all the benefits available through the Association Program, I encourage you to give me or Lori a call at 1-800-431-6714 so that you too can be part of the dividend next time around!



**AMY OLSON-MILLER**  
PRESIDENT, MCKINNEYOLSON  
INSURANCE

