



May 12, 2014

Why We're Here

- 1. Background**
- 2. Unnecessary Expense**
- 3. Our Common Sense Solutions**
- 4. Our Appeal**

Background

American Pizza Community (APC)

The APC is a coalition comprised of the nation's largest pizza companies, regional chains, small business franchise owners, suppliers and other entities that make up the American pizza industry.



Background

U.S. Pizza Industry Facts

- **75,000 pizza stores, located in all 50 states, employ over one million people ***
- **57% are small regional chains or independently-owned and operated****
 - Even at larger chains, 78% of stores are owned by smaller franchisees***
- **Pizza restaurants account for approximately 17% of all restaurants in the U.S. ******

*PMQ Industry Report 2014

**Study Logic

***Restaurant Trends

****FranchiseHelp.com "Pizza Industry Analysis 2012 – Cost & Trends"

Background

APC and Menu Labeling

- The pizza industry does not seek an exemption
- We support the goal of providing consumers nutritional information
- The FDA's proposed rules are highly problematic
- Innovative solutions exist
- APC asks that OMB allow a common sense approach

Background

Menu Labeling

- The federal menu labeling standard was pursued by many restaurants to preempt and standardize a patchwork of state and local laws
- FDA's proposed rules did not take into account the uniqueness of pizza-delivery establishments, compared to other restaurant concepts
- Unlike others in the sector, many pizza restaurants are primarily delivery or carry out
- Pizza is a made-to-order, highly customizable item, and is a shared meal

Background

Domino's Small Business Franchisees

- **Domino's Pizza is a collection of 950 small business franchise owners**
 - 90% of our U.S. franchisees started as pizza delivery drivers
- **Franchisees own 93% of Domino's locations in the U.S.**
 - 69% of Domino's franchisees own three or fewer stores
 - 39% of Domino's franchisees own only one store
 - Only 4% own 20 or more units, the threshold in the law
- **The average Domino's store:**
 - Employs roughly 25 people
 - Makes \$50,000 in after-tax profits

Unnecessary Expense

Costs to Implement

- **Preliminary rules are fashioned after the New York City regulations**
- **Our experience in New York City showed that:**
 - Costs per store were up to \$4,700 a year
 - This included updating menu boards 4 times a year, time to create boards, and some fines (roughly \$200/store was average)
 - It's still not clear how fines will work in the FDA system
- **While large brands may be able to bring this cost down somewhat with a nationwide rollout, smaller brands are likely to face similar high-cost scenarios to comply**
- **No cost seems justified if a majority of orders are remote and current procedures confuse consumers**

Our Common Sense Solutions

1- Allow Online Menu as Primary Writing for Remote Ordering Chains

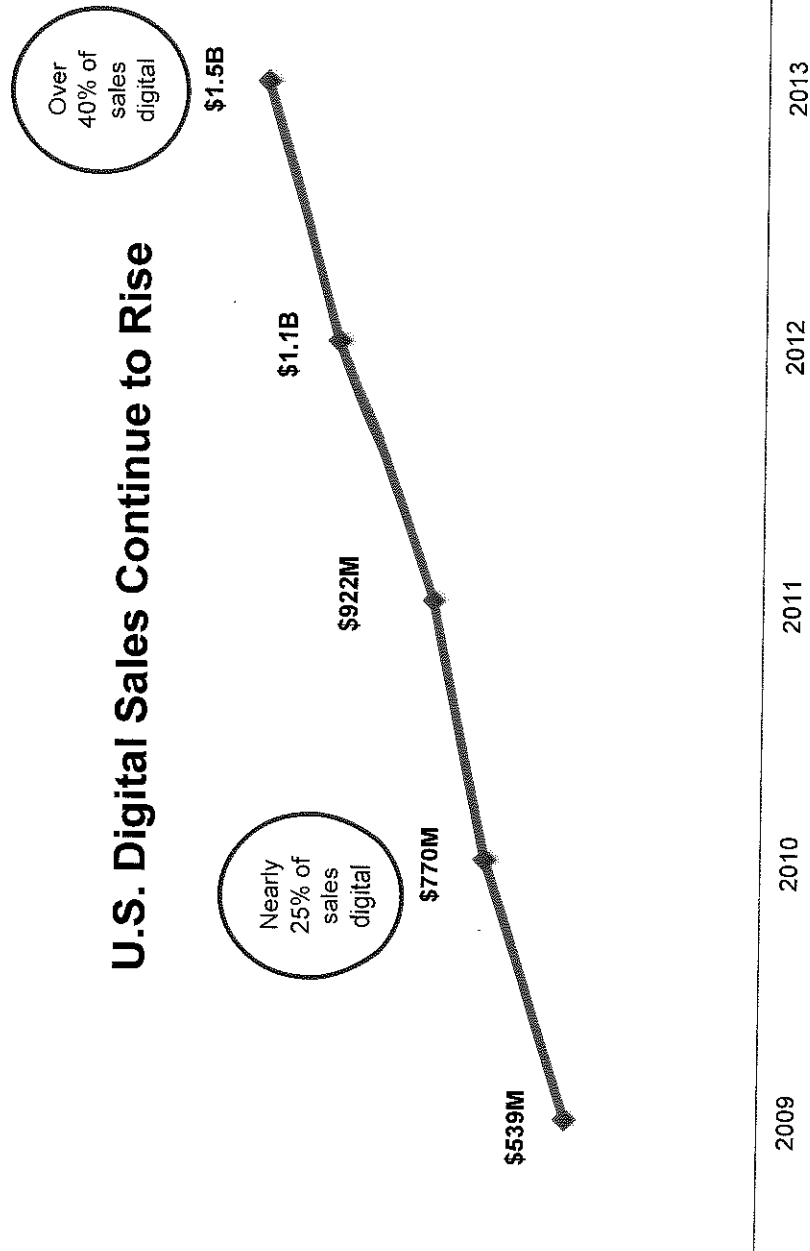
- 90% of Domino's orders are placed remotely
- We have voluntarily provided nutrition information for over a decade
- 460,000+ people visited the nutritional landing page on our website last year
- 67% of people have viewed a restaurant menu's nutritional information on their website.*
 - Calorie-labeled online menus would make nutritional information universally accessible to off-premise consumers
 - Pizza restaurants could still provide nutrition brochures to in-store customers upon request, as required by the regulation

**Study by Gongos ICommunities, December 2010

Our Common Sense Solutions

Where Our Customers Go

U.S. Digital Sales Continue to Rise



Our Common Sense Requests

Digital Sales Are Already More Than 60%

In these DMAs:

- Sacramento
- San Francisco
- New York
- Washington, D.C.
- Baltimore
- Boston
- Dallas - Ft. Worth

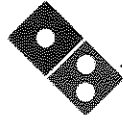
Digital ordering accounts for over half of sales in markets globally - from Japan to South Korea, to the U.K. and Australia (both at 60%)

Our Common Sense Requests

2- Only Require Standard Pizza Builds to be Labeled

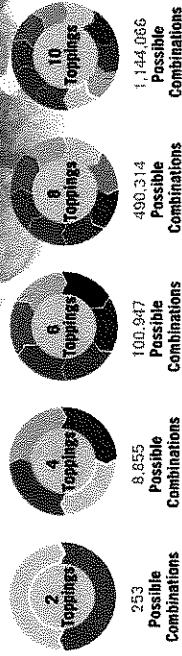
- **Each store's menu is custom and unique**
 - Franchisees carry required menu items, but can add additional sizes, crusts, toppings and sides
- **We have many different crusts – usually in two to three sizes – 20 or more toppings and two or more sauce varieties**
 - There are 34 million custom options for most pizza places
- **Draft labeling regulations require a range and for pizza this could be over 1,000 calories wide**
 - Menu labeling regulations in California exempted custom pizza, only requiring set recipe pizzas or standard builds (e.g., Hawaiian) to have calories

- Actual Math!



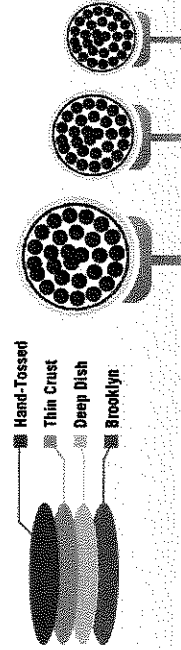
PIZZA COMBINATIONS at Domino's

With the size, crust, sauce, cheese and topping options at Domino's, how many potential ways are there to build a pizza at Domino's?



2,842,226 TOTAL TOPPING COMBINATIONS

+ 4 CRUST TYPES + 3 SIZES + 1 PIZZA SAUCE



34,106,712 TOTAL COMBINATIONS

Our Common Sense Solutions

3- Pizza Should be Labeled by the Slice

- **Pizza is a shared meal, and the average consumer eats 2.1 slices***
- **Current draft regulations require whole-pizza labeling**
 - This is less clear for consumers who are accustomed to calories by slice
- **Research shows that 60% of people find calorie labeling by the slice or by the serving size to be the most useful methods****

* NHANES 2005-2008; 2 years and older

**Kelton Research Study, 2011

Our Common Sense Solutions

4- Protection Against Frivolous Lawsuits

- **A reasonable basis standard allows restaurants to base calorie information on set recipes, training tools and job aids**
 - Food is made by people in a fast-paced restaurant environment
 - Over-portioning isn't in the restaurant's best interests from a food-cost perspective
 - Allowing for reasonable basis will protect restaurants acting in good faith and keep the intended focus where it belongs, rather than requiring unnecessary time and expense be devoted to avoiding frivolous lawsuits
- **If reasonable basis is not applied, there will be:**
 - Additional training costs
 - New systems
 - Audits for lawsuit avoidance

Our Appeal

Allow us to provide **useful information** to
our customers and avoid **unnecessary
costs** to **small businesses**.

New York City Costs Estimated Average - Menu Labeling		Cost per store - 2 menu board changes a year *	Cost per store - 4 menu board changes a year *
External vendor creates custom static menu boards for each store - \$900 each		\$1,800	\$3,600
Annual supply of in-store nutrition brochures		\$91	\$91
Average fines from local inspectors for issues over signage		\$200	\$200
Labor Hours - annual (sign creation & updates) - estimated by NYC franchisees/managers at 36 hours of time		\$834	\$834
Total Cost to Stores		\$2,925	\$4,725
Systemwide Cost to Domino's system of 4,615 franchise stores		\$13,498,875	\$21,805,875
* Number of board changes varied due to the following factors: number of new products introduced or removed, toppings added or removed from menu and pricing changes - could also be impacted by significant changes in suppliers/product.			

