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Orange Julius's Comeback

Can Orange Julius juice up Dairy Queen sales? [By Deborah L. Cohen](#)

This is not your father's Dairy Queen.

With prominent signs touting the marriage of two formerly distinct concepts, Chicago's newest combination Dairy Queen/Orange Julius store sits just a few miles from the city's downtown district in a well-trafficked outdoor shopping corridor at the heart of the trendy, residential neighborhood known as Bucktown.



By opting for a dual format, the store's owner, newly minted franchisee Jon Goldman, is placing a bet on the historic, but long-neglected Orange Julius blended fruit drinks brand. Goldman, who is aiming to give his Dairy Queen stores broader appeal in the crowded treats market, becomes visibly excited when he speaks of the potential for Orange Julius products.

"We thought that this would be a great counterpart, a healthy alternative for moms and dads," says Goldman, a real estate developer, during a recent tour of his sleek, two-story brick restaurant. "We love the product; we are a big believer in the product."

Goldman's venture represents Dairy Queen's latest hopes for modernizing a significant portion of its aging and fragmented system of more than 4,600 U.S. Dairy locations. The Dairy Queen/Orange Julius store offers a little something for everyone—kids and adults, men and women, the indulgent and the health-conscious.

The products range from traditional Dairy Queen soft-serve ice cream cones, sundaes, and frozen Blizzards to a variety of blended Orange Julius fruit drinks and smoothies. The store's blue and beige interior offers ample seating. There's a private upstairs party room, an outside deck, even a walk-up window to help capture the neighborhood's ample pedestrian traffic.

With its open and energy-efficient design, Goldman's third Dairy Queen/Orange Julius store is part of a broader test initiated by Minneapolis-based parent company International Dairy Queen Inc. (IDQ) more than two years ago.

Dairy Queen began co-branding stores in malls, Orange Julius's historic venues, soon after it purchased the Orange Julius brand in 1987. But the latest initiative was designed to measure whether Orange Julius could add some oomph to the revenue line at freestanding Dairy Queen stores and other non-mall locations.

In September, IDQ declared the test, which then included more than 42 so-called cornerstone stores in the U.S. and 17 in Canada, successful. Operators of Dairy Queen locations who meet certain operational criteria will now have the option of investing in the combined concept by converting their existing freestanding Dairy Queens to the format or building out new locations; the company expects a significant rollout of these treat centers next year.

Not included are the multitude of Dairy Queens that offer food, as part of the other side of the company's modernization equation, known as Dairy Queen Grill & Chill. These stores feature an updated format which offers both Dairy Queen treats and an expanded food menu. In the U.S., with

just 281 Grill & Chill stores, nearly 2,800 of the company's traditional food locations have yet to convert.

"Dairy Queen/Orange Julius is a big green go," says Aric Nissen, vice president of brand marketing for both Dairy Queen and Orange Julius. "In scaling up the test with dozens of units, we have now cleared the return on investment."

Nissen could not provide details on the cost to franchisees because formats varied widely, depending on factors such as region and the age of the converted store. But he notes that converted stores reached their goal of at least 17.5 percent return on investment, while new stores hit a 15-percent threshold.

"Specifically what we saw is higher average unit volumes," he says. "I think we've really woken up to how great the [Orange Julius] brand is and how great it can be."

Results of the Dairy Queen/Orange Julius test were boosted by a steady influx of new Orange Julius products, which include smoothie flavors such as Pomegranate & Berries, Strawberry Sensation, and 3-Berry Blast.

Operators, too, appear to be enthusiastic, says Steve Cowgur, an Arizona franchisee and member of the company's 18-member Franchise Advisory Council, which works closely with IDQ on product and system innovation.

"Orange Julius products tend to be a little higher margin," says Cowgur, who operates eight Dairy Queen/Orange Julius locations, including one of the cornerstone stores. "This gives Dairy Queen operators in some of the slower stores a really good option to modernize. It's a pretty big plus for Dairy Queen if they can figure out how to get the stores excited."

While Dairy Queen has legions of loyal customers, including billionaire Warren Buffett, whose Berkshire Hathaway holding company owns IDQ, excitement has never been its strong suit. That might be because change comes slow in an unwieldy system dating back nearly 70 years with myriad contract agreements. Often conversion efforts, which can be quite costly to operators, are met with resistance.