

Attendees

NAB Members: Chad Eads, Karen Harmon, Jennifer Mouser, Numaan Shah, Ruth Spiegel
Kahala Brands™ Team Members: Jeff Smit – CHIEF OPERATING OFFICER, Tony Crosby – SR. VICE PRESIDENT OF RESTAURANT OPERATIONS, Joani Bianca – VICE PRESIDENT OF OPERATIONS, Rachel Davidson – VICE PRESIDENT OF OPERATIONS SERVICES, Jakob Larsen – OPERATIONS SERVICES COORDINATOR, Scott Siegel – DIRECTOR OF INTERNATIONAL OPERATIONS, Maya Warren – TASTEMASTER™, Kate Unger – SR. VICE PRESIDENT OF MARKETING, Jana Schneider – VICE PRESIDENT OF NATIONAL PROGRAMS, Sara Schmillen – Sr. DIRECTOR OF MARKETING, Laura Vandevier – DIRECTOR OF MARKETING, Kim Heath – SR. NATIONAL MARKETING MANAGER, Melissa Hubbell – NATIONAL MARKETING MANAGER, Jenni Pollack – NATIONAL MARKETING MANAGER, Brittany Dooley – NATIONAL MARKETING MANAGER, Lindsay Hernquist – NATIONAL MARKETING MANAGER, Natasha Albright – MARKETING PROGRAM MANAGER, Helene Dion – MARKETING COORDINATOR, Jessica Benedick – DIRECTOR OF PUBLIC RELATIONS

Loyalty Program Review & Training

Third time is a charm! The brand has seen encouraging results with Spendgo® as a loyalty solution and will be moving forward with a national rollout. The Spendgo loyalty solution meets several brand needs, including (but not limited to): integration with a variety of Point-of-Sale systems and printer combinations; integration with existing brand programs/platforms (i.e., Olo/ColdStoneCakes.com and Fishbowl®/My Cold Stone Club®); ability to influence customer frequency and purchase behavior; and backend reporting and analytics. RDOs completed an overview and training in December. NAB members and ADs completed an overview and training while attending this meeting. Franchisees and operators will complete an overview during Market Meetings scheduled March through May 2017. Rollout will occur in approximately eight phases with the first phase beginning this spring.

NAB Topics

Are there secondary suppliers set up for critical products like cookie dough and what plans are in place to source ice cream mix if our mix is compromised? Is there currently an alternative supplier?

We understand that stores not having cookie dough for three months wasn't good for our stores, franchisees, customers or brand, but it is worth noting it takes three months to get any new products for promotion auto-shipments into our distribution centers, as there is a lot involved in setting up any new product to move through the distribution channels. We had looked at several suppliers for cookie dough over the years, but none were competitive in cost and quality.

Our ice cream mix is made in five different plants around the United States so if mix were compromised in a plant, stores would receive product from the other plants.

What is the quality control process for evaluating pre-packed Cold Stone® at Home products?

Our Tastemaster™ and Vice President of Purchasing visited both plants for our Cold Stone at Home products in April of 2016. The manufacturer has made some production changes since then and sends product from every production run to the Tastemaster to cut, evaluate and provide feedback.

Is there a portal for franchisees to post best practices and a way to communicate them and reward the franchisee who shared it?

The Creamery Talk Forum existed for many years on Creamery Connection and was not utilized to share best practices, even when we had an incentive program in place to reward franchisees for doing so. Therefore, the forum was discontinued with the recent transition from Creamery Connection to the new franchisee portal. However, there are multiple ways for franchisees to share feedback and best practices: 1) Submit to AD/RDO to share with the Brand Team; 2) Submit to National Marketing Manager to share with the Brand Team; 2) Send to CSCCommunityFeedback@kahalamgmt.com.

When a customer submits a complaint through Donnelly, does corporate send a coupon? Is there a way to filter the complaints that are a corporate concern so they are not sent to a store?

When a customer submits a complaint specific to a store through Donnelly, corporate does not contact that customer or send a coupon (unless the customer has specifically requested corporate contact for some reason); it is the franchisee's responsibility to contact the customer and provide resolution. If the complaint remains open for 72 hours, the customer is sent an Ultimate Indulgence certificate, valid for a Free Love It® Signature Creation™ in a plain waffle; however, it is still the responsibility of the franchisee to contact the guest to provide resolution.

Donnelly does filter "brand" complaints – things like not being able to use a gift card or coupon to purchase a cake online, absence of cookie dough during the recent recall, etc. These complaints are classified as "brand" complaints and come directly to corporate; they are not sent to any specific store. With that said, there are complaints that are misclassified by mistake and are sent to a store when they should not be; these are reported to corporate by ADs/RDOs/franchisees and are reclassified as "brand." The opposite also happens – complaints are misclassified as "brand" complaints, but note a specific store in the complaint; these complaints are reclassified by corporate and sent to the correct store.



Can a bounceback coupon be created for franchisees to use to send to customers who submitted a complaint for their store?

We will look to add a headline to BAM with some sort of "appreciation" language so franchisees could make a coupon with whichever offer from BAM will meet their needs.

Can a centralized portal be created so franchisees can post delivery problems for Sygma®/Sysco® and describe the issue?

With any delivery problem, franchisees are to call their distribution center representative for resolution. If a distribution center is not resolving a specific concern, franchisees should contact their AD/RDO to escalate the concern with corporate.

Who negotiates Rocky Mountain Chocolate Factory® pricing and addresses cost concerns?

We are currently in the process of reviewing the contract to understand the pricing and cost concerns. We will be speaking with Greg Pope and Erika Lightburne and will communicate with the co-branded stores once an update is available.

Once the loyalty program rolls out, will the My Cold Stone Club® only be used for promoting products (not providing additional coupons)? This would eliminate the challenge with redeeming coupons on phones.

Our My Cold Stone Club will still be used in the same capacity as it is now. The eClub will continue to be the delivery vehicle communicating new products, promotions and offers to our customers. Customers with a phone number will receive a message through the eClub when an offer is loaded to their loyalty account. Customers without a phone number will continue to receive coupons in the body of their email message. We have approximately 2 million primary eClub members and approximately 4 million secondary/family accounts. Only a small percentage of these millions of accounts have phone numbers associated. We wouldn't want to discontinue sending offers through the eClub and neglect these customers.

Can Spendgo® integrate a "Birthday Reward" to eliminate this feature in the My Cold Stone Club?

Yes, Spendgo can integrate a birthday reward, as well as our welcome BOGO and other offers the brand sends nationally throughout the year. However, this will only work for those customers who have opted in to the loyalty program (i.e., given us their phone number). If we don't have a phone number, customers would continue to receive these rewards through the eClub.

Can FSI redemptions be limited to Monday thru Thursday only?

This is not something we will move forward with. FSIs are a significant expense and are used to drive customers into our stores. 61% of redemptions happen Friday through Sunday and with FSIs dropping on Sundays, it would not be the right thing to tell customers they can't use the offers when they receive them.

Who can assist with using Fishbowl?

All materials and instructions for using Fishbowl are available on KTEC Online under Marketing / LSM Resources / Reference. In addition, franchisees can contact their National Marketing Manager for further assistance. We will include a reminder about using Fishbowl in a brand update.

Can we look at including a \$3 off cake offer and 2 for \$6 offer on national email blasts?

We added a \$3 off cake offer for Birthdays so each My Cold Stone Club member receives that offer prior to their birthday. Our national offers will remain as BOGOs, but stores can utilize Fishbowl to send these kinds of offers if they choose.

How can we increase innovation using items within our four walls?

We have several members on the Cold Stone Creamery® R&D Team and they are always looking at new products, platforms, flavors, etc. If a franchisee has specific ideas they'd like the team to review, they should submit a test proposal form to their AD/RDO or send their ideas to CSCCommunityFeedback@kahalamgmt.com.

Can R&D work to develop a Take Home Kit for at-home catering?

Sure! We will submit this to R&D for development.

Can we look at changing the design of the Cookie Dough Delirium™ cake to 12 stars instead of 6 rosettes (like the Chocolate Chipper™ cake)?

This is not something we will look to change at this time.

Reference

[01-19-17] 2017 Co-op Reimbursement Request
 [01-19-17] 2017 Creative Svc Req.
 [01-19-17] 2017 LSM Reimbursement Request
 [01-19-17] 2017 LSM Reimbursement Program Guidelines
 [01-19-17] 2017 Shared LSM Funds Authorization
 [04-15-14] Car Window Cling 18x13.5
 [04-15-14] Car Window Cling 20x5
 [11-17-14] FISHBOWL Here's How to Build Store Sales Using MyLSM
 [2-26-13] FISHBOWL How to Setup a Fishbowl Offer in BAM
 [2-26-13] FISHBOWL Join The Club 8.5x11 Counter Card
 [11-17-14] FISHBOWL MyLSM Fishbowl Program Fact Sheet
 [11-06-14] FISHBOWL Steps to Send a MyLSM Email
 [08-23-12] Here's How To Execute A Deal of the Day
 [07-29-16] LSM Forms 2016 Approved Offer Image Numbers
 [07-23-12] LSM General Manual
 [12-24-13] LSM Tactics Excel
 [01-19-17] MG-011117 Vehicle Wrap Creative Guidelines

Is there an effort underway to partner with a product delivery service?

We have worked continuously over the last 2.5 years with various delivery companies in certain regions and have helped franchisees set up delivery. At this time they are all regional players – i.e., Postmates is big in certain cities, GrubHub in others, DoorDash in still others... so there isn't one company that can handle the national landscape yet. In addition, these companies are demanding very high fees – upwards of 20%. We have done tests with various companies and can assist franchisees set up delivery in their area if interested. However, we are not able to move forward nationally at this time for various reasons, including the lack of a national partner for all stores.

Can we require franchisees to wear some sort of Cold Stone Creamery® uniform when working in the store?

Yes. We will look to source some different shirt options with Bennett and make them available for franchisees to order. We will require franchisees to wear a logo'd shirt and closed-toe shoes if working in the store. We will communicate more information once available.

Can franchisees add / change email addresses where job applications are sent?

Yes. Log in to the franchisee portal, click on Stores / Employee Accounts. Create accounts for Managers or whoever you would like to receive the applications.

Can job applications be formatted so the email address for the applicant appears in the subject line?

IT will look at the current capabilities for the job applications and make adjustments if possible.

Is there any discussion to have an AFM?

We are discussing possibly holding a franchisee meeting in 2018 in Scottsdale.

With the National Advisory Board not having access to the database of franchisee email addresses, how can the board communicate with the franchisees?

The NAB is always welcome to send communications to the Brand Team for review to be sent *"from the desk of the NAB"* to our database of franchisee email addresses.

State of the Brand

2016 YTD

YTD - Dec		YTD Rank			
Data		T	M	B	YTD
Sum of SSS %		22.9%	2.9%	-14.0%	3.3%
Sum of Cake SSS%		19.5%	0.4%	-16.1%	0.7%
Sum of Cake to Net%		18.1%	11.7%	6.7%	12.3%
Average of CY Net Sales		\$8,727	\$8,277	\$7,058	\$8,033
Average of PY Net Sales		\$7,102	\$8,044	\$8,205	\$7,779

Coupon to Customer

2016		Total Coupon					Total Product				
Sum of Count	Offer						Coupon to				
Store #	Coop	Local	Nat	Open	Grand Total	Customer %	Cake	Single Serve	Bev	Total Product	
Grand Total	151,822	597,543	779,944	73,723	1,603,032	3.0%	980,152	48,873,050	3,079,422	52,932,624	
% of Total	9.5%	37.3%	48.7%	4.6%							

2015											
Sum of Count	Offer						Coupon to				
Store #	Coop	Local	Nat	Open	Grand Total	Customer %	Cake	Single Serve	Bev	Total Product	
Grand Total	191,538	508,518	896,668	101,672	1,698,396	3.7%	980,555	40,770,427	3,738,897	45,489,879	
% of Total	11.3%	29.9%	52.8%	6.0%							

Redemption summary vs 2015	
>	National = -4.1%
>	Local = +7.4%
>	Coop = -1.8%
>	Total = -.7%

Marketing

2016 Calendar Recap

Windows 5 (Fall) and 6 (Holiday) of the 2016 marketing calendar were reviewed and discussed. The following POP feedback was also discussed:

- Can we add "Pre-Order" to holiday cake/pie POP to promote pre-ordering of these items? This would help stores more accurately prepare the correct amount of promotional products.
 - Sure! We can look to add this language.

2017 Calendar Review

The 2017 promotional calendar was presented and the change to five promotional windows was discussed.

The Window 1 (Fudge Truffle & Valentine's Day) and Window 2 (Spring Flavors) promotions were reviewed and the following feedback/questions were discussed:

- Can Kahala source a 6" optional heart-shaped cake pan for stores to order for Valentine's Day next year if they choose?
 - We will look into this and see what could be made available from BEST Equipment®.
- Can we add a Fudge Truffle Shake to next year's Valentine's Day promotion if promoting Fudge Truffle Ice Cream again?
 - We promoted the Double Fudge Truffle Shake in 2014 and can look to bring it back in 2018.

A recap and video was shown from Super Bowl® Radio Row, where Gold Medalist and 80's iconic gymnast, Mary Lou Retton, was the spokesperson for the Cold Stone Creamery® brand.



Random Acts of Cold Stone® kicked off at the Cold Stone Creamery World Headquarters on February 16, 2017, with a giveaway of ice cream and donations benefiting our national charity partner, Best Buddies. Additionally 11 stores were the recipient of a Random Acts of Cold Stone. This third annual event is a way for the brand to reward high performing stores, thank our loyal customers for their business, and inspire kindness in the communities where we operate.



Cold Stone Creamery is proud to support the theatrical release of Wonder Woman® in 2017. The promotion will feature an ice cream flavor inspired by the character, along with a Creation™, Ice Cream Cupcake and co-branded Gotta Have It® cups.



Shark Week® returns to Cold Stone Creamery with a FIN-TASTIC new line-up! This year's Shark Week promotion will include a new flavor, new gummy sharks, new Creation and a new cupcake.





The national Best Buddies® promotion will run September 1-30, 2017, and will feature the Keith Haring® Logo stockers for sale. The promotion will include a fundraising contest among your stores, with the top 3 stores winning prizes (details to be announced this summer). Last year, Cold Stone Creamery® stores raised more than \$165,000 for Best Buddies!

The Best Buddies Jobs Program opportunity for stores to hire someone from the “intellectual and developmental disabilities” (IDD) community was reviewed. This program does not involve creating a position unique to the Jobs Program participant’s capabilities, but instead, the Best Buddies Jobs Team works to find an individual who is capable of filling a current opening. The markets the brand and Best Buddies would like to launch in first are Boston, California and Florida due to Best Buddies presence, although if other stores are interested, we would be excited to put them in touch with the Jobs Team to get more information!

Olo Update

The positive sales trends and 2016 product rankings were reviewed. Participation in the Create Your Own (optional) product offering was emphasized, as it sees the largest product sales. The RFPUN program was also emphasized, as 22-27% of Signature cakes ordered are ordered as RFPUN items.

	PRODUCT	TOTAL	ORDER AHEAD	RFPUN
1	CREATE YOUR OWN CAKE	39,928	39,928	
2	COOKIES & CREAMERY™	15,004	11,432	3,572
3	MIDNIGHT DELIGHT®	11,647	8,476	3,171
4	CAKE BATTER CONFETTI™	10,325	7,771	2,554
5	STRAWBERRY PASSION™	9,957	7,455	2,502
6	COOKIE DOUGH DELIRIUM™	8,497	6,632	1,865
7	PEANUT BUTTER PLAYGROUND™	5,864	5,609	255
8	MMMMMMint CHIP™	5,491	5,292	199
9	SIGNATURE CUPCAKE VARIETY 6-PACK	4,491	2,876	1,615
10	COFFEEHOUSE CRUNCH™	4,154	4,026	128
14	TALL, DARK & DELICIOUS	3,273	2,553	720
17	STRAWBERRY SPLENDOR™	2,357	1,971	386
19	FUDGE TRUFFLE DECADENCE™	1,645	1,618	27
22	PUMPKIN CHEESECAKE ICE CREAM PIE	1,134	979	155
28	DAZZLING FUDGE VELVET™	578	465	113
30	DAWN OF JUSTICE™	497	381	116

The following questions were discussed:

- Can the Olo order form that prints out in-store be edited to more closely resemble the in-store cake order form, specifically with the spaces to write in who built the cake, decorated the cake and the tear-off portion at the bottom once the cake is complete?
 - We will look at the two forms and see what changes can be made.
- How many chargebacks do our stores receive?
 - In 2016, there were a total of 296 Olo chargebacks out of 143,573 total orders, which makes our chargeback occurrence 0.2%.
- Can some best practices for minimizing chargebacks and information on Clientline Dispute Manager be sent out as a reminder to franchisees?
 - Sure! We will include in a brand update.

Interactive Update

Social Media

- Late summer, our social team conducted an acquisition campaign to combat the Facebook® algorithms that remove fans from our messaging due to low engagement or interaction with our page. We have taken a close look at who our followers are so we can adjust our voice and messages to maximize engagement amongst our fans.
- Our followers are 74% female and 26% male. 46% are 18-24 years old, yet this large group is less engaged than other smaller demos. The social team is working to change our voice and increase native looking visuals to better engage this group of our customers!
- An example of native visuals was the Fall Pie campaign. You might also think of this as lifestyle photography. This was a very successful campaign, in part to the native looking images. All of the ads were native photos ranking at 7 or above, while generating 5.8M impressions. We will continue to implement this strategy during 2017.



- Another area we are looking to change this year is our blogger/influencer strategy. We will be partnering with the national lifestyle site POPSUGAR. If you have never heard of POPSUGAR, they are the number one brand lifestyle for woman and hit 1 in 4 women in our target demo, 18-49. They specialize in native content and have a robust food section in which our brand will be featured five times this year.
- We will work together to bring native content (not ads) to the site. For example do-it-yourself (DIY) recipes and party planning are some of their top searched items. We will bring readers articles that use Cold Stone® products for DIY stations, recipes and party planning.
- Another goal for 2017 is video. Video is becoming a necessity in order to stay relevant on social channels and increase engagement with fans.
- Pop-Ups were introduced to ColdStoneCreamery.com in December 2016. The focus of the first Pop-Up was to bring additional awareness to the gift card promotion. We saw 112% increase in traffic to the gift card page and 12.2% increase in sales. This was followed up with a Fudge Truffle Decadence™ Pop-Up and now a branded cake message until the next cake holiday. We plan to update these multiple times throughout the year.



Product Sampling

The promotional Shark Week® ice cream flavor and two holiday promotion cakes were sampled. All products received favorable feedback.

Marketing, continued...

Public Relations

Several of the most recent PR clips from celebrity outreach were showcased and TV news clips were shown from Random Acts of Cold Stone®.

Menu Board Rollout

Each menu board panel was reviewed in detail. All stores will receive panels for the May 5, 2017 launch date.



Operations

Frappe Execution

The failure to execute Frappes correctly and consistently was discussed. We are in the Frappe business! It is clearly evident by the nearly \$1 million dollars in sales from January 2016 through January 2017. However, many stores continue not to execute the program correctly, as they do not have Frappe Mix available, do not ring them in correctly (we often see them rung in as shakes or smoothies), and in some cases, crew members do not even know we sell Frappes.

Required Items

Required items were discussed, as the team continues to see stores not using required items such as black plates for Hot Stone™, red straws for Shakes and Smoothies, red cake bags, white logo'd bags, etc. Stores must use all required items; any substitute is a compliance issue.

Product Dating

Product dating was discussed and the following reminders were shared:

- Post the Shelf Lives Chart on the cooler or freezer and review it with your crew members
- Flavorings must be labeled with received, open and expiration dates
- Cupcakes, cookie sandwiches and cakes must be dated correctly and expiration dates are to be calculated from the date built; cupcakes and cookie sandwiches have a 3 week shelf life, Bettercreme® cakes have a 4 week shelf life and Ganache cakes have an 8 week shelf life

Batch Freezer Safety Issues

The ongoing batch freezer safety issues were reviewed. As a reminder, cracked control panels, U-shaped gates and lids, and doors with broken metal rods must be replaced.

Spring Cleaning

As we move into spring and business continues to increase, all stores should do some spring cleaning to be sure they look great! Consider pressure washing sidewalks, exterior doors, windows and awnings; clean lobby walls, tile and wall graphics; replace faded display jar mix-ins and tags; remove old POP and unused hanging banner hardware from the ceiling.

Hot Stone & Equipment Update

With the new menu board rollout in May 2017, the Churro and Funnel Cake Hot Stone items will be removed from the menu board and discontinued in our stores. In preparation for this change, these items are in the process of being moved to Special Order in our distribution centers. These items are required until new menu boards are posted, then stores will be able to deplete the inventory they have on hand. Once inventory is depleted at the store level, these items will be discontinued in all stores; they will not be available as optional items, as the distribution centers will no longer offer these items.

J&J Snack Foods® may choose to pick up the equipment (snack oven and warmer) at each store. As the time approaches for the discontinuation of these items on our menu board, we will provide more details for possible equipment retrieval by J&J Snack Foods.

Customer Complaints

We have seen an increase in customer complaints, specifically with stores closing early, not having enough staff and also issues with cake orders not being completed on time. Remind your crew members to adhere to the posted hours of operations and ensure you have enough crew to take care of the customers.

International Update

Cold Stone Creamery® now has a presence in 29 countries! The brand celebrated our 10th Anniversary in China, Taiwan and the GCC in 2016 and will celebrate the 10th Anniversary in Indonesia in May 2017.