

**FOR THE BUSINESS OWNER & MANAGER**  
**“Dairy King – Leoti, Kansas: Business Model”**  
**by Business Consultant Ken Lerman**

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Ever been to Leoti? It's just minutes this side of Rocky Mountain Time. The Kansas Highway Department took Leoti's only stop light away years ago. Leoti is the Wichita County seat, home to 900 fine American folks and the world's largest cattle feed yard.

Eugene has owned the Dairy King on Highway 96 for nearly 45 years. He opened it with his dad. All seven of his children had long turns working and running it. When visiting they still help Eugene as he prepares the Leoti Dairy King for its opening each day. Well, now its the grandkids.

The Dairy King is small. Only four pickups can park in front. You order at the window and eat in your vehicle. The menu is painted on the outside east wall and under the order window. The Dairy King is painted red and white. It hasn't changed much throughout its business history. Get the picture?

In 1988 Eugene attended my first Business Owner Seminar in Garden City. His brother-in-law, “Eugene” accompanied him. “Eugene” owned a bean plant in Sharon Springs, cultural mecca of the west. When I entered the seminar site hotel and read the lobby sign, I knew I hit the big time – “Hunters, you are prohibited from cleaning birds in your room.”

***Pricing Strategy***

The 1988 business seminar carefully explained and illustrated the importance of improving weak profit margins through value added pricing strategies. All businesses must have a fair and consistent (annual) pricing strategy and tactical plan that absorbs cost inflation factors and documents mid to long-range strategic business investment opportunities. All pricing activity, to be effective, i.e. flows through at a +96% level, should be justified by value added benefits – perceived and experienced by your user or purchase decision maker.

For several years after the seminar, Eugene and I spoke about Dairy King pricing. I thought his pricing low then and low today. This week you'd pay \$3.85 for a hamburger, drink and fries. Add 70¢ for a small ice cream cone.

***Business Building Investment***

In 1996, it all came together. Eugene not only implemented a sound, fair pricing strategy, but he also developed an excellent value added business building plan. That 1996 Plan launched a preemptive competitive strike and established the Dairy King as the leading foodservice brand in Wichita County and surrounding areas – Scott City, Lakin, Tribune, Kit Carson, etc.

Eugene invested his Dairy King profits into a superb business building value added benefit. He purchased a picnic table and brought “*al fresco dining*” to western Kansas.

Did it work? You bet! Eugene bought a second picnic table the following year. Now, the Dairy King has outside dining. Farmers and ranchers call in from the field on cell phones for reservations (I'm not joking).

My wife thinks the Leoti Dairy King has the world's freshest and tastiest hamburgers and jiffy burgers. She is prejudiced. Geri is Eugene's oldest child.

If you are driving through western Kansas, stop at the Leoti Dairy King and I'll buy your drink. Just ask them to charge your drink to Ken in Wichita.

I am, for the business owner –

Kenneth B. Lerman  
Business Owner Consultant

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