

DATE: July 16, 1996

SUBJECT: CORPORATE SPONSORSHIP - COFFEE AWARD

RECOMMENDATION

- 1) THAT the Board award a five year contract to Blenz Coffee Ltd. for the exclusive supply of coffee;
- 2) THAT Blenz Coffee Ltd. pay the Board an annual rights fee of \$15,000 in 1997, \$15,000 in 1998, \$15,000 in 1999, \$18,000 in 2000, \$18,000 in 2001 for a total of \$81,000;
- 3) THAT no legal rights shall be created by passage of these resolutions and none shall arise hereafter except by the signing of the contemplated document.

POLICY

The Board's Strategic Plan "Vision for the Future" states that corporate sponsorship and advertising will be sought consistent with other Board aims, objectives and policies.

DISCUSSION

Our corporate sponsorship agent, Spectrum Marketing Corporation, approached four well known retail coffee operations to determine if there was sufficient interest for the Board to enter into a partnership for the exclusive supply of coffee.

Blenz Proposal

The only retail coffee company that showed a keen interest in entering into a sponsorship agreement with the Board was Blenz Coffee Limited. They are a Vancouver based franchising company specializing in the retail coffee/beverage market. To date the company has 8 locations in Vancouver and Victoria with 5 locations planned to open in 1996.

Blenz has been highly effective in establishing a strong brand name for itself in the highly competitive coffee marketplace. In a recent poll the company was identified as Vancouver's second most recognizable coffee chain.

Wholesale Pricing

One objective in the request for proposals was to upgrade the quality of coffee presently served in our food service operations. The current price for coffee that the Board pays is \$3.93/lb for both beans and portion-pack ground coffee.

Blenz has proposed a price for their private label Columbian Gold and Dark Roast coffee beans of \$6.80/lb. Although higher than our present cost this increase is considered to be acceptable for a higher grade of coffee bean.

#### Retail Pricing

Our present retail pricing structure is \$1.10 for an 8 oz. cup and \$1.45 for a 12 oz. cup. It is proposed that in 1997 the pricing structure be changed to \$1.30 for a 10 oz. cup and \$1.60 for a 16 oz. cup. Consumer trends have shown that these sizes are more popular than the smaller sizes and the increase per ounce is only marginally higher than the 1996 retail pricing.

#### Return to the Board

With an estimated 10% increase in sales forecast for 1997 due to the changeover to the higher quality Blenz coffee, it is projected there will be an increase in net revenues of \$7,500. Together with the rights fee, net of commission of \$12,375 the board should generate approximately \$20,000 in additional revenues in the first year due to this sponsorship agreement.

#### Marketing Materials

Display signage and point of sale material will consist of:

- 1) Custom printed cups to include dual corporate identification of Blenz coffee and the Vancouver Park Board. Byline on the cups will read: "We proudly serve Blenz coffee".
- 2) Single custom printed colour menu of coffee beverage items with the Blenz coffee logo identification.
- 3) Other identification opportunities at Park Board facilities that are consistent with the Board's corporate sponsorship guidelines, subject to the approval of the General Manager.

#### Coffee Buying Equipment

In order to improve the coffee quality in the concessions it was decided to change from the traditional 'pour over' filter system to the air pot system. Eight of the Board's concessions currently have the air pot brewing system whereby coffee is brewed directly into an airtight thermal pot thereby keeping the product fresh for a longer period of time. Coffee grinders have been purchased so that beans can be ground on an as needed basis.

N.N.R. funding in 1997 will be submitted in order to purchase similar equipment at the other 11 concessions in the system. The estimated cost of this equipment will be \$15,000,

#### JUSTIFICATION

The proposal from Blenz for the supply of coffee to the Board's food service operations together with the new brewing equipment will upgrade the quality of coffee presently being served and generate increased revenues for the Board.

All the corporate sponsorship guidelines will be met and it is anticipated a rewarding partnership will be forthcoming for both parties.

Prepared by:  
Administration & Revenue Services  
Vancouver Board of Parks & Recreation

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