



Date: January 28, 1999

TO: Board Members - Parks and Recreation
FROM: General Manager - Parks and Recreation
SUBJECT: CORPORATE SPONSORSHIP - NESTLÉ CANADA INC.

RECOMMENDATION

- A) THAT the Board award a five year contract, from April 1, 1999 to March 31, 2004, to Nestlé Canada Inc. for the exclusive supply of Ice Cream, Confectionery, French Fries and Hot Chocolate.
- B) THAT Nestlé Canada Inc pay the Board over the course of the agreement \$150,000 in event sponsorship, \$100,000 in new equipment and \$75,000 in marketing funds, for a total value of \$325,000.
- C) THAT no legal rights shall be created by the 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.

BACKGROUND

The Board approved Corporate Sponsorship guidelines on June 19, 1995 and presently has agreements with Coca Cola for 10 years, Kodak Canada Inc. for 5 years and Blenz Coffee for 5 years.

DISCUSSION

Initial discussions for an ice cream corporate sponsorship agreement commenced in 1996 with Dairyworld Foods. (Dairyland Ice Cream) After the acquisition of Dairyworld by Nestlé in 1997 there was interest from both parties to increase the value of the agreement to include several other categories from the Nestlé line of products.

The following is an overview of the categories included in this recommendation:

1. Ice Cream

This includes a range of products from scooped ice cream to novelty bars such as Fudgicles and Revels and premium products such as Häagen Dazs. Nestlé also provide an exciting variety of bars such as Oreo, Crunch and Rolo which are chocolate based and gaining popularity among all age groups.

In 1998 the value of product purchased was approximately \$105,000.

2. Confectionery

This category includes chocolate bars such as Coffee Crisp, Kit Kat, Smarties, Crunch, Aero and Mirage. In addition Nestlé carry other confectionery items such as Creamy Toffee, Jelly Tots and Nerds.

The value of product purchased in 1998 was approximately \$35,000.

3. French Fries

Frozen French Fries are sold at the golf course clubhouses and concessions that do not have the space or equipment to prepare French Fries from whole potatoes. Nestlé carry the Carnation brands of French Fries which have been used in the past by the Board.

In 1998 the value of product purchased was approximately \$56,000.

4. Hot Chocolate

Hot Chocolate is sold in all the concessions and although not a high volume item, is popular in the winter season, particularly with children.

The value of product purchased in 1998 was approximately \$6,000.

The Sponsorship Agreement

Unlike other agreements entered into by the Board, which were mainly annual cash payments, this proposal focused around tangible benefits that would increase future Board operating revenues.

The value of this sponsorship agreement is divided into three areas; event sponsorship, an

equipment allowance and a marketing fund.

Exclusive Event Sponsorship (\$150,000)

The success of the annual Stanley Park Christmas Train was highlighted in 1998 by the partnership with the B.C. Firefighters Association and the new “Bright Nights in Stanley Park” event which attracted 92,000 people.

There is a great opportunity for other themed events to be held on the miniature train, notably during the weeks leading to Hallowe’en. Staff have long believed that a suitable partner would be required to share in the development and marketing of a *Hallowe’en Ghost Train* and Nestlé have agreed to become the exclusive sponsor of this event.

In the first year Nestlé would contribute \$50,000 and in each of the next four years \$25,000. Once a business plan has been finalized for this event an information report will be forwarded to the Board.

Equipment Allowance (\$100,000)

Discussions with Nestlé resulted in the agreement that improved equipment would increase revenues to the Board and improve purchasing volumes of Nestlé products. The potential for increased ice cream sales will be the main thrust of this initiative.

Nestlé have agreed to provide the Board with mobile kiosks, ice cream bicycles, vending machines and improved refrigerated display cabinets for the concessions. A needs assessment will be carried out with Nestlé as soon as possible to determine the best use of these funds. Nestlé have indicated they are flexible as to the timing of providing this equipment and realize that both parties will get the maximum benefit if the equipment is provided early in the agreement.

Marketing Fund (\$75,000)

Nestlé have committed to provide the Board with \$15,000 per year over the five year term in order to fund marketing initiatives that will benefit both parties. These initiatives will be mutually agreed upon, similar to the present process agreed to with Coca Cola and Kodak.

SUMMARY

The proposed agreement with Nestlé will provide the Board with a fourth quality corporate partner and a significant opportunity to increase future revenues.

The event sponsorship for a Hallowe'en Ghost Train, improved merchandising equipment and increased marketing monies are all benefits that will enhance our operations over the next five years.

Prepared by:

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