Summary:

The following report is to request approval to renew the agreement with the Coca-Cola Bottling Company (CCBC) for the supply and sponsorship of beverages at the Toronto Zoo.

Recommendations:

It is recommended that the Board approve renewal of the agreement with the Coca-Cola Bottling Company for the exclusive supply, advertising, promotion and marketing of products as outlined in this report for the five year period 2015-10-01 to 2020-09-30.

Financial Implications:

There are no financial implications to the report, as the sponsorship revenue for 2015 is included within the approved 2015 Operating Budget.

Background:

In 2010, the Board approved a preferred supplier agreement with Coca-Cola Bottling Company (CCBC) for a five year period expiring on 2015-09-30. The Agreement provided for exclusivity payments of $96.0 thousand annually, plus various marketing and promotional incentives, preferred product pricing for over the counter sales and a vending contract. These additional benefits increase the annual value of the agreement to $126.5 thousand. Additionally, in 2013, CCBC exhibited their on-going commitment to the business relationship through a further sponsorship of $30.0 thousand annually for the Panda exhibit.

The current agreement specifically includes a renewal clause that provides CCBC with the exclusive first right to negotiate an extension with the Toronto Zoo on mutually acceptable terms. Negotiations commenced in May and were concluded in August. The award of the current agreement was based on the process of issuing Request for Proposals (RFP #117 (2010-07)) and evaluation of proposal submissions to obtain competitive bids from the market. At the time, the proposal from CCBC provided considerably more benefits to the Board versus a proposal received from its major competitor, even more so when considering the sponsorship of the panda exhibit.
Comments/Discussion:

The key elements of the business arrangements resulting from the negotiations and recommendation to renew the agreement with CCBC for the exclusive supply, advertising, promotion and marketing of certain Coca-Cola products are outlined below. The Zoo will provide CCBC with the right to continue to be the sole and exclusive supplier, advertiser, promoter and marketer of beverage products throughout the Zoo for a five year period ending 2020-09-30. Both the Zoo and CCBC are to mutually agree on specific merchandising, promotion and marketing rights including point-of-sale advertising, restaurant advertising, use of CCBC products at restaurant locations, and other joint promotional efforts to increase visitation to the Zoo.

CCBC agrees to supply the Zoo with beverage and cup product, priced in accordance with their current national agreement with Compass Foods (our food service management company), including rebates and commissions and the loan of dispensing equipment and coolers over the term of the agreement.

CCBC also agrees to provide the same level of sponsorship, business and marketing support estimated in the amount of $156,000 thousand annually. The sponsorship and commission payments represent approximately $135,000 thousand of the annual total, while other marketing and rebate incentives account for the remaining $21,000 thousand. Additional elements included in the renewal proposal from CCBC include a commitment to Polar bear conservation through a redirection of the respective sponsorship payment when the pandas depart in 2018. This results in a total level of support in the range of $800,000 thousand for the renewal period, including various volume incentives ($21,000 thousand) and the renewed commitment to promoting Polar bear awareness and conservation for the last two (2) years of the agreement. Also included by CCBC is the on-going supply, installation and maintenance of up to thirty vending machines at various locations on-site, a commitment to continue development, and implementation, of sustainable packaging offerings intended by CCBC in the future, and in-venue, in-marketing, in-store and advertising support.

In consideration of the declining market for carbonated beverages in North America, it is our opinion that approval to renew the agreement with CCBC is the optimal business decision. It reflects negotiations that resulted in benefits to the Zoo that are at the same level as the first five (5) years of the agreement, with a potential to increase based on various volume incentives. This will also ensure the competitive supply and support of a national beverage manufacturer benefiting the Zoo and Zoo visitors.

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R. D. Hale  
Chief Operating Officer