



19

January 26, 2000

TO: The Board of Governors of Exhibition Place
The Officers and Board of Directors
of the Canadian National Exhibition Association

FROM: Dianne Young
Interim General Manager
Exhibition Place

David Bednar
General Manager
Canadian National Exhibition

SUBJECT: Sponsorship Consulting Services

Recommendation:

It is recommended that:

- 1) The Board of Governors and the CNEA enter into an agreement with Trillium Wilkinson Group ("Trillium") to provide sponsorship consulting services to the Board of Governors (including the NTC) and the CNEA on the terms and conditions set out in this report and such other terms and conditions satisfactory to the City Solicitor and the Solicitor for the CNEA; and,**
- 2) A joint committee including a member from each of the Board of Governors and CNEA Board of Directors be formed to work with staff from Exhibition Place, CNEA and NTC Programs and Trillium in developing a long-term strategy for sponsorship.**

Background:

At the meetings of October 30 and November 12, 1998, the Board of Governors and the CNEA Board of Directors received a report which addressed the issue of the separate and joint sponsorship initiatives being taken on the grounds by the three (3) program areas: Exhibition Place, the NTC and the CNEA. In December, 1999, the Board of Governors including the NTC and the CNEA through the City of Toronto Purchasing Department issued a Request for Proposal for Sponsorship Consulting services .

Discussion:

As outlined in the October report, over the last two years, sponsorship initiatives have been undertaken separately by the NTC through SMG Canada (Network), by the CNEA through in-house permanent staff as assisted by contract staff, and for the Exhibition Place grounds by in-house staff who were not solely dedicated to this function. With the completion of the term of the Network agreement and in the absence of an existing consultant agreement for the CNEA and Exhibition Place, there is now the opportunity to develop a coordinated approach to sponsorship with CNEA, Exhibition Place and NTC. However, it is necessary to recognize the divergent needs of the three program areas with an emphasis of the CNE on programming/event sponsorship dollars, the NTC on advertising dollars and all three areas having an interest in receiving funding from and recognition by major corporate sponsors (ie typically in the area of soft drinks, beer, cars, banks, telephones). As stated in the October report, it is the latter area which is very key and which requires a concentrated joint sponsorship strategy across the grounds.

Understanding the differing requirements of the program areas, the RFP was drafted listing a wide-range of responsibilities to be fulfilled by the sponsorship consultant which can be summarized as follows: generate new business opportunities through qualifying and selling new partnerships; provide services to existing and future partners; and coordinate all aspects of a partnership through liaison with internal and external groups. The specific Sponsorship Services to be undertaken by the consultant shall include:

- Achieve the 2000 operating budget targets as established by the CNEA prior to the 2000 CNE and achieve overall budget targets for Exhibition Place, NTC and CNEA by year-end;
- Create and execute a comprehensive sales program that will include goals for advertising and sponsorship opportunities within the NTC and throughout Exhibition Place, a target list of companies approachable for program sponsorship at the CNE and ideas to encourage new corporate involvement through unique partnerships;
- Leverage supplier agreements by awarding exclusive and non-exclusive multi-year contracts with advertising and promotional aspects including point-of-sale materials;
- Research and compile the dollar value of corporate sponsorship benefits or advertising opportunities within the NTC or throughout Exhibition Place;
- Work with existing CNE, Exhibition Place and NTC staff as well as prepare and present reports to committees of the Board and the CNEA, and,
- Address naming rights as part of the long-term strategic sponsorship plan subject to further consideration of this matter by the Board at that time as a separate report and proposal.

Generally, the benefits to be achieved by entering an agreement with a Sponsorship Consultant are as follows:

- (a) The Board of Governors, including the NTC, and the CNEA will be represented by a professional company with experience in securing corporate sponsorship.
- (b) The Sponsorship Consultant will provide an infrastructure of staff to assist with selling, proposal development and other materials needed to create presentations.

- (c) The Sponsorship Consultant will build a sales plan that will include all facets of Exhibition Place, NTC, and CNE thus creating a more marketable and profitable property.

A. Results of Requests for Proposals

Four proponents submitted proposals to the City of Toronto's RFP:

- PSR Communications
- Vectra Marketing Group
- H. Fraser & Associates
- Trillium Wilkinson Group

An evaluation team was formed consisting of staff from the NTC, CNEA and Exhibition Place Programs and the proposals were evaluated on the basis of six criteria: experience; specialized skills and training; service quality; marketing; personnel; remuneration. Each of the three programs evaluated the proposals with weighting of these criteria that took into consideration the particular needs of each program. It was unanimously agreed that Trillium offered the overall best level of sponsorship consulting services to Exhibition Place, NTC and the CNEA for the following reasons:

- Is fully experienced in providing complete sponsorship services;
- Has a strong understanding of industry trends in sponsorship marketing;
- Has demonstrated a history of supplying superior service in marketing properties and building programs that upsell existing partnerships and increase revenues;
- Provides Exhibition Place, NTC and CNEA with the ability to integrate and leverage the program with the City of Toronto's Corporate Sponsorship Program;
- Offers to grow the sponsorship inventory through e-commerce; and
- Offers the CNEA the best opportunity to expand its sponsorship partner base.

Trillium is a partnership between Trillium Marketing Management Inc. and The Wilkinson Group which together bring to the table over 51 years of sponsorship experience and a full staff of 16 professionals and support personnel. One of the most recent projects undertaken by Trillium is a Feasibility Study of a Corporate Sponsorship Program for the City of Toronto. Other contracts include the City of Toronto Parks and Recreation, City of Toronto Fire Department, Orca Bay, Special Olympics International and 1999 Summer Games, Toronto Raptors, City of Sacramento and Pacific Bell Park.

One of the major components of Trillium's proposal was its emphasis on the development of a strategy for sponsor recruitments recognizing that the "branding" of the grounds as a whole, including recognition of the CNE, is absolutely necessary for long term success in terms of development, sales objectives and attracting new business and sponsorship revenues. As provided in this report, staff are recommending the formation of a Sponsorship Advisory Team with members of the Board of Governors and the CNEA Board of Directors to assist staff in working with Trillium on the development of a long-term marketing strategy.

The agreement would be for Trillium to provide sponsorship consulting services as defined in the RFP and outlined above. The other substantial terms of the agreement are as set out in Appendix "E" of the RFP and the following terms:

- (a) Term: Three year agreement commencing immediately following agreement on all the terms and conditions, with a right for the Board and the CNEA to review at the end of the first year and to terminate the agreement at the sole option of the CNEA and/or the Board of Governors if budgetary targets are not met to the satisfaction of the CNEA and the Board of Governors.
- (b) Duties: Trillium will provide the Sponsorship Services as described on page 6 in the RFP and on page 2 of this report provided that the Board of Governors and the CNEA have the right to decide for whatever reason not to enter into any particular arrangement and/or sponsorship agreement.
- (c) Personnel: Trillium will at all times during the Term of the agreement provide a team of experienced account support for research, database development, sales, recruitment and management staff. Specifically, Trillium will provide one account manager and one senior manager, satisfactory to the Board and the CNEA, to work on-site as required by the Board of Governors and/or the CNEA, especially during the peak seasons.
- (d) Remuneration: The Board of Governors, the NTC and the CNEA will pay Trillium the following remuneration for the Sponsorship Services:
 - (i) Initial Fee not to exceed \$30,000.00 for the development of a business and sponsorship plan/package for Exhibition Place, the NTC and the CNEA payable in equal monthly installments of \$10,000 following receipt of hourly invoices of work performed by Trillium;
 - (ii) Management Fee in year one of \$5,000.00 payable each month in consideration of the provision of dedicated sponsorship sales and account management staff subject to negotiation in years 2 and 3;
 - (iii) Performance Fee of 15% on Sponsorship Revenues which Performance Fee will reduce to 12.5% in year 2 and to 10% in year 3 if this agreement is extended by the Board of Governors and/or the CNEA. Sponsorship Revenues will be defined as gross revenues received by the Board of Governors, the NTC, and the CNEA for sponsorships negotiated by Trillium including the cash value of in-kind goods and services received. Sponsorship Revenues will specifically exclude any revenues received by the Board of Governors, the NTC, and the CNEA which are related to the renewals and/or continuation of sponsorships agreements between the Board of Governors, the NTC and/or the CNEA and a third party sponsor which agreements were in force immediately before the commencement of the Trillium Term. The Performance Fee shall be paid to Trillium on receipt by the Board of Governors, the NTC and the CNEA of the Sponsorship Revenues from third party clients.

(iv) Reimbursement Fee for out-of-pocket expenses (primarily couriers, postage, long distance calls, printing, mileage and parking) which expenses will average less than \$1,000 per month.

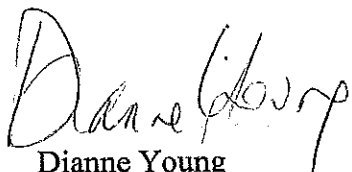
There are sufficient funds within the 2000 Operating Budget for the three program areas to meet the financial obligations of this agreement. With respect to the sharing of expenses, the intent would be for (a) all three program areas to fund equal shares of the Initial Fee; and (b) fund the Percentage Fee on the basis of the Sponsorship Revenues earned by each program area and likewise fund the Management and Reimbursement Fees on the same share basis as the Percentage Fee.

Conclusions:

This report recommends entering into an agreement with Trillium for the provision of sponsorship consulting services to the Board, including the NTC, and the CNEA. It is the opinion of staff that the Trillium proposal is the most advantageous. It will provide the Board, the NTC and the CNEA with an experienced sales group who will seek to enhance the value of the Board's and the CNEA's properties/programs in order to generate sponsorship revenues for each.

Mr. Ernest Vincent, General Manager, NTC has been consulted throughout this process and has reviewed and agreed with the content of this report.

Submitted by:



Dianne Young
Interim General Manager



David Bednar
General Manager, CNE

