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COMMITTEE MEMORANDUM

TO: Finance and Citywide Projects Committee Members

FROM: Jimmy L. Morales, City Manager

DATE: May 13, 2013

SUBJECT: **Update on Municipal Marketing Partnership for Sunscreen Licensing**



The Finance and Citywide Project Committee (FCWPC) previously discussed a proposed Sunscreen Licensing agreement with Energizer. During discussions, the FCWPC expressed concerns pertaining to the possible impacts on the Boucher Brothers, quality control and requested revenue projections and pro forma for the development of the proposed new sunscreen brand. While The Superlative Group (TSG) was working with Energizer to respond to the items requested by the FCWPC, Energizer requested the City consider a sponsorship agreement before entering into a licensing agreement.

Recently, the City was directly approached by Rayito De Sol regarding their interest in an exclusive licensing partnership and development of Miami Beach Sunscreen. The Administration has had several discussions with BLIII Holding who acquired the North America rights to *Rayito de Sol* and *Tortulan* brands.

The following provides a description of each proposal.

Energizer Sponsorship Agreement ("Official Miami Beach Sunscreen")

Attached is a detailed Term Sheet for your review and consideration and the following is a summary of the terms:

Proposed Terms:

Terms have been proposed by TSG as a result of their negotiations with Energizer (Banana Boat / Hawaiian Tropic) and a summary of these terms delineate the responsibilities of each party during the term of the Agreement.

Estimated total value:

The estimated total value of the proposed Exclusive Sunscreen Partnership with Energizer over the term of the agreement is, at a minimum, \$ 1,500,000, inclusive of an annual sponsorship fee (\$150,000), marketing program to promote product and the City of Miami Beach brand, and potential contribution of apparel to Ocean Rescue. There have been no other offers from competing brands to the City at this time.

The following chart provides a breakdown of the value of the proposed partnership between the City of Miami Beach and Energizer (cash and non-cash):

	1st Year		Over 10-Year Term
Annual Guaranteed Minimum	\$ 150,000		\$ 1,500,000
TSG Annual Commission (12%) plus Cost Avoidance Commission (10%)	\$ (26,050)	Commission	\$ (260,500)
Subtotal - Annual Revenue to City	\$ 123,950		\$ 1,239,500
4 Golf Rounds Annually	\$ (1,600)	Value of golf rounds	\$ (16,000)
5 Special Event Permits Annually	\$ (2,500)	Capped at a total value of \$,2500	\$ (25,000)
Advertising (5th & Alton Signs) Annually	\$ (4,200)	Value of ads sold by CMB	\$ (42,000)
Net Minimum Annual Revenue to CMB	\$ 115,650		\$ 1,156,500

Potential Additional Benefits to CMB

Boucher Bros. Annual Towel Replacement	\$ 8,000	Boucher is required to purchase new towels annually	\$ 80,000
Pool/Tennis Umbrella Replacement	\$ 30,000	Umbrellas are not replaces annually	\$ 60,000
Staff Towel Annual Replacement	\$ 2,500	10% Commission to be paid to TSG on budgeted cost avoidance measures, potential for add'l \$4,250 in Commission. (Paddleboards would not be replaces annually.)	\$ 25,000
Paddleboard Replacement	\$ 20,000		\$ 40,000
Ocean Rescue Annual Uniform Replacement	\$ 20,000		\$ 200,000
	\$ 80,500		\$ 405,000

Potential Additional Annual Benefits to Energizer

Logo Placement Ocean Rescue Vehicles	\$ 520,000	Value of impressions	\$ 5,200,000
Annual Sampling Permits Value	\$ 40,000	Energizer does not currently sample product in CMB, no loss of revenue.	\$ 400,000

Pursuant to the terms of the City's Agreement with TSG, TSG is entitled to 15% commission on gross revenue between \$0 - \$250,000, and 12% commission on gross revenue generated between \$250,001 - \$500,000 for the City by TSG. The potential revenue generated from this proposed agreement combined with the gross revenue from the Coca-Cola agreement, entitles TSG to 12% commission. TSG is also entitled to 10% commission on budgeted cost avoidance measures as further defined in the agreement, which could be up to an additional \$8,050 for TSG annually.

Rayito De Sol Sunscreen Product Development and Proposed Licensing Partnership

Rayito De Sol was established over 70 years ago in Argentina as a family run business. Today Rayito De Sol is the #1 suncare brand in Argentina and is the #1 selling bronzing sunscreen in Brasil. It has been available in over 10 other countries including Mexico, Venezuela, Ecuador and Paraguay and recently expanded to offer its sunscreen, bronzer, and instant color collections in the United States. Rayito De Sol products are currently available at ULTA, Kerr Drug, Del Haize, H-E-B and Airport Newslink as well as their online store.

BLIII Holdings is locally owned and locally operated by the Leon family, a fourth generation Cuban American entrepreneurial family with experience in diverse industries. BLIII entered into the sun care and skin care industries in 2011 by acquiring the North America rights to *Rayito de Sol* and *Tortulan* brands, top-selling Latin American brands with over seventy years of history and heritage.

BLIII proposes the creation of an entirely new Brand and line of suncare products that leverage key elements of Miami Beach. BLIII, in partnership with the City of Miami Beach, would utilize its network of domestic and international development and sales experts to bring the Miami Beach Brand to the global consumer with unique, high quality products that represent Miami Beach. Products would be manufactured in Florida at state of the art facilities.

Rayito De Sol has begun doing research on product development including pricing, packaging, consumer focus groups, logo development, quality control, and distribution. During their research they have also been able to put together sales forecasts, estimated costs, and their plans for successful market penetration.

Based on an initial USA market launch and reaching an achievable market share within three to five years, BLIII proposes a partnership agreement whereby net profits would be shared between the City of Miami Beach and BLIII Holdings. BLIII estimates this distribution could be valued in excess of \$1 million USD annually by years three to five of the venture. BLIII is also open to negotiating a guaranteed minimum payment for a period of the agreement. BLIII is currently prepared to commit to a ten year contract, with renewal options.

BLIII believes that together with the City, they can position the Miami Beach Brand as a leader in destination branding and products and help connect consumers all over the world to the City of Miami Beach. After overwhelmingly positive feedback from their consumer focus groups and research reports, Rayito De Sol has stated that they are very interested in moving forward with a contract for an exclusive sunscreen licensing agreement with the City.

CONCLUSION:

Both Energizer and Rayito De Sol are excellent, well-established companies that would be excellent partners for the City. However, the licensing proposal from BLIII Holdings offers the City the potential to achieve higher net proceeds than the Energizer proposal. Additionally, BLIII Holdings is interested in developing a Miami Beach branded suncare line with broad distribution. This, in itself, has a tremendous value toward building the City's brand and increase awareness of the destination.

The Administration is seeking direction from the FCWPC before proceeding with further negotiations. Once the FCWPC gives direction, the City will proceed to finalize negotiations with the preferred company and will work with the Boucher Brothers to address their needs.


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