

BOARD OF REGENTS
EASTERN MICHIGAN UNIVERSITY

SECTION: 17
DATE:
September 16, 2008

RECOMMENDATION

CONTRACT GRANTING UNIVERSITY BEVERAGE RIGHTS

ACTION REQUESTED

It is recommended that the Board of Regents authorize the President to enter into a contract granting Pepsi Cola University-Wide beverage rights. The contract period is ten years, commencing September 16, 2008 through September 2018.

STAFF SUMMARY

An RFP was issued July 15, 2008 with responses from Coca-Cola and Pepsi Cola received on August 1, 2008. The overall terms and conditions of the proposal were evaluated and a financial analysis was conducted comparing the two proposals over the ten year period. While both companies could fully meet the University's requirements, Pepsi Cola's proposal is the most financially advantageous to the University and is therefore recommended for Board approval.

With this contract, the University is granting Pepsi Cola exclusive rights to provide beverages for sale and distribution at all University facilities. Additionally, Pepsi Cola shall have the right to install full service vending machines, retail equipment, and fountain equipment and be the only beverage products sold, dispensed or served. The University retains the right to provide 20% of convenience store cooler space for competing products. In addition, catering operations are exempt from exclusivity. Pepsi Cola products provided in syrup, bottles and cans will be purchased by Food Service from Pepsi Cola. The University will grant Pepsi Cola the right to advertise and promote products including the right to promote Pepsi as an official Athletic Team and University sponsor.

The overall benefit to the University of entering into a contract with Pepsi Cola is approximately \$5.2 million for the ten years including sponsorship payments, football ticket purchases, vending machine proceeds, product cost savings, and promotional items.

FISCAL IMPLICATIONS

Over the ten year period, revenues to the University's General Fund will be \$2.3 million in combined sponsorships (\$1.55 million) and football ticket purchases (\$750,000). The University's Auxiliary Activities Fund will receive 50% of the vending machine proceeds (EMU share projected at \$1.25 million over the period). An additional \$1.53 million will be realized in dining services product cost savings by utilizing Pepsi Cola pricing compared to their competitor (see attachment).

ADMINISTRATIVE RECOMMENDATION

The proposed Board action has been reviewed and is recommended for Board approval.

University Executive Officer

Date

**Eastern Michigan University
Pouring Rights Response Highlights
August 27, 2008**

<u>Cash Received</u>	<u>Pepsi Cola</u>
Sponsorship / Football Ticket Purchases	\$ 2,300,000
Scholarships	0
Student Life Fund	0
Vending Commissions*	<u>\$ 1,250,000</u> (50%)
Total Cash Received	\$ 3,550,000
<u>Product Cost Savings</u>	
FY08 Purchases utilizing Coke and Pepsi proposed Year 1 Pricing	\$ 218,935
Annual Price Increases Cans/Bottles	4%
Syrup	4%
10 Year Savings	\$ 1,530,925
Hard Dollar Benefit	\$ 5,080,925
<u>Soft Dollars</u>	
Free Product	\$ 48,000
Sidelines Kits	\$ 18,000
Marketing Promotions	\$ <u>20,000</u>
Total	\$ 86,000
<u>Summary</u>	
Hard Dollars	\$ 3,550,000
Product Cost Savings	\$ 1,530,925
Soft Dollars	\$ <u>86,000</u>
Overall Total	\$5,166,925

* Currently receive 24% commission