

# Trash to Fashion - the next steps

## Options and recommendations for 2007

### Background

- On March 14 Dazzle Events (The Acumen Group) presented a top line analysis of a turnaround strategy for Trash to Fashion® to the WCC Culture, Arts and Events Committee
- There was broad based support for the ideas presented in the strategy but the Committee was unable to agree on whether the show should proceed in 2007
- The lack of consensus was based on the very tight timeframe within which the new strategy would need to be implemented, and the consequent risk of failing to deliver the required results
- The decision on whether to proceed with the show in 2007 was referred to the City Development Committee meeting (April 5)
- Dazzle Events was asked to provide a report that would help Council to decide whether to hold the show in 2007 or postpone it until 2008

### Proposition

- The following report is based on the proposition that the Trash to Fashion® show and community education programme is a unique and valuable initiative whose "time has come"
- The show and programme have a strong (iconic) fit with Waitakere City's brand and events strategy. It would take many years and significant investment to "grow" or "procure" an event that could deliver the potential economic, social, environmental, cultural and community benefits of Trash to Fashion®
- That said, the challenge is to capitalise on the substantial financial investment and community commitment that has been made over the years and to transition the event and programme onto a commercially viable and sustainable footing
- WOW - now over twenty years in production - faced similar challenges
- Is Waitakere up for it?

## The Turnaround Strategy

- The Trash to Fashion® community education programme and show has incurred small – but not insignificant - losses in each of the past three years
- Prior to that the show and programme were self funding although there were still minimal losses in most years.
- In 2004 the show moved to the Trusts Stadium and this has had a significant impact on production costs
- In March we asked whether this move was a step too far or whether it meant that the show and programme were now poised for growth
- In our opinion, the show and programme are poised for growth ... however, to put the education programme and show on a commercially viable footing, some fundamental changes need to be introduced ...
- While a much more detailed business analysis is required before moving to implement the turnaround strategy, there are some basic steps that can be taken to improve the financial performance of the show/programme
- Our recommendations include
  - a review of operating structure, show and programme objectives and branding and brand positioning
  - a complete overhaul of sponsorship properties and procurement to increase sponsorship revenue
  - a substantial increase in the marketing/promotional budget to drive ticket sales and promote the Waitakere brand

## Approach

- Based on a commitment to develop and implement the turnaround strategy for Trash to Fashion® we have identified six possible “go forward” options for 2007/08
- We have undertaken a risk assessment of each option and evaluated the options in the context of Waitakere City’s Event Strategy (which has direct links to the City’s economic development strategy)

## Considerations

- As part of assessing the “go forward” options we have also assessed the bigger picture costs and benefits of shifting the timing of Trash to Fashion in 2007 ...

## Benefits of a Gap Year

- By introducing a gap year in 2007 - skipping the Trash to Fashion® Show (and schools programme?) the Trash to Fashion® Team would have a good amount of time within which to
  - refine the turnaround strategy (including developing a detailed marketing plan)
  - establish a new operating structure
  - source and negotiate sponsorship agreements
- In simple terms this buys us time and reduces the risk of a further loss in 2007

## Costs of a Gap Year

- There are both tangible and intangible costs associated with introducing a gap year
- The programme and event are integrated with the school curriculum – it is difficult to secure this kind of commitment and would a gap year put this at risk?
- Securing the level of sponsorship that is needed to support the event/programme will be made even more challenging (a) if there is nothing to show potential sponsors this year and (b) if there is a suggestion that the show is in trouble
- Other risks include diminished community support, alternatives to Trash to Fashion® emerge making it difficult to win our position back, the Council's reputation is dented, potential entrants – domestic and international - are put off, the production team lose commitment (show costs are kept tight because of the production team's commitment), existing supporters re-evaluate their support etc

## The funding gap?

- The success of Trash to Fashion® cannot just be measured in dollar terms but there is broad based agreement that the programme cannot continue to run at a loss
- In round terms, Trash to Fashion® (although not fully costed) involves expenditure of just under \$300,000 to produce
- Based on our preliminary analysis the programme/event needs about \$150,000 in additional funding to support an effective sales and marketing programme and introduce a new operating structure

- Trash to Fashion® currently achieves income of:
  - WCC \$105,000
  - Trust Funding \$65,000
  - Sponsorship \$39,000 + in kind
  - Ticket sales etc \$38,000 (incl. programme)
  - TOTAL \$247,200
  - The gap to fund a restructured event for 2007 is 200,000+
  
- Funding the \$200,000 gap is far from impossible but it will require commitment to a three year plan
- Over the next three years, ticket sales (while maintaining community pricing options) could be increased by \$70,000+ to \$100,000
- Sponsorship could be increased from \$39,000 to \$175,000
- However, it would be misleading and irresponsible of us to suggest that we can achieve a \$200,000 turnaround in 2007 (particularly if the Trusts stand by their decision to withdraw their \$65,000 this year)

### Its all about timing

- What we can say is that we are confident that if we adopt a new operating structure, put a proper marketing budget in place and appoint a partner to manage the marketing we can double ticket/programme sales in 2007 from \$38,000 to \$75,000
- We are also confident that we could double sponsorship income from \$39,000 to \$80,000 in 2007
- This leaves a shortfall in 2007 of \$125,000 that would need to be met to achieve breakeven (\$190,000 if the Trusts withdraw their \$65,000)
- In the second and third years of the plan ticket/programme sales could total \$100,000 per annum
- And, by years two and three of the plan sponsorship income should be at \$175,000
- This would mean that the Trash to Fashion® programme and show is self funding
- Going forward income from ticket sales could increase even further – our sales projections are based on selling 60% of the 4,400 seats currently available with the compacted seating layout (over two shows) but there is capacity to make 7,000 seats available (over two shows)

## Go forward options

- The six main options are –
  1. **Fast turnaround** - adopt turnaround strategy and try to achieve \$200k in sales and sponsorship in next 6-8 months
  2. **Bridge the gap** – adopt turnaround model with show and programme in 2007 based on an \$80k improvement in commercial performance and one off council funding increase
  3. **Buy time** – run school programme in 07 and show in early 08
  4. **Step back** - run school programme but no show in 07, full programme and show in 08
  5. **Gap year** - skip a full year (show and programme)
  6. **Let it go** ...walk away (sell concept)

## Assessing the options

### Options 1 and 6

- We have not given detailed consideration to options 1 or 6
- Option 1 (Fast Turnaround) and achieving a \$200k turnaround in 2007 – is too high risk
- Option 6 (Let it Go) would mean the permanent loss of a strategic asset. While it might be possible to sell the concept and associated IP to someone, this is unlikely to yield a high return and finding a replacement programme and show (if Waitakere are committed to developing an events portfolio) will be costly

### Option 2: Bridge the Gap

- This option involves rolling the programme out now and running the show in November based on three major changes
  - refine and adopt three year turnaround strategy
  - adopt business plan for 07 that requires a lift in commercial performance (based on outsourcing sponsorship and sales and marketing activity) of \$80,000
  - Council agrees to a one off funding increase of \$125,000 or \$190,000 (without Trust Naming Rights funding of \$65,000) to “bridge the gap”

- In brief, the overall budget for 2007 would include:  
 Expenditure  
 Production costs: \$300,000 (increase \$40,000 approx)  
 Marketing costs: \$100,000 (increase \$70,000 approx)  
 Management Fees: \$50,000

Total: \$450,000

Income:

- WCC allocation: \$105,000
- Sponsorship: \$80,000
- Ticket Sales: \$75,000

Total: \$260,000

## Pros and Cons: Bridging the Gap

- This option starts the ball rolling in terms of the change strategy and maintains the momentum and the relationships that have been built up over the past 11 years
- It will require an increase in Council funding to support the marketing of the show so that there is a substantial increase in ticket sales
- It ensures that we maintain peoples' confidence in the event, it prevents competitors from jumping into the space
- It enables us to put an effective sponsorship procurement programme in place based on experiencing the show
- The main negative is that there is still an element of risk in achieving the short term sales and sponsorship objectives – but based on our assessment the risk of non-achievement is low

## Option 3: Buy Time

- This is based on running the schools programme in 07 and rescheduling the show in early 08
- This option assumes that the new strategy is adopted and it gives us a bit more time to get the sponsorship and marketing initiatives in place that are required to turn the viability of Trash to Fashion® around

## Pros and Cons: Buy Time

- While more time will help with procuring sponsorship this option has the disadvantage of not enabling potential sponsors to experience the show as part of negotiating the deal
- This option “de-couples” the show from the school curriculum and as a result undermines one of the key points of difference that Trash to Fashion® owns
- The new timing would need to be a permanent change (we couldn’t run two shows in one year to catch up)

## Option 4: Step back

- This option is based on running only the school programme in 2007 with a mini school show (eg shopping mall) in November
- We would return to the integrated education programme with full scale Trash to Fashion® show in 2008

## Pros and Cons: Step back

- This option has the upside of maintaining the links with the school curriculum
- The community engagement programme could be enhanced
- All of the groundwork for improved marketing and sponsorship in 2008 could be progressed
- The negatives are similar to “Buying Time” – while this option doesn’t require shifting the timing of the show it will diminish confidence in the viability of the show and the appeal of it to sponsors

## Option 5: Gap Year

- This option is based on skipping the school/community programme and Trash to Fashion® show in 2007 and ‘recommencing’ it in 2008

## Pros and Cons: Gap Year

- As outlined earlier in this presentation, while this allows time to undertake a significant overhaul of Trash to Fashion® while we put a new business strategy in place, it is a high risk option because
  - it will raise serious doubts about the viability of the event

- a gap year may well put the integration of the programme and show with the school curriculum at risk (and this is a key point of difference)
- Securing the level of sponsorship that is needed to support the event/programme will be made even more challenging (a) if there is nothing to show potential sponsors this year and (b) if there is a suggestion that the show is in trouble
- Community support will be diminished (and it will be harder to get audiences to return)
- Alternatives to Trash to Fashion® may emerge making it difficult to win our position back
- Potential entrants – domestic and international - are put off
- The production team lose commitment (show costs are kept tight because of the production team's commitment), existing supporters re-evaluate their support etc

## Where to from here?

- In our professional assessment, if Waitakere is committed to Trash to Fashion®, the best option to secure the future viability of the programme and show is Option 2 – Bridge the Gap
- A one off funding increase would provide certainty and confidence that the first steps can be taken to turning the viability of the event around

## A two way commitment

- A one off increase in Council funding (between \$125,000 to \$180,000 if the Trusts discontinue their sponsorship in 2007) is not a one way deal
- It needs to be matched with a fundamental change in the way in which Trash to Fashion® is managed and run and by a “bankable commitment” to achieving an increase in commercial income

## Is there a fall back option?

- Yes, in our view Option 4 – Step Back (school programme and minishow in 07, full programme in 08) is an option
- However, there are very real risks that by stepping back you will inadvertently set the programme and show back, making recovery slower and potentially more expensive



## **What does Waitakere Want?**

**WASTE NOT. WANT NOT.**

**Waitakere's Trash to Fashion® Show**

**An imaginative and inspiring sell out programme of events that are championed by children and celebrated by the community to deliver a sustainability message to the world in a way that only Waitakere can**