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Sacramento, CA 95811
calottery.com



June 3, 2010

Re: Request for Proposal #4945 - General Market Advertising Services

Executive Overview

This document is intended as an overview of the California Lottery's competitive solicitation process to procure its general market advertising services. Request for Proposal (RFP) #4945 is the official California Lottery (Lottery) solicitation document and will be issued separately from this overview. Please examine RFP 4945 thoroughly. Interested parties and agencies are solely responsible to ensure their proposal response is in compliance with the RFP requirements.

The RFP will be available to download exclusively on the Lottery website at www.calottery.com under "Vendor Opportunities", during the week of June 7, 2010. **The Lottery will not distribute paper copies of the RFP or maintain a bidders list.**

The Lottery is inviting responses from qualified agencies to provide general market advertising and integrated communications services for all Lottery products with the objective of maximizing net revenue from Lottery sales for the benefit of California public education. The Lottery will consider proposals from partnerships and joint ventures, including a creative advertising agency, media management firm, and/or PR firm. The initial term of the contract shall be for five (5) years with a 2-year extension option. The Lottery may unilaterally extend the term of the contract under the same terms and conditions, including pricing terms, for up to two years.

The Lottery's current creative ad agency partner is BBDO West/San Francisco (BBDO) and PHD/Los Angeles (PHD) handles media planning and buying. These agencies' contracts are expiring January 31, 2011. BBDO and PHD are expected to compete in this solicitation.

The Lottery also works with Casanova Pendrill (for its Hispanic Communications efforts), Time Advertising (for its Asian Communications efforts), Muse Communications (for its African American Communications efforts), and Alcone Marketing Group (for its point of sale and promotional marketing needs). These assignments are not part of the scope of services for this solicitation and are not in review at this time.

The Opportunity

The Lottery is looking to identify a truly strategic agency partner capable of helping it approach the consumer in a fresh new way and address critical business strategy questions, e.g., “Where should we take our brand and our messaging?”; “How do we increase the frequency of play?”; “How do we re-engage with lapsed players?”; “How can we segment our audience more effectively and broaden our player base?”; “How do we make sure consumers are talking about and engaging with the Lottery so it becomes a critical part of their conversations and social currency and that we maximize unpaid media?”; “How do we increase sales?”

The Challenge

The advertising landscape has changed dramatically, with perhaps the greatest change coming in the last two years as technology continues to change consumer media behavior and marketing realities. The Lottery is currently reviewing its business strategy to make certain it has the best products to maximize player engagement and gaming revenue growth into the future. Understanding player motivation and helping to better differentiate and position the Lottery’s games and its various brands to enhance consideration and increase sales will be a critical role for the Lottery’s agency partner moving forward. The Lottery’s agency partner must be able to combine rigorous and insightful account planning and strategic development with brilliant creative solutions that drive sales and stand out in a fragmented media world where consumers need to be re-engaged and re-motivated to play. We expect our agency to step up to the plate, function as a true partner, challenge the status quo and lead the way to meaningful strategy and communications solutions that drive brand and product demand, and sales.

In this tight budget environment, maximizing the Lottery’s media investment is critical for optimal Return on Investment (ROI). The Lottery is in the process of hiring a separate firm (not part of this solicitation) to provide the absolute best-in-breed tools, econometric modeling and analytics to help better inform holistic communications channel planning to optimize campaign results for the maximum ROI. The apparent successful agency of this solicitation may be required to interact and work with this new firm. Beyond this, the Lottery is hoping to increase the alignment of creative and media strategy and stay at the cutting edge of the latest cross channel integration ideas and opportunities. Finally, given its target audience and the role of the web and digital devices in their lives, the Lottery expects the internet and digital platforms to play an increasing level of importance in its marketing communications mix.

Summary of Wants, Needs and Expectations

The Lottery is entering a strategic inflection point in its lifecycle and needs a strategically-based, highly creative agency partner with best-in-breed capabilities in media planning and buying across all channels including, digital creative and media to handle its integrated advertising account to help it navigate future challenges and opportunities. The Lottery is seeking an agency team capable of developing breakthrough work and highly integrated cross-channel media communications solutions that will successfully elevate its brand, motivate more customers to engage with and buy its products to drive sales.

The Lottery seeks an agency that can develop a long range marketing plan to:

- Foster an environment where “leading the Lottery” and “thinking outside of the box” is part of the agency culture.
- Demonstrate unequivocal marketplace success at building and sustaining brands in positions of category leadership.
- Deliver breakthrough creative based on powerful consumer insights that drive sales. Specifically, demonstrate outstanding creative capabilities across all media and channels (traditional/non-traditional/digital).
- Demonstrate innovation in media and communications planning; be on the cutting edge of the latest technologies and tools including working with econometric modeling to inform and evaluate media plans and enhance ROI.
- Offer an integrated marketing mindset and seamless integration across a world class suite of services and relevant best-in-class resources – particularly in media planning and buying, and online creative and media.
- Offer best-in-class account leadership with strong involvement in the strategic process and the ability to lead integration across all projects to ensure consistency and excellence in the agency’s work product.
- Commit a team of experienced professionals to the account who are fully immersed in the business from top to bottom, like to take initiative and are constantly striving to improve what they do.

Preferred Experience: The ideal candidate will have a successful track record of:

- (1) Building and sustaining brands in positions of category leadership;
- (2) Developing and executing highly innovative brand and transaction-focused creative based on strategic account planning and insightful strategy development that drive sales;
- (3) Developing highly integrated consumer-centric communications programs across different media and channels with a significant digital/new technologies focus;
- (4) Proven track record of best-in-class digital and social media experience as an agency or among your key team members is a must; and
- (5) Prior experience with clients in gaming and entertainment industries is highly desired, as is prior experience with low-cost consumer products sold in convenience stores, liquor stores and supermarkets.

Media Capabilities: Media leadership is important to the Lottery. The ideal media partner will have a successful track record of:

- (1) Developing highly innovative and fully integrated, cross-channel communications plans, where creative strategy and media strategy are aligned from the beginning, and messaging leverages the inherent value of each specific medium to drive sales;
- (2) Best-in-class media research, tools and media analytics including econometric models to inform and evaluate media plan performance and optimize media ROI;

- (3) Best-in-class media buying across all relevant channels including local broadcast (TV and radio), newspaper, OOH, other print, and digital including online, social, mobile and search media;
- (4) Expertise and a track-record in handling syndication and branded content work; and
- (5) Delivering optimal rates and consistent added value to enhance value and overall ROI.

Digital: The Lottery expects its agency partner to be on the cutting edge of the latest digital technologies in digital marketing efforts. The web is an integral part of the Lottery's overall marketing mix and is expected to play an increasingly important role. The selected agency will be responsible for developing concepts and executing/tracking integrated digital campaigns. Please note: The Lottery's website is managed in-house and is not in the scope of this assignment.

Production: Production capabilities and production expertise are critical to the Lottery. As such, it is seeking best-in class digital and broadcast/television production capabilities and experience including off-line editing and talent, and business affairs expertise.

Promotions and Experiential Marketing: The Lottery is looking for an innovative agency that can bring fresh thinking and big ideas outside of traditional advertising and media channels to its marketing efforts. Specifically, the selected agency will be tapped with developing experiential and promotional programs that forge deeper engagement between the Lottery and its gamers (e.g., What can you share with the Lottery that gives us a sense of your track record and experience in this important non-traditional and promotional realm?)

Public Relations: At the discretion of the Lottery, its new agency partner may be asked to provide integrated Public Relations (PR) capabilities to their marketing communications efforts in the areas of new media, online, media relations, crisis communications, event management and cross-cultural outreach. They want an innovative partner that will help build and implement a fresh PR program, and deliver high levels of earned media and robust ROI. Expertise in social networking and social media are desirable in addition to strategic ideation, development and execution of consumer PR programs and story angles as it relates to the online channel.

Phase I

This Request for Proposal (RFP) is open to all agencies and joint ventures that, at the time Phase I Submittals are due, meet the following minimum qualifications:

Size of Agency: Mid-size to large with a minimum of 50 employees and \$12 million in annual revenue for the creative and strategic lead agency.

The Lottery is seeking an agency partner small enough to value its business and large enough to provide best-in-class capabilities. The Lottery does not want to be a small client for a large agency nor the largest client of a small agency. Leadership, expertise/talent and a commitment to their business day-in and day-out are the key drivers.

Digital Experience: A minimum of 15% of the agency’s work product in digital marketing efforts.

Agency Location: The Lottery team is located in Sacramento, California. The selected agency shall have an office in California at the time of the contract award and for the duration of the contract.

Business Requirements: Is a legal business entity and licensed to do business in California.

Submittals:

1. An introduction letter confirming your qualifications and interest in participating in this solicitation. This letter is important as it is the first of your submissions.
2. Agency Fact Sheet (Attachment 1) *(This document is included in the RFP on the Lottery website and may be reproduced electronically, however, please follow the same format and order.)*
3. Agency Questionnaire (Attachment 2) *(This document is included in the RFP on the Lottery website and may be reproduced electronically, however, please follow the same format and order.)*
4. Profile of your agency (DVD format) including some of your recent broadcast creative, not to exceed 8 minutes in length. Think of this as a story about your agency as illustrated by your work which is not limited to TV. However, please make sure sufficient TV samples run in their entirety. Context is the key to helping us better assess your relevant work and experience.
5. 2 case histories (DVD format) of your most recent and relevant campaign work. If you have good examples of work that builds brand and drives product sales at the same time, we would like to see it. Please include multiple creative elements from each campaign to demonstrate how you integrate brand across an integrated toolbox. As the online channel is so important to the Lottery please look for case histories that have online and social media components. Case histories can include print, outdoor, collateral, promotional material as well as any viral, non-traditional or social media elements. Please include a succinct description or lead-in (i.e., concept, creative insight, results) for each ad or campaign and a notation of the timeframe in which the work ran.
6. 2 media case histories (DVD format) one media case history should be selected to showcase your relevant media planning capabilities and one case history should demonstrate your buying and negotiating skills. How can you demonstrate you have both the strategic and creative planning skills the Lottery seeks coupled together with the best value proposition? Additionally, in selecting your case histories, please remember the Lottery expects media planning to align with creative strategy development and is looking for an agency that can bring traditional, new media and online solutions to its efforts. Beyond this, help the Lottery understand how research, data and analytics are used to optimize the effectiveness of your work.

7. Certification (Attachment 3 - *included in the RFP on the Lottery website*) shall be completed by the agency and submitted with their Phase I response.
8. Guaranty (Attachment 4 - *included in the RFP on the Lottery website*) shall be completed by the agency and submitted with their Phase I response.

Review Criteria:

Submission of the Introduction Letter, Agency Fact Sheet, Agency Questionnaire, Certification and Guaranty forms are mandatory and evaluated as pass/fail. The remaining submittals including the Introduction Letter and Agency Fact Sheet will be evaluated by the Lottery using the Rating Chart and the following criteria (listed in order of importance) included in the RFP to determine how well the following has been demonstrated by the agency:

1. Caliber of strategic thinking;
2. Creativity and innovation;
3. Quality of media capabilities (buying, planning, research, and analytics);
4. Innovative integrated communications planning that drive sales;
5. Best-in-class digital and social media;
6. Innovative promotions and experiential marketing; and
7. Relevant experience with gaming, entertainment and/or low cost consumer goods;
8. Quality of client list.

After the review and evaluation of the Phase I submittals, those agencies receiving a minimum overall rating of “Exceeds” will be advanced to Phase II as a Semi-Finalist. Agencies receiving a minimum of “Meets”, at the sole discretion of the Lottery, may be advanced to the Semi-Finalist phase.

The Agency Questionnaire will not be evaluated during Phase I. The Agency Questionnaire will be evaluated by the Lottery during Phase II using the same Rating Chart and evaluation criteria used to evaluate the Phase I submittals.

The Lottery will announce the Semi-Finalists, release a Semi-Finalist brief, Phase III submittal packet and schedule Semi-Finalists meetings.

Phase II - Semi-Finalist

The second phase of the review process will be a face-to-face meeting between the Lottery and those agencies that have been identified as Semi-Finalists and evaluation of the Agency Questionnaire. These meetings will be scheduled by the Lottery in accordance with the dates shown in the projected timetable of the RFP and will take place at the participating agency’s office.

The objective of this meeting is to give the Lottery a sense of your agency that goes beyond your work and credentials that were evaluated in Phase I. The Lottery wants to meet the people that run your agency and the team that would lead the Lottery Account. The Lottery wants to assess the depth of your resources, measure your strategic “smarts” and evaluate the intensity of your interest and commitment to our business.

The Lottery will announce the Finalists and release a Finalist Work Assignment, Request for Staff Plan and Compensation proposal, and schedules the Briefing Day, Work Sessions, and Finalists Presentations.

Phase III - Finalist

Finalist Work Assignment: In Phase III, Finalist agencies will be asked to complete and present a strategic, creative and integrated work assignment including media and online components.

At the beginning of the Finalist Phase, there will be a group briefing day for the agencies identified as Finalists. Following the group briefing Finalist agencies will have an opportunity for Q&A with Lottery staff. The group briefing, work sessions and the Finalists Presentations will be scheduled by the Lottery in accordance with the projected timetable contained in the RFP.

Finalist Request for Staff Plans and Compensation Proposals: As part of the Finalist Phase, each Finalist agency will receive a packet outlining the proposed Sample Description of Work (for bidding purposes only) for the Lottery account. The packet will also include an excel spreadsheet and instruction for organizing the proposed staff plan and corresponding cost information. The objective of this portion of the Finalist Phase is to evaluate your anticipated staff proposal and proposed compensation on both a stand-alone and comparative basis to facilitate an “agency-to-agency” evaluation. The Lottery prefers an all-inclusive labor based monthly fee arrangement where media and production costs would be billed at net.

Lottery Contact Information

The Lottery contact person shown below is the sole point of contact for all questions and notices pertaining to this RFP.

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