

To: California State Lottery Commission **Date:** June 25, 2008

From: Joan M. Borucki

Director

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Business Planning & Research Office

Subject: Item 9(e) – Service Agreement for Market Research

ISSUE

Should the California State Lottery Commission (Commission) award a two-year service agreement to Ipsos Reid for market research services to conduct tracking studies?

RECOMMENDATION

Staff recommends that the Commission approve the award of a two-year service agreement to Ipsos Reid to provide tracking study services starting July 1, 2008 through June 30, 2010, with the option to extend for up to five (5) additional one-year periods. The expenditure authority for this service agreement is not to exceed \$500,000 for the initial two-year period.

BACKGROUND

The Lottery Act requires the Director to "make an ongoing study" of "the reaction of citizens of the State to existing or proposed features in Lottery Games." (California Government Code Section 8880.40)

The Lottery Act further requires the Director to "engage an independent firm experienced in demographic analysis to conduct a special study which shall ascertain the demographic characteristics of the players of each Lottery Game, including but not limited to their income, age, sex, education and frequency of participation." (California Government Code Section 8880.44)

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Finally, the Lottery Act requires the Director to conduct studies on the effectiveness of Lottery Communications. (California Government Code Section 8880.45)

The California State Lottery (Lottery) satisfies these requirements by conducting an on going tracking study whereby an independent firm interviews a random sample of California adults each week. These surveys collect data on such topics as the level of playership in the state, the demographics of the players, awareness of the games amongst Californians and the public's attitudes towards the Lottery and its games. The current contract for these market research services with Synovate, Inc, expires on June 30, 2008.

DISCUSSION

This new procurement for Tracking Study Services was competitively bid. On April 11, 2008, a Request for Proposal (RFP) was posted on the Lottery's website and notice of the RFP was mailed to vendors in the Lottery's Contract and Procurement Services Section's (CPSS) database. Seven (7) potential Bidders submitted written Intents to Bid by the April 22, 2008, deadline.

Responses were due May 14, 2008. A total of six companies submitted responses. An evaluation committee comprised of three teams was assembled. One team performed an evaluation of the mandatory requirements, another performed an evaluation of each vendor's proposal and the third team performed the cost evaluation. Over the course of the evaluations, two of the companies were disqualified leaving four firms in the competition.

Through this process, bidders had the opportunity to put forward different data collection strategies for conducting the study along with a cost proposal for each survey method. The companies also were to provide a detailed analysis of the advantages and disadvantages of their recommended strategy. Other evaluation criteria included the qualifications of the key personnel that would be assigned to the project as well as the company's qualifications in terms of relevant experience.

Based on the responses, staff recommends awarding this service agreement to lpsos Reid based on the excellent research design and plan offered, the strong qualifications of personnel committed to the account, the company's superior experience in providing market research and tracking study services to the lottery and gaming industries, and a very competitive cost proposal.

Staff also recommends utilizing a new methodology for collecting the data in the Tracking Study. Ipsos Reid has proposed using a combination of internet and telephone data collection methods. They have experience with internet-based surveys, and also transitioned the Illinois Lottery's Tracking Study from a phone methodology to one utilizing the internet. This transition included running the project

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with parallel methodologies to show how the internet-based collection yielded comparable data.

Ratings of Proposals

(Evaluation Criteria listed in order of their importance)

Rated Submittal Evaluation Criteria	AMPG	Godbe	Hiner & Partners Method A	Hiner & Partners Method B	Ipsos Reid Method A	Ipsos Reid Method B
Proposed survey					Signif	Signif
strategies	Meets	Meets	Meets	Meets	Exceeds	Exceeds
Cost Proposal (Weighted Cost per Interview)	\$42.70	\$67.98	\$28.27	\$33.08	\$55.44	\$29.49
Key personnel	Meets with		Signif	Signif	Signif	Signif
qualifications	Exceptions	Meets	Exceeds	Exceeds	Exceeds	Exceeds
Corporate qualifications	Does Not Meet	Meets	Exceeds	Exceeds	Superior	Superior
Discussion of survey methods	Meets	Meets	Exceeds	Exceeds	Superior	Superior

As a result of this process, Ipsos Reid was identified as the Apparent Successful Vendor and this was announced on June 16, 2008. Staff recommends the Ipsos Reid Method B proposal which uses telephone to collect the Spanish language interviews and the internet to collect all other surveys. Their other method proposed all interviews being conducted over the telephone. There were no protests received after the announcement of the Apparent Successful Vendor.

The costs under this new service agreement will result in savings to the Lottery of about \$100,000 in the first year as the study transitions including running parallel tracks to test the new data collection technique. In subsequent years, the cost saving could potentially reach \$200,000.