



M E M O R A N D U M

Date: September 3, 2009

To: California State Lottery Commission

From: Joan M. Borucki
Director

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Business Planning & Research

Subject: Item 9(f) – Amendment to Add Funds to Ipsos-Reid Service Agreement for Market Research

ISSUE

Should the California State Lottery Commission (Commission) approve an amendment to the Ipsos-Reid Service Agreement #13614 to add funds in the amount of \$180,000 to provide dollars for the balance of the Ipsos-Reid Service Agreement?

RECOMMENDATION

California State Lottery (Lottery) staff recommends that the Commission approve the requested augmentation.

BACKGROUND

Lottery Act California Government Code Section 8880.40 states that the Lottery is to conduct an ongoing study of the “reactions of citizens of the State to existing or proposed features in Lottery Games.” Section 8880.44 of the Lottery Act requires the Lottery 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.” And, finally, Section 8880.45 of the Lottery Act requires that the Lottery perform a special study from time to time to analyze the effectiveness of communications such as advertising and promotion.

To satisfy these legal requirements, the Lottery has conducted a tracking study through a number of full service market research firms over the past twenty years. Currently, a service agreement with Ipsos-Reid is in place. After Commission Approval on June 25, 2008, it became effective August 1, 2008 and runs through July 31, 2010, with the option to extend for up to five (5) additional one-year periods. The current service agreement expenditure limit is \$500,000 and with the approval of this amendment, this amount would increase to \$680,000. However, no increase is being requested to the Business Planning and Research budget for fiscal year 2009-2010.

The tracking studies are used to address many issues such as measuring how many California adults play the various lottery games, who plays these games, the public's attitudes towards the Lottery and how awareness, attitudes and playership change over time and in response to specific marketing initiatives. These surveys are used as a business intelligence tool to measure the effectiveness of Lottery programs. For example, data from the tracking study was used in a Commission presentation to show the impact of the marketing efforts behind the new Make Me a Millionaire game and television show. In this example, the survey showed how awareness of the game and TV Show as well as Scratchers playership significantly grew as a result of the marketing launch program.

In prior years, approximately 3,500 surveys were completed over a twelve month period.

DISCUSSION

The Request for Proposal (RFP) for a Market Research Service Agreement was released in April 2008 and allowed bidders to submit proposals based on conducting the surveys over the telephone, the internet and/or a combination of the two methods. Staff concluded that other methodologies for data collection should be pursued due to increased usage of cellular phones and the internet. Ipsos-Reid was awarded the project based on their research design, experience and competitive cost. At the time, Lottery staff incorporated the costs of using internet surveys to calculate the maximum contract expenditure authority of \$500,000.

A parallel comparison of internet surveys to telephone surveys was conducted to determine if the internet data was truly reflective of the California adult population. From this test, there was strong evidence that the internet based sample was not totally representative of all California adults. The internet surveys proved to oversample Californians who are socially active and participate in a lot of activities such as gaming and internet usage. As such, the rates of lottery playership, visits to our website and horse racing attendance were dramatically overstated compared to other reliable sources such as actual visits to our website and data from the California Horse Racing Board.

As a result, the more expensive but more representative phone surveys must continue to be used while the Lottery continues to investigate alternative methodologies. This results in the need to have the expenditure authority for this service agreement raised by an amount of \$180,000 to cover the remaining service agreement term through July 2010.

Staff is generally satisfied with the performance of Ipsos-Reid as they provide quality data from the phone surveys in a timely manner each month. A monthly call disposition report is also supplied to show the quality of the completed surveys.