



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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Subject: Item 9(g) – Asian Advertising Services Contract

ISSUE

Should the California State Lottery Commission (Commission) approve a contract award to Time Advertising (Time) for Asian Advertising Services?

RECOMMENDATION

Staff recommends that the Commission approve the award of a three-year contract to Time Advertising for Asian Advertising services with a total expenditure authority of \$6 million.

BACKGROUND

A contract for Asian Advertising services with Time Advertising was awarded by the Commission on August 1, 2003, and expired on June 30 2007. The contract was extended to June 30, 2009. In anticipation of the expiring contract, a Request for Information was issued on September 19, 2008, to over 200 companies and all advertising agencies identified in the California State Lottery's (Lottery) Contracts and Procurement Master Vendor List.

On January 13, 2009, Request for Proposal (RFP) #3881 for Asian Advertising services was posted on the Lottery's website, and a letter of notification was mailed to 119 potential vendors. In addition, the final RFP was advertised in the Sacramento Bee, San Francisco Chronicle, L.A. Times, Sing Tao (L.A.), Sing Tao (S.F.), The Korea Times (L.A.), The Korea Times (S.F.), Disabled Veteran Voice, State Contracts Register, and the Lottery website.

Amendment 1 to the RFP was sent out on February 3, 2009, to: 1) change the dates for Identification of the Finalists, Finalist's Briefing and Finalists Presentations, and 2) amend language regarding joint ventures.

DISCUSSION

An Intent to Bid was received from ten (10) vendors. A total of eight (8) agencies submitted proposals.

Evaluation of the proposals involved a three-part multiple panel process: 1) Mandatory Submittals; 2) Rated Evaluation; and 3) Finalist Competition. All portions not identified as pass/fail were evaluated using ratings of Superior, Significantly Exceeds, Exceeds, Meets, Meets with Exception, and Does Not Meet. All eight agencies passed Part I – Mandatory Evaluation and were advanced to the Rated Evaluation.

The Rated Evaluation included the following criteria, listed in order of importance: Creative Samples, Account Personnel, and Agency Background/Experience/Capabilities combined. Time Advertising was rated overall “**Exceeds**” for the Rated Evaluation.

On March 12, 2009, three agencies were notified as Finalists for Part IV of the evaluation of proposals submitted in response to the RFP. The Finalists were given a case study with extensive handout material about the Lottery and its products and were given approximately one month to prepare an oral presentation and written narrative on the case study assignment. Each of the three Finalists was to provide recommendations to the Evaluation Panel on how advertising in the Asian market should support a new Scratchers® product category. Elements to be included in the oral Finalist's Presentation and written narrative were: strategic direction for advertising a crossover Scratchers ticket; advertising positioning; creative executions; the media plan; and an outline of the production budget. Time Advertising was rated “**Significantly Exceeds**” for its Finalist Presentation, demonstrating exceptional strengths that will provide significant benefits to the Lottery.

What set Time apart from the other advertising agencies was their out of the box thinking and approach to reaching the Asian consumer. They demonstrated a willingness and capability to creatively use new media and experiential marketing strategies and tactics to address the Asian community with an emphasis on reaching new and younger potential players. Their presentation showed that they had the knowledge and fortitude to eschew traditional media venues and recommend solutions that fit the situation and the budget.

For evaluation purposes only, the Finalists were given three individual years of estimated advertising budgets for both media and production. Using these estimated budgeted amounts, the Finalists' mark-up rates, and the monthly retainer fee submitted as part of their price proposals, a three-year total was calculated for the mark-up dollars and monthly retainer fee proposed by each Agency. Time submitted the lowest overall price.

The Evaluation Teams recommend that the Asian Advertising contract be awarded to Time Advertising, because its "**Significantly Exceeds**" rating in the Finalist Presentation and its lowest price proposal provide the best value to the Lottery.