



M E M O R A N D U M

Date: October 28, 2010

To: California State Lottery Commission

From: Joan M. Borucki
Director

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Subject: Item 9(a) – Amendment to Extend the Term of the Hispanic Market Advertising Contract

ISSUE

Should the California State Lottery Commission (Commission) approve an amendment to the Casanova Hispanic Market Advertising Contract to extend the contract term for seven months with an additional expenditure authority of \$6 million for a total contract expenditure authority of \$46 million?

RECOMMENDATION

Staff recommends that the Commission approve an amendment to the Casanova Hispanic Market Advertising Contract to extend the contract term for seven months with an additional expenditure authority of \$6 million for a total contract expenditure authority of \$46 million. This extension will ensure that the California State Lottery (Lottery) will continue to receive business-critical Hispanic market advertising services through December 31, 2011.

BACKGROUND

As the result of a formal solicitation in 2005, the Commission awarded Casanova a four-year contract with an expenditure authority of \$28 million to provide Hispanic market advertising services to include: assisting in performing marketing analysis, marketing strategy development and positioning of the Lottery and its products, developing Hispanic market media plans and purchasing Hispanic market television, radio, print, outdoor and new media

vehicles to assist in the marketing of Lottery products. Of the three advertising agencies that were advanced to the final competition during the solicitation process, Casanova was the only agency to receive an overall evaluation rating of "Significantly Exceeds" with competitive pricing and the lowest mark-up rates of the other two competitors. The initial term of this contract was June 1, 2005 through May 31, 2009 with extension options of up to two additional years.

On March 25, 2009 the Commission authorized a 2-year extension of the Casanova contract from May 31, 2009 through May 31, 2011 with an additional expenditure authority of \$12 million for a total expenditure authority of \$40 million. The Commission also approved an amendment to add a nine-month Emergency Extended Service option to the Terms and Conditions of this contract.

DISCUSSION

Spanish language advertising is an integral part of the Lottery's overall communication plan and Casanova plays a key role in the marketing efforts for all Lottery products. Services provided under this contract include creating and producing Spanish language advertising for consumers of Spanish language media and the Spanish translation services for all collateral point-of-sale items customized for the Lottery.

Casanova has continued to provide a consistent level of service above what is expected and continues to provide competitive pricing and low mark-up rates for Spanish language advertising services. This extension will give the Lottery the time it needs to apply the knowledge and key learning's from the recent general market advertising services procurement to the development and execution of a Request for Proposal for Hispanic advertising services that promotes competition and facilitates the identification of a truly strategic Hispanic market agency that is capable of helping it approach consumers in a fresh, new way and complements the Lottery's new three-year strategic business plan.

With the approval of the seven-month Emergency Extended Service option and the addition of \$6 million, the new expiration date of this contract will be December 31, 2011 and the total expenditure authority will be \$46 million.