



**M E M O R A N D U M**

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**Date:** April 14, 2010

**To:** California State Lottery Commission

**From:** Joan M. Borucki  
Director

**Prepared By:** Jim Hasegawa, Deputy Director  
Business Planning & Research

**Subject:** Item 9(f) – Amendment to Extend Term and Add Funding to Ipsos-Reid Service Agreement for Market Research Services

**ISSUE**

Should the California State Lottery Commission (Commission) approve an amendment to the Ipsos-Reid Service Agreement #13614 to extend the term by one-year and add funding in the amount of \$600,000 to cover the additional year?

**RECOMMENDATION**

California State Lottery (Lottery) staff recommends that the Commission approve the request to extend the term and add funding.

**BACKGROUND**

The market research conducted by Ipsos-Reid is part of the information that is collected and provided to Marketing for understanding consumer behavior and attitudes about lottery games as well as for assessing the impact of marketing initiatives. On the Lottery's behalf, Ipsos-Reid interviews a random sample of California adults about their awareness, perception and playership of lottery games and selected promotions. In addition, other data is collected such as demographic information to learn who plays the lottery. This data is collected on a monthly basis so that changes can be tracked and tied to marketing programs.

To meet the information needs of Marketing as well as requirements set in the Lottery Act for various analyses, the Lottery has conducted a Tracking Study through

a number of different full service market research firms over the past twenty years. Currently, a service agreement with Ipsos-Reid is in place. This was awarded through a competitive process resulting in six companies submitting proposals in response to the RFP and a total of four companies being evaluated after passing the mandatory requirements.

After approval by the Commission on June 25, 2008, the service agreement with Ipsos-Reid 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 has an approved expenditure limit of \$680,000.

## **DISCUSSION**

With the RENEW project, there will be many additional research needs not only with various new initiatives but also with new approaches for doing business. This will include the need for more detailed consumer response information to aid in making decisions and to determine how programs impact Lottery sales and play behavior.

Research staff has begun discussions with the various project teams to understand their research needs and to determine which issues could be incorporated into the Tracking Study.

In addition, the Lottery has begun the procurement process for a new contract for market research services to conduct the Communications Effectiveness Tracking Study. This new procurement will change the methodology of the study using the more cost-efficient data collection technique of the internet while having safeguards in place to ensure the sample is representative of all California adults.

There is a concern that the time required for determining the new research needs, for making the changes to the new internet-based methodology and for adjusting the Tracking Study to meet any additional research needs may require continuing with the existing methodology under the current agreement with Ipsos-Reid for a bit longer than originally anticipated. Based on this, staff recommends exercising just one of the five extension options available in the existing agreement. With this action, the new expiration date of the agreement will be July 31, 2011. Staff anticipates transitioning to the new Tracking Study much earlier than this date.

By extending the term for one additional year, the expenditure authority must also be increased to cover these additional costs. Based on the current workload and likely research needs for the Tracking Study, staff requests an increase of \$600,000 to the expenditure authority. This will raise the limit to \$1.28 million for the three year agreement.

The reasons that the incremental expenditure authority for the additional twelve months is nearly as much as the current limit for the first two years is based on recent additions requested by Marketing based on the recommendations of Camelot. This

will allow the impact of the current MEGA Millions advertising campaign to be measured and new insights into the lottery player for use in planning upcoming marketing efforts to be gained. These changes to the Tracking Study involve increasing the number of interviews conducted each month and asking additional questions making the cost of the surveys significantly higher since March, 2010. With the ads currently running in just part of the state, the Tracking Study needs to have an adequate number of interviews in both the areas having the ads and not being exposed to the campaign to conduct a comparative analysis and determine the impact of this marketing initiative.

It is anticipated that the information needs in the upcoming months will continue to require higher survey costs since advertising campaigns will be run in just certain areas of the state where the effort is most likely to generate the largest returns.

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.