

MEMORANDUM

Date: October 6, 2011

To: California State Lottery Commission

From: Linh Nguyen

Acting Director

Prepared By: Michael Brennan, Deputy Director

Sales & Marketing Division

Subject: Item 9(a) - Hispanic Market Advertising Services Contract

ISSUE

Should the California State Lottery Commission (Commission) approve a contract award with Casanova Pendrill for Hispanic market advertising services?

RECOMMENDATION

Staff recommends that the Commission approve a contract award with Casanova Pendrill (Casanova) to provide Hispanic market advertising services for five (5) years with the option to extend for an additional 2-year period. The total expenditure authority including the optional extension is \$75 million.

BACKGROUND

The California State Lottery's (Lottery) current Hispanic market advertising services contract expires on December 31, 2011. On January 25, 2011 the Lottery posted a document on its website that provided an executive overview of the competitive solicitation process it would undertake to procure Hispanic market advertising services. This overview was also mailed to 90 potential bidders from the Lottery's Contract and Procurement Services Section (CPSS) database and a list of agencies provided by the Sales & Marketing Division. Notification announcing the release of the Request for Proposal (RFP) was published in the Small Business Exchange, Challenge News, Bidsync, and online in Ad Week, Advertising Age, La Opinion, and the Lottery website.

On February 2, 2011, the Lottery released the RFP inviting responses from qualified agencies to provide Hispanic market advertising and integrated communication services for all Lottery products with the objective of maximizing net revenue from Lottery sales for the benefit of public education.

The Hispanic market advertising services RFP was developed with the understanding that the Lottery needs a strategically-based, highly creative Spanish language agency partner with best-in-breed capabilities in media planning and

California State Lottery Commission October 6, 2011 Page 2

buying across all channels, including digital creative and media, to help it navigate future challenges and opportunities. Accordingly, the Lottery was seeking an agency team capable of developing breakthrough work and highly integrated cross-channel media communications solutions that will successfully elevate its brand and motivate customers to engage with and buy its products to drive sales. The Lottery would consider proposals from partnerships and joint ventures, including creative advertising agencies, media management firms, and public relations firms.

DISCUSSION

Six agencies submitted proposals in response to the Hispanic market advertising services RFP #4214: (1) Acento, (2) Alma, (3) Casanova Pendrill, (4) Grupo Gallegos, (5) Identity, and (6) LatinWorks.

Phase I

Phase I was open to all agencies and joint ventures that met specified minimum qualifications associated with the minimum years of experience performing Spanish language advertising services, the size of the agency, digital experience, the agency's location and some basic business requirements (e.g. licensed to do business in California, etc.) Bidders were required to submit an Introduction Letter, Agency Fact Sheet, and Certification and Guaranty, as well as a profile of their agency including some recent broadcast creative, two case histories of their most recent and relevant campaign work, and two media case histories that showcased media planning capabilities and demonstrated buying and negotiating skills.

Submission of the Introduction Letter, Agency Fact Sheet, Agency Profile, two case histories, two media case histories, and Certification and Guaranty forms was mandatory and was evaluated as pass/fail. Five agencies passed the mandatory submittal review and advanced to the rated evaluation portion of Phase I. The remaining submittals including the Introduction Letter and Agency Fact Sheet were evaluated using the following criteria (listed in order of importance):

- Caliber of strategic thinking;
- Creativity and innovation;
- Quality of media capabilities (buying, planning, research, and analytics);
- Innovative integrated communications planning that drive sales;
- Agency positioning, vision, and philosophy;
- Best-in-class digital and social media;
- Innovative promotions and experiential marketing;
- Relevant experience with gaming, entertainment, and/or low cost consumer goods;
- Agency size, history, staff, and location; and
- Quality of client list.

California State Lottery Commission October 6, 2011 Page 3

Phase II – Semi-Finalist

Of the five agencies that participated in Phase I, the following four agencies advanced to Phase II, or the semi-finalist phase: (1) Acento (2) Alma (3) Casanova Pendrill and (4) Grupo Gallegos. The semi-finalist phase included face-to-face meetings between the Lottery evaluation team and the semi-finalists. The objective of these meetings was to provide each agency the opportunity to give the evaluation team a sense of their agency that went beyond the written work and description of credentials that were submitted and evaluated in Phase I. Additionally, the evaluation team wanted to personally meet with the staff that would be assigned to the Lottery account to assess the depth of resources, measure the strategic process, and evaluate the intensity of the agency's interest and commitment to our business.

Phase III – Finalist

Of the four agencies that participated in Phase II, the following three agencies advanced to Phase III, or the finalist phase: (1) Acento (2) Alma and (3) Casanova Pendrill. These three finalists were asked to prepare and present a strategic, creative, and integrated work assignment including media and online components. The Lottery was looking for each Finalist agency's recommendations and creative capabilities, as well as the analytical and strategic thinking used to derive their proposed direction. Finalists were also provided with Staff Plan and Compensation Proposal materials to enable them to demonstrate how they would staff the Lottery account and to present their compensation requirements, which would be evaluated on both a stand-alone and comparative basis.

Best Value Analysis

The Evaluation Team concluded that Casanova provides the Lottery with the best value in quantity and quality of staff allocated to the Lottery account. The quality of this Agency's strategic thinking and creativity are exemplified by its scores in the three phases of the RFP. Casanova continuously rated "Exceeds" and above for all of the phases. Casanova's rating for the phases are as follows: "Exceeds" for Phase I, "Significantly Exceeds" for Phase II, and "Significantly Exceeds" for Phase III Finalist Work Assignment. Casanova demonstrated a solid understanding of our business and has a clear vision and thought leadership that the Lottery needs.

As a result of the Best Value Analysis, staff recommends that the Commission approve a contract award with Casanova to provide Hispanic market advertising services for five (5) years with the option to extend for an additional 2-year period. The total expenditure authority including the optional extension is \$75 million.