To: California State Lottery Commission **Date:** November 1, 2006

From: Joan M. Borucki

Acting Director

Prepared By: Jim Hasegawa, Director

Marketing Division

Subject: Item 9(d) – Approval of Contract Extension for Consumer Marketing

Services

ISSUE

Should the California State Lottery Commission (Commission) approve an amendment to the Alcone Marketing Group (Alcone) contract #8394 to extend the term for one additional year for consumer marketing services?

RECOMMENDATION

The current term of this contract will expire on August 31, 2007. Staff recommends that the Commission approve the term extension of Alcone contract #8394 through August 31, 2008 to continue consumer marketing services. No additional funding is being requested for this contract.

BACKGROUND

Consumer marketing services include the development, design, and implementation of collateral point of purchase materials, such as brochures, pamphlets, posters, wobblers, danglers and register toppers for promoting California State Lottery (Lottery) products.

Prior to the current contract with Alcone, consumer marketing services and retail point of purchase services were obtained under one contract. In 2003, these services were divided into two separate contracts to try and generate more competition. Of the four agencies that competed for the consumer marketing

California State Lottery Commission November 1, 2006 Page 2

services contract, Alcone was the only bidder to be given an overall rating of "Exceeds" and Alcone's price proposal for consumer marketing services was over \$200,000 lower annually than the next lowest bidder.

DISCUSSION

On January 25, 2006, the Commission approved a one-year extension for the consumer marketing contract with no additional funding requested. The contract does have a one-year extension option still available of which staff recommends exercising at this time with no additional funding requested.

Alcone has consistently provided above average service and has been very responsive to the Lottery's needs. Alcone has worked on numerous projects during the course of the current contract providing creative and effective in-store communications. Some examples include the launch of MEGA Millions[®], and various Scratchers[®] games, such as "The Next Millionaire," "Star Wars," and "Holiday." Additionally, Alcone was instrumental in the development of the Jackpot Captains program which stimulates group play efforts through a special website and interactive promotions.

Upon approval of this extension, the new expiration date will be August 31, 2008 and the total expenditure authority of the Consumer Marketing contract (#8394) will remain at \$17 million.