

MEMORANDUM

Date: February 10, 2011

To: California State Lottery Commission

From: Linh Nguyen

Acting Director

Prepared By: Jim Hasegawa, Deputy Director

Business Planning & Research

Subject: Item 9(b) - Contract Award for Communications Effectiveness Tracking

Study

ISSUE

Should the California State Lottery Commission (Commission) approve an award of a contract to Burke Inc. to provide Communications Effectiveness Tracking Study services?

RECOMMENDATION

California State Lottery (Lottery) staff recommends that the Commission approve a contract award with Burke, Inc. to conduct the Communications Effectiveness Tracking Study for two (2) years with an option to extend for up to five (5) additional one-year periods. The total contract expenditure authority being requested is \$550,000 for the two-year period.

BACKGROUND

Lottery Act California Government Code Section 8880.40 states that the Lottery is to conduct an ongoing study of the "reactions of citizens of the State to existing or proposed features in Lottery Games." Lottery Act Section 8880.44 requires the Lottery to "engage an independent firm experienced in demographic analysis to conduct a special study which shall ascertain the demographic characteristics of the players of each Lottery Game." And, finally, Section 8880.45 of the Lottery Act requires that the Lottery perform a special study from time to time to analyze the effectiveness of communications such as advertising and promotion so that the Director can recommend the "future conduct and future rate and expenditures for such activities" to the Commission.

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The Lottery satisfies these legal requirements by conducting an ongoing tracking study. These surveys have been in place for more than twenty years. The study is currently performed through a service agreement with Ipsos Reid utilizing a data collection methodology of telephone interviews among representative samples of both English and Spanish language respondents. They have provided these services since August 1, 2008 and the current service agreement will expire on July 31, 2011.

The Communications Effectiveness Tracking Study is used to respond to the Lottery Act mandates and to monitor awareness, attitudes and playership of Lottery games as well as the public's image of the Lottery overall as a business and a state entity. Interviews are conducted every week among a new sample of respondents. This data is used to measure the effectiveness of Lottery programs and advertising. For example, they have been used to measure the effectiveness of MEGA Millions advertising including jackpot alerts and Scratchers® advertising campaigns. In a typical year, approximately 3,500 surveys are completed.

DISCUSSION

A Request for Proposal (RFP#2246) for these services was issued in December 2009 with ten responses being received by the due date of January 25, 2010. Before evaluations of the proposals took place, it was decided to postpone the process until the Lottery could determine whether or not initiatives from the RENEW Project would require changes to the scope of services in the RFP. As the 3-Year Business Plan was being formulated and the RENEW initiatives were undertaken, research staff worked with project managers and sponsors to understand their research needs. It was determined that the existing RFP and the scope for the Tracking Study would still meet the needs of the organization. During this time period, Bidders were asked if they would honor their proposals for a longer period than originally specified in the RFP. Nine of the ten bidders agreed to extend their proposals through March, 2011. The written proposal and the cost proposal were then evaluated by two separate teams.

Pursuant to the Lottery Act and the terms of the RFP, the Contract is to be awarded to the Bidder that offers the best value to the Lottery. In accordance with the Lottery's competitive bidding procedures, "best value" maximizes greater overall benefits and value to the Lottery.

Burke, Inc's proposal provides the Lottery with the best overall value. Burke's recommended approach to obtain a representative sample of California adults offers unique benefits to the Lottery at a very competitive cost. Their design uses a combination of internet and phone contact for survey completion for not only Spanish language interviews but also surveys conducted in English. This will allow for a better transition from the current telephone-only method of data collection, and they were the only vendor to propose this design for English-language surveys.

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Burke answered our concerns for obtaining a representative sample of all California adults and delivered a solution that will best maintain the integrity of the sample and give us quality responses to the survey questionnaire.

Burke Inc. was the only vendor to receive a rating of "Significantly Exceeds" for areas which are valued most by the Lottery, "Managing the Internet Sample" and "Survey Strategies". Burke Inc. also received a rating of "Significantly Exceeds" for corporate qualifications based on their extensive tracking study, data collection experience and experience transitioning from phone to internet. A rating of "Exceeds" was determined for their key personnel who will conduct research on behalf of the Lottery, based on their experience, education and the amount of time they will devote to our account.

Phone methodologies carry a higher price tag than the internet for the most part. Although Burke's design utilizes more telephone interviewing than proposals from other companies, their cost proposal is very competitive. Compared to the other vendor receiving a score of "Significantly Exceeds" in one of the two critical categories, Burke offered a substantially lower cost. And, compared to the two vendors who got a lower score of "Exceeds" in the two most important sections of the RFP, Burke had a cost proposal that was within 10% of the lower priced proposal and just under half the cost of the higher priced bidder.

While Burke is not the lowest cost, their proposal delivers substantially more through providing a sample of respondents with the highest quality. If the sample is not representative of all California adults, the results of the study would be of no value. And, the contract with Burke would result in a cost savings of over 40% compared to the amount spent currently for this study.

The contract term will be for two years with the option to extend for up to five (5) additional one year periods. Over this two year period, a total contract expenditure authority of \$550,000 is being recommended.

Based on the analysis explained above and to obtain the best value for the Lottery, the recommendation is to approve a Contract award to Burke Inc. as their proposal offered the best overall value to the California Lottery.