



M E M O R A N D U M

Date: January 28, 2021

To: California State Lottery Commission

From: Alva Johnson, Director 

Prepared By: Jim Hasegawa, Deputy Director, Business Planning and Research

Subject: Item 8(a) - Communications Effectiveness Tracking Study Services Contract Amendment

ISSUE

The contract between the California State Lottery (Lottery) and Alter Agents will expire on February 22, 2021. Under the contract's Terms and Conditions, the Lottery has an Emergency Extended Service option in order to continue to receive Communications Effectiveness Tracking Study (Tracking Study) services.

BACKGROUND

The Tracking Study fulfills requirements from sections 8880.40, 8880.44 and 8880.45 of the California State Lottery Act. Section 8880.40 states that the Lottery is to conduct an ongoing study of "the reaction of citizens of the State to existing or proposed features in Lottery Games." 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." Section 8880.45 requires that the Lottery perform a special study from time to time as determined by the Director to analyze the effectiveness of communications such as "advertising, promotion, public relations, [and] incentives" so that the Director can recommend the "future conduct and future rate of expenditures for such activities" to the California State Lottery Commission (Commission).

To help satisfy these requirements, the Lottery conducts an ongoing tracking study through an independent full-service market research firm. The Lottery has been conducting ongoing tracking surveys of California adults for more than 30 years. In a typical year, a base amount of at least 3600 surveys are completed.

The contract for the Tracking Study with Alter Agents was awarded in 2016 based on its research design and competitive cost and had an original expiration date of February 22, 2019. The contract includes the option to extend services for two one-year periods past the base contract term, as well as an emergency extension. In January 2019, the Commission approved the first extension for one year through February 22, 2020. In November 2019, the Commission approved the second contract extension for another year through February 22, 2021.

DISCUSSION

Over the contract term, Alter Agents has provided the Lottery with essential and accurate data and insights about the attitudes, behaviors, and demographics of California adults and Lottery players. A procurement effort for a new contract is currently in progress with RFP #50140 being released on December 9, 2020 and proposals due on January 25, 2021. If a scenario where a change in vendors occurs, a smooth transition resulting in consistent data is imperative. To do this, the Lottery will have both the current vendor and the new vendor collect data in parallel over a month or two and compare the findings.

The contract with Alter Agents contains a provision to extend service for up to one year precisely for this reason. However, based on the current schedule of the procurement, staff is requesting an extension of five months and two weeks meaning the term will run through August 6, 2021. This will be enough time for a potential new vendor to develop a questionnaire and complete at least two months of data collection in conjunction with the current vendor.

No additional funds are being requested for this contract extension.

According to Lottery regulations, if the extension of time does not exceed 25% of the original contract term or six months, whichever is shorter, then Commission approval is not required. However, in the spirit of full transparency and disclosure, staff is bringing this contract amendment for Commission approval.

RECOMMENDATION

Lottery staff recommends that the Commission approve an extension to the Alter Agents contract to conduct Tracking Study services from February 23, 2021 through August 6, 2021.