



M E M O R A N D U M

Date: March 25, 2021

To: California State Lottery Commission

From: Alva V. Johnson, Director 

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Subject: Item 8(d) - Extension and Addition of Funds to the Alcone Marketing Group Contract

ISSUE

The contract between the California State Lottery (Lottery) and Alcone Marketing Group (Alcone) will expire on August 31, 2021. Under the contract's Terms and Conditions, the Lottery has an Emergency Extended Service option in order to continue promotions and retail marketing activities.

BACKGROUND

In 2014, following a formal solicitation, the California State Lottery Commission (Commission) awarded a four-year contract with the option of three one-year extensions to Alcone Marketing Group and an initial contract expenditure authority of \$40,000,000 for retail and promotional marketing services. The Lottery exercised the three one-year extensions and increased expenditure authority to \$67,300,000 with the current contract expiring on August 31, 2021. The Lottery had begun the Request for Proposal (RFP) process; however, there have been interruptions in the proceedings due to vital staff members retiring and restructured improvements within the Procurement Support Services unit. As the yearly contract extension options have been exhausted, the Lottery is requesting an emergency nine-month contract extension to the Alcone contract to continue critical retail and promotional marketing services while a comprehensive RFP may be conducted.

DISCUSSION

This vendor works collaboratively with Lottery marketing staff and partner agencies to strategically plan and develop cohesive and effective marketing programs. Specifically,

this agency plays an integral part of the Lottery's overall marketing plan by developing retail and promotional programs that elevate the brand, create awareness and motivate consumers to make a Lottery purchase amidst competing retail product offerings. The retail and promotional marketing vendor is responsible for the development and design of the Lottery's point-of-sale (POS) materials and displays distributed to over 23,000 retail locations, retailer communications, website content services, and promotional programs reaching consumers throughout the state.

Alcone Marketing Group has proven to be an effective agency partner that consistently develops impactful POS materials and promotional programs that attract consumer attention and drive sales.

The Lottery plans to issue in the solicitation in spring of 2021; however, due to the complexity of the procurement and the critical services provided by the successful bidder the RFP process will take time to complete. Considerable Lottery staff resources are required for the preparation of RFP documents and the assessment of agency candidates. The Lottery is prepared to conduct a comprehensive and expansive RFP evaluation process that encompasses three tactical stages. In each stage, the candidates are required to present and demonstrate their qualifications. Collectively a Lottery panel will discuss and assess each agency submission at each of the three stages. Implementation of the nine-month emergency contract extension option enables the Lottery to continue essential marketing efforts without interruption and provide ample time for a thorough RFP solicitation and contract award process.

There will be approximately \$6.6 million remaining on the current expenditure authority through the end of the current contract term expiring August 31, 2021. Staff estimates an additional \$5.5 million will be required to fund this emergency nine-month contract extension based on anticipated marketing needs for Fiscal Year 2021-22. The additional funding and emergency nine-month contract extension will allow the Lottery to continue core retail marketing operations, including point-of-sale and permanent displays for our retailer network, as well as consumer and retailer promotional activities supporting new games, expanding playership and communicating key brand messages.

RECOMMENDATION

Lottery staff recommends that the Commission approve an emergency nine-month contract extension with Alcone Marketing Group for the period of September 1, 2021 to May 31, 2022 with an addition of \$5.5 million in funding resulting in a maximum authorized contract expenditure of \$72.8 million.