

COMMISSION AGENDA ITEM

Item 8(d) – Extension and Addition of Funds to the David&Goliath (D&G) Contract



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To: California State Lottery Commission

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Director

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Subject: Item 8(d) – Extension and Addition of Funds to the David&Goliath (D&G) Contract

ISSUE

The California State Lottery (Lottery) is seeking to amend agreement with David&Goliath, LLC (D&G) for lead agency advertising services. The current term is August 19, 2018, through August 18, 2024, with a maximum expenditure of \$424 million. The Lottery would like to exercise the remaining one-year option for extension to continue these services through August 18, 2025.

BACKGROUND

In 2018, as a result of a formal solicitation, the California State Lottery Commission (Commission) awarded D&G a five-year contract for lead agency advertising services with an initial contract expenditure authority of \$295 million and two one-year options to extend. D&G is responsible for assisting the Lottery in overall market analysis, strategy development, creative and messaging, and media planning and buying for the Lottery's marketing and advertising initiatives.

In 2023, the D&G agreement was extended one-year through August 18, 2024, and the expenditure authority was increased by \$129 million for a maximum authorized contract expenditure of \$424 million.

DISCUSSION

Exercising a one-year extension will enable the Lottery to continue essential marketing efforts without interruption. Over the course of the contract, D&G has consistently provided the level of service required to develop, plan and carry out complex and multi-faceted marketing and advertising efforts. They are an important member of the Lottery's roster of marketing agencies and bring a unique set of skills to address the Lottery's marketing and advertising objectives. D&G has been instrumental in developing and

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coordinating the launch and ongoing advertising efforts supporting strategic business objectives and programs, such as the Scratchers Category Repositioning Effort.

The last time the Lottery went out for bid on this contract was in 2018, and there have been many changes in the advertising industry that require time to research in order to define the scope of work and desired qualification for the next lead agency procurement. The contract extension will allow the staff the needed time to carry out the extensive and lengthy procurement process and address the strain on staff resources. While the Lottery considered going out to bid this year, the team determined that it was not necessary while we have a capable agency partner in place.

As of March 2024, the D&G contract has approximately \$18 million of funding available for the remaining contract term. To allow the Lottery sufficient funding until the current and proposed terms end in August 2025, Lottery staff recommends increasing the contract expenditure authority by \$105 million. This additional funding will allow Lottery staff to carry out new and ongoing marketing efforts that support the Lottery's Business Plan initiatives and other important efforts in the future. It will also help the Lottery address ongoing challenges to reach consumers in a more fragmented media universe in some of the most expensive advertising markets in the U.S. and address ongoing inflation in the advertising and media industry.

RECOMMENDATION

Lottery staff recommends that the Commission approve a one-year extension and an increase in the expenditure authority of \$105 million for the David&Goliath, LLC contract to continue services without interruption. The amendment will extend the term through August 18, 2025, with a maximum authorized contract expenditure of \$529 million.