



M E M O R A N D U M

Date: November 21, 2019

To: California State Lottery Commission

From: Alva Johnson, Director *AJ*

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Subject: Item 8(h) – Communications Effectiveness Tracking Study Services Contract Amendment

ISSUE

The contract between the California State Lottery (Lottery) and Alter Agents will expire on February 22, 2020. The Lottery has the authority to exercise a one-year option to extend the Alter Agents contract and continue to receive communications effectiveness tracking study (Tracking Study) services. The approval to extend the contract term for one year will require an additional \$250,000 to the current expenditure authority of \$1,215,000, raising the maximum authorized contact expenditure amount to \$1,465,000.

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 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 20 years. In a typical year, approximately 5,500 surveys are completed.

The contract for the Tracking Study with Alter Agents was awarded in 2016 and had an original expiration date of February 22, 2019. Alter Agents was awarded the contract based on its research design and competitive cost. The contract includes the option to extend the services for two one-year periods past the base contract term, allowing for a 3% annual cost of living increase. In January 2019, the contract was extended for one-year until February 22, 2020. This amendment will utilize the final one-year extension option to extend the term to February 22, 2021.

Based on the annual number of surveys typically completed - twelve standard monthly deliverables and up to six additional augments due to high jackpots or important program needs – and applying the 3% annual cost of living increase, the expected annual cost for these services is \$315,000. However, using the remaining contract expenditure surplus, this proposed amendment will only require an additional \$250,000 in funding for another year's worth of services.

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. Alter Agents has delivered excellent service throughout its tenure by meeting all timelines for the delivery of data as well as providing assistance and recommendations when changes to the survey are needed. Given its flexibility, accuracy, quality, and competitive cost, Alter Agents continues to provide the best value to the Lottery for these services. Therefore, the Lottery requests approval to execute the final one-year extension option to extend the contract term by one year and increase the total maximum authorized contract expenditure amount by \$250,000, to a new total of \$1,465,000.

RECOMMENDATION

Lottery staff recommends that the California State Lottery Commission approve an amendment to the Alter Agents contract to exercise the last of the two one-year extension options and add \$250,000 in funding to conduct Tracking Study services through February 22, 2021. This will raise the total maximum authorized contract expenditure amount to \$1,465,000.