



## M E M O R A N D U M

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**Date:** September 29, 2022

**To:** California State Lottery Commission

**From:** Alva V. Johnson, Director 

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Business Planning and Research

**Subject:** Item 8(d) - Advertising Tracking Services Contract Amendment

### **ISSUE**

The contract between the California State Lottery (Lottery) and Ipsos Limited Partnership (Ipsos) will expire on October 31, 2022. The Lottery has the authority to exercise an additional one-year option to extend the Ipsos contract (Contract# 50107) and continue to receive Ad Tracking research services. This amendment will exercise the option to extend the contract term by one additional year, add additional pricing options for more advanced Ad Tracking services, and add additional funding of \$220,000 raising the maximum contract expenditure authority to \$604,000.

### **BACKGROUND**

Ad Tracking services are an ongoing need for the Lottery as this research measures the recall and persuasiveness of the Lottery's advertising efforts as well as the main message retained by consumers from the ad. This helps to gauge the impact of the marketing campaigns as well as determine if these efforts contributed to increased sales of Lottery products.

Contract #50107 was approved in November 2018. The original contract expenditure authority was approved for \$384,000. The contract term is from November 1, 2018 through October 31, 2021 and includes two options to extend up to one year at the Lottery's discretion. Last year, the California State Lottery Commission (Commission) voted to exercise the first of two additional one-year extensions allowing services to be continued through October 31, 2022. Due to the advertising hiatus in the spring and summer of 2021 during the COVID-19 pandemic, Ipsos's services were not required allowing for the contract to continue without needing additional funds.

Ipsos was awarded the contract after a competitive bidding process. Ipsos's experience was far superior to the other bidders; Ipsos's advertising research unit is among the largest providers of advertising research in the world, and they serve more than half of the Lottery jurisdictions in North America. Ipsos' contract pricing was also lower than the other companies that bid in 2018.

## **DISCUSSION**

Over the contract term, Ipsos has provided the Lottery with accurate data and insights about the attitudes, perceptions, and effectiveness of Lottery advertising among California adults and Lottery players for multiple television and media campaigns for the Lottery such as the Pac-Man® launch and Monopoly Scratchers®.

During FY2021-22, the Lottery launched the Scratchers Brand Campaign in which Business Planning and Research has been supporting and measuring the effectiveness of the repositioning effort. During this time, Ipsos has delivered excellent service throughout the term of the agreement by meeting all timelines for the delivery of a final report as well as providing assistance and recommendations to potentially improve the effectiveness of the ad based on their extensive experience in the Ad Tracking research industry.

Along with the one-year term extension, the Lottery seeks to amend the contract to add pricing for more advanced Ad Tracking services. The original contract states Ipsos is to provide "additional Ad Tracker services as needed, upon request of the Lottery". This amendment will clarify the scope and add pricing to include a more rigorous diagnostic testing module. This module would include more advanced survey techniques, analysis, and reporting so that Marketing can better optimize future advertising to improve brand recall and persuasiveness in a more cost effective way.

By exercising the one-year extension allowed by the contract, the price for continued base services will remain the same. As in many industries, since 2018, the COVID-19 pandemic, inflation and other factors have resulted in increased costs for all research services including those covered under this contract. By exercising the option to extend this contract under the already agreed upon pricing, the Lottery expects to save a minimum of 15%.

Given the flexibility, accuracy, quality, and competitive cost, Ipsos continues to provide the best value to the Lottery for these services and maximizes contributions to education.

As the Lottery continues with the Scratchers Brand Campaign and plans for additional advertising efforts, additional funds are required for this one-year extension option. With the current media plans provided by Sales & Marketing, Business Planning and Research recommends an additional \$220,000 be added to the contract for continued Ad Tracking research services.

**RECOMMENDATION**

The Lottery recommends the Commission approve the second optional one-year contract extension, add additional pricing options for more advanced Ad Tracking services, and add funds of \$220,000 increasing the maximum contract expenditure to \$604,000, as this research is critical in developing and measuring advertising efforts, product linkage, emotional connection, and call-to-action associated with the Lottery.