



M E M O R A N D U M

Date: November 19, 2020

To: California State Lottery Commission

From: Alva V. Johnson, Director *AA*

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Sales & Marketing Division

Subject: Item 8(a) – African American Marketing and Advertising Services Contract

ISSUE

The California State Lottery's (Lottery) contract for African American marketing and advertising services is expiring January 31, 2021. A new contract for African American marketing and advertising services is needed.

BACKGROUND

The Lottery's current African American marketing and advertising services contract expires on January 31, 2021. In anticipation of the expiration, the Lottery released Request for Proposal (RFP) #50135 on March 16, 2020, to solicit bids for a new contract. The RFP provided a detailed description of the solicitation process, minimum contractor qualifications, solicitation projected timetable, evaluation criteria, and draft contract terms and conditions.

The RFP was posted on the Lottery's public website and nearly 125 potential bidders obtained from the Lottery's vendor database and a list of top African American marketing and advertising agencies that might be interested in responding to the RFP were notified. The RFP was advertised in government, business and advertising trade websites and publications, including the Small Business Exchange, Challenge News, FI\$Cal, AdWeek, American Advertising Federation SmartBrief, NASPL, and American Association for Advertising Agencies SmartBrief.

The Lottery released the RFP inviting responses from qualified agencies to provide African American marketing and advertising services for the Lottery with the overall business objective of maximizing net revenue from Lottery sales for the benefit of public education.

The RFP was developed with the understanding that the Lottery needs an agency partner to help address California's African American population through advertising and marketing. To realize this goal, the Lottery requires an agency that is able to work collaboratively with Lottery staff and other partner advertising agencies, provide authentic insights as to the African American audience within the state, and develop impactful advertising that leverages these insights.

The Lottery needs an agency team capable of developing breakthrough and highly integrated, contextually-relevant marketing communications solutions that will successfully elevate its brand, motivate and engage the African American customer, and spur product purchases.

Advertising campaigns include a variety of elements, which vary from campaign to campaign and may include TV, video, radio, digital, social, print, out-of-home, and sponsorships in conjunction with partner agencies. Most media buying for the African American market will be done through Horizon Media via the lead agency advertising contract.

DISCUSSION

The RFP process consisted of three phases, each with a varied Lottery evaluation team comprised of subject matter experts from multiple Sales & Marketing units, Public Affairs and Communications, SLED, Finance, and Business Planning and Research that brought expertise in sales, marketing, and African American culture. This was the first RFP held virtually due to the pandemic. Phase I focused on current samples of work and agency capabilities. Phase II consisted of virtual agency visits focusing on professional chemistry and culture. Phase III focused on a Lottery work assignment and evaluation of the agencies' staff plan and compensation proposals. All phases included a representative from Procurement Services and Support.

Phase I

Phase I was open to all agencies and joint ventures that met the specified minimum qualifications associated with the number of years of experience performing advertising and marketing services, the size of the agency, digital experience, the agency's location, and some basic business requirements, such as being licensed to do business in California.

Agencies were required to submit an introduction letter, an agency fact sheet, a certification and guaranty, a profile of the agency, recent creative work, and three full campaign case histories that showcased the agency's African American expertise and demonstrated that the agency has the strategic and creative skills the Lottery seeks.

Nine agencies, including partnerships and joint ventures (collectively "agencies"), submitted proposals in response to the RFP: 1) Carol H Williams Advertising; 2) Liquid Soul; 3) Walton Isaacson; 4) Cashmere Agency; 5) LAGRANT & Infusion; 6) UNIWORLD Group (UWG); 7) Quantasy + Associates; 8) Zero One Advertising and Marketing; and 9) Fairway 1 Marketing Group/ Frank Czajka.

The mandatory submittals were first evaluated on a pass/fail basis. Three agencies 1) Zero One Advertising and Marketing, 2) Fairway 1 Marketing Group/ Frank Czajka and 3) Liquid Soul did not pass the mandatory submittal review and received the overall rating of DNM (Does Not Meet).

The remaining six agencies that passed the initial review then advanced to the rated evaluation portion of Phase I. The agencies' submittals were evaluated using the following criteria (listed in order of importance):

- Demonstrated agency positioning, vision, and philosophy aligned with Lottery values
- Relevant experience with gaming, entertainment, and/or low-cost consumer goods
- Quality of client list
- Depth and breadth of agency's organizational qualifications and experience
- Strategic capabilities
- Demonstrated experience and knowledge providing African American advertising and marketing services
- Creativity and innovation
- Integrated marketing capabilities
- Digital and social media capabilities
- Media, PR, promotions, and experiential marketing capabilities

Phase II – Semi-Finalist

The four agencies that advanced to Phase II were: 1) Carol H Williams Advertising; 2) Walton Isaacson; 3) LAGRANT & Infusion; and 4) Quantasy + Associates.

The semi-finalist phase included virtual meetings between the Lottery evaluation team and the semi-finalists. The objective of these meetings was to provide each agency the opportunity to give the evaluation team a sense of its agency that went beyond the written

work and description of credentials that were submitted and evaluated in Phase I. Additionally, the evaluation team wanted to meet with the staff who would be assigned to the Lottery account to assess the depth of resources, measure the strategic process, and evaluate the intensity of the agency's interest and commitment to Lottery business.

Phase III – Finalist

Of the four agencies that participated in Phase II, the following three agencies advanced to Phase III, or the finalist phase: 1) Walton Isaacson; 2) LAGRANT & Infusion; and 3) Quantasy + Associates.

The three finalists were asked to prepare and present a Lottery-specific work assignment. The Lottery was looking for each finalist agency's recommendations and creative capabilities, as well as the analytical and strategic thinking used to derive its proposed direction. Finalists were also provided with staff plan and compensation proposal materials to enable them to demonstrate how they would staff the Lottery account and to present their respective compensation requirements, which would be evaluated on both a stand-alone and comparative basis.

Best Value Analysis

Following the final work assignment presentations and a review of the staff plan and compensation proposals, the evaluation team performed a best value analysis to determine which agency's proposal would provide the Lottery with the maximum benefits in the areas of competence, experience, qualifications, performance, security, and price. As a result of this analysis, the evaluation team determined that Quantasy + Associates (Quantasy), an advertising agency located at 312 S. Alameda St., Los Angeles, California, would provide the Lottery with the best value in all the desired areas.

Quantasy consistently rated "Exceeds" or "Significantly Exceeds" in all phases of the evaluation process. Quantasy provided quality strategic thinking that also included the consideration of the impact and effects of such current events as the pandemic and social justice movement. Their integrated marketing planning and creativity also stood out. Overall, the agency demonstrated the ability to provide innovative and impactful solutions for the Lottery to achieve its goal of successfully and authentically motivating the African American consumer, elevating the Lottery brand, driving sales, and positioning the Lottery for the future.

Additionally, Quantasy's staff plan provided the Lottery with the best value in terms of quantity and quality of staff allocated to the Lottery account at the lowest agency fee and

lowest direct labor cost per full time equivalent and per hour, which would enable it to provide advertising and marketing services for the California African American consumer market to maximize the Lottery's contributions to public education.

Staff recommends a maximum authorized contract expenditure amount of \$15 million, based on current expenditures and including a moderate inflation rate during the initial term of the contract.

RECOMMENDATION

Lottery staff recommends that the California State Lottery Commission approve awarding a contract to Quantasy + Associates to provide African American agency advertising services with an initial term of five years with the Lottery's unilateral option to extend the contract for up to two additional one-year terms, and a maximum authorized contract expenditure amount of \$15 million.