



M E M O R A N D U M

Date: September 26, 2019

To: California State Lottery Commission

From: Alva V. Johnson, Director *AVJ* [Initials on file]

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Sales and Marketing Division

Subject: Item 9(a) – Hispanic Market Advertising Services Contract

ISSUE:

The California State Lottery's (Lottery) contract for Hispanic market advertising services is expiring on September 30, 2019. A new contract for Hispanic agency advertising services is needed.

BACKGROUND:

The Lottery's current Hispanic market advertising services contract expires on September 30, 2019. In anticipation of the expiration, the Lottery released Request for Proposal (RFP) #50079 on January 28, 2019, 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.

Contract Development Services posted the RFP on the Lottery's public website and notified 98 potential bidders obtained from the Lottery's vendor database and a list of California agencies that might be interested in responding to the RFP. Notices were also published in the Small Business Exchange, Challenge News, FI\$Cal, and advertising trade websites AdWeek, American Advertising Federation SmartBrief, and American Association for Advertising Agencies SmartBrief.

The Lottery released the RFP inviting responses from qualified agencies to provide Hispanic market advertising and marketing services for the Lottery with the 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 Hispanic population through advertising and marketing. To realize this goal, the Lottery requires an agency that is able to work collaboratively with other partner advertising agencies, provide deep insights to the Hispanic audience within the state, and develop breakthrough advertising that leverages these insights.

The Lottery needs an agency team capable of developing breakthrough work and integrated marketing communications solutions that will successfully elevate its brand, motivate Hispanic market customer engagement, and spur product purchases.

Advertising campaigns include a variety of Spanish language content media 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. A majority of media buying for the Hispanic market will be done through Horizon Media via the lead agency advertising contract.

DISCUSSION:

The RFP process consisted of three phases, each with a diverse Lottery evaluation team comprised of subject matter experts from multiple Sales & Marketing units, Legal and Business Planning, as well as a representative from Contract Development Services. The first phase focused on current samples of work and agency capabilities. The second phase consisted of agency site visits focusing on a chemistry and culture check. The third phase focused on a Lottery work assignment and evaluation of the agencies' staff plan and compensation proposals. It also included observers that brought expertise in sales, marketing, and Hispanic culture.

Phase I

Phase I was open to all agencies and joint ventures that met 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 (e.g., licensed to do business in California, etc.). Agencies were required to submit an introduction letter, an agency fact sheet, a certification and guaranty, a profile of the agency, recent broadcast creative, and three full campaign

case histories of their recent and relevant campaign work that showcase the agency's Hispanic expertise and demonstrate that the agency has the strategic and creative skills the Lottery seeks. One of the case histories had to be a transcreation.

Ten agencies, including partnerships and joint ventures that included creative advertising agencies and media management firms (collectively "agencies") submitted proposals in response to the Hispanic agency advertising services RFP #50079: 1) Acento; 2) BARU; 3) Casanova; 4) Circus; 5) Dieste; 6) Gallegos; 7) Paco Collective; 8) Sensis; 9) Traffik; and 10) Zubi Advertising.

The mandatory submittals were evaluated on a pass/fail basis. All ten agencies passed the mandatory submittal review and 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 the 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 Hispanic 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

Of the ten agencies that participated in Phase I, the following six agencies advanced to Phase II, or the semi-finalist phase: 1) Acento; 2) BARU; 3) Casanova; 4) Circus; 5) Dieste; and 6) Gallegos.

The semi-finalist phase included face-to-face 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 personally 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 six agencies that participated in Phase II, the following three agencies advanced to Phase III, or the finalist phase: 1) BARU; 2) Circus; and 3) Gallegos.

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 review of the staff plan and compensation proposals, the evaluation team performed a best value analysis to determine which agency 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 Circus Marketing (Circus), an advertising agency located at 1631 21st St, Santa Monica, California, would provide the Lottery with the best value in all the desired areas.

Circus demonstrated the ability to provide breakthrough solutions for the Lottery to achieve its goal of successfully motivating the Hispanic consumer in an innovative and effective way, elevating the Lottery brand, driving sales, and positioning the Lottery for the future. The quality of Circus's strategic thinking, integrated marketing planning, and creativity are exemplified by its strong ratings in the three phases of the RFP. Circus consistently rated "Exceeds" or "Significantly Exceeds" in all phases of the evaluation process.

Additionally, Circus's staff plan included strong account management staffing levels dedicated to the Lottery account, which would enable it to provide advertising and marketing services for the California Hispanic consumer market to maximize the Lottery's contributions to public education.

Staff recommends a maximum authorized contract expenditure amount of \$30 million, based on current expenditures and including a moderate inflation rate during the initial term of the contract. To the extent an expansion of Hispanic market advertising is required to meet future strategic objectives, the Lottery will subsequently request that the California State Lottery Commission (Commission) increase the contract expenditure authority as needed.

RECOMMENDATION:

Lottery staff recommends that the Commission approve awarding a contract to Circus to provide Hispanic agency advertising services for five years with the Lottery's unilateral option to extend the contract for up to two additional one-year terms, with a maximum authorized contract expenditure amount of \$30 million.