




M E M O R A N D U M

Date: February 2, 2023

To: California State Lottery Commission

From: Alva V. Johnson, Director 

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Sales & Marketing Division

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

ISSUE

The contract with David&Goliath, LLC (D&G) for lead agency advertising services runs through August 18, 2023. The California State Lottery (Lottery) has the option to exercise the first of two one-year extensions to continue these services through August 18, 2024.

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 extension options. 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.

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

The marketing contract procurement process is extensive, lengthy and places an extraordinary strain on staff resources. While the Lottery could go out to bid for lead agency advertising services, it is not necessary to expend the resources when we have a capable agency partner in place and the option to extend the contract.

The D&G contract has approximately \$42 million of funding available as of January 4, 2023 for the remaining contract term. To allow the Lottery sufficient funding until the current and proposed terms end in August 2024, Lottery staff recommends increasing the contract expenditure authority by \$129 million to ensure the Lottery can continue to fulfill its mission of providing supplemental funding to California schools.

The original contract expenditure authority has been utilized quicker than expected due to projects and program needs that were not anticipated when the contract was developed in 2018. The contract expenditure authority will need to be increased to carry out marketing efforts that support the Lottery's business plan initiatives, its product lines and important efforts in FY 2023-2024. The additional funding 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.

RECOMMENDATION

Lottery staff recommends that the Commission approve a one-year extension and an increase in the expenditure authority of \$129 million for the David&Goliath, LLC contract to continue services without interruption. The contract amendment will extend the contract through August 18, 2024, with a maximum authorized contract expenditure of \$424 million.