



M E M O R A N D U M

Date: September 29, 2022

To: California State Lottery Commission

From: Alva V. Johnson, Director *AA*

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Subject: Item 8(i) – Contract for Promotions and Retail Marketing Agency

ISSUE

The California State Lottery's (Lottery) current contract for promotions and retail marketing services is expiring December 31, 2022. A new contract is needed to continue these essential marketing services.

BACKGROUND

The Lottery released Request for Proposal (RFP) #50180 on December 17, 2021, to solicit bids for a new promotions and retail marketing service contract. The RFP document provided a detailed description of the solicitation process, minimum contractor qualifications, a timetable, evaluation criteria, and draft contract terms and conditions.

The RFP was posted on the Lottery's public website and the California State Contracts Register (CDCR). A notification was sent to potential proposers obtained from the Lottery's vendor database and to a list of top promotions and retail marketing agencies that might be interested in responding to the RFP. The Lottery also advertised this RFP in industry trade websites and publications, including *SmartBrief*, *NASPL*, *Adweek*, *Ad Age*, *Path to Purchase Institute*, and *Promo Marketing*.

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

The RFP was developed with the understanding that the Lottery needs an agency partner to develop, produce, and implement essential promotions and retail marketing initiatives statewide. To realize this goal, the Lottery requires an agency that is able to work collaboratively with Lottery staff and other partner agencies, strategically plan, create, and implement the Lottery's promotions and retail marketing initiatives, such as point-of-sale (POS) materials and displays distributed to over 23,000 retail locations, retailer

communication plans, business-to-business partnerships, and promotional programs that improve brand perceptions and motivate consumers to purchase Lottery products.

DISCUSSION

The RFP process consisted of two phases. The first phase focused on the agency's capabilities, personnel, and current samples of work. The second phase focused on a Lottery work assignment and evaluation of the agencies' staff plan and compensation proposals. The RFP evaluation team consisted of staff and management across Sales & Marketing division, including Key Account Sales, Player Loyalty and Communications, Retail Marketing and Consumer Marketing. Contributors and subject matter experts from Business Planning & Research, Finance, Information Security, and Security/Law Enforcement divisions also participated in the RFP process.

Two agencies submitted proposals in response to the promotions and retail marketing RFP: 1) Alcone Marketing Group and 2) 1124 Design Advertising. The mandatory submittals were first evaluated on a pass/fail basis. 1124 Design Advertising did not pass the mandatory submittal review. The remaining agency, Alcone Marketing Group passed the initial review and advanced to the rated evaluation portion.

The Alcone Marketing Group submittal was evaluated using the following criteria (listed in order of importance):

- Agency's positioning, vision, and philosophy aligned with the Lottery's brand and mission
- Depth and breadth of agency's organizational qualifications and experience to deliver the service requirements listed in the Scope of Work
- Strategic thinking and capabilities
- Creativity and innovation
- Relevant experience with gaming, entertainment, and/or fast-moving consumer goods sold at retail and caliber of client(s)

Alcone Marketing Group advanced to the finalist phase and was asked to prepare and present a Lottery-specific work assignment. As part of this assignment, the finalist were asked to demonstrate how they would staff the Lottery account and their respective compensation requirements, which could be evaluated on both a stand-alone and comparative basis. The Lottery's evaluation team assessed the finalist's recommendations and creative capabilities, as well as their analytical and strategic thinking within their presentation proposal.

Best Value Analysis

After reviewing the finalist's work assignment and compensation proposal, the evaluation team performed a best value analysis to determine if the agency's staff plan and compensation proposal would provide the Lottery maximum benefits in the areas of quality, competence, experience, security, performance, integrity, and price. The

evaluation team determined that Alcone Marketing Group would provide the Lottery with the best value and exceeded the Lottery team's expectations to deliver the services listed within the scope of work.

Alcone Marketing Group demonstrated the ability to provide innovative, impactful, and cost-effective solutions for the Lottery to achieve its goal of successfully promoting products at retail, driving sales, elevating the Lottery brand, and positioning the Lottery for the future. Additionally, Alcone Marketing Group's staff plan met and exceeded the Lottery evaluation team's expectations in terms of quantity and quality of staff allocated to the Lottery account and cost-savings through an all-inclusive staff plan. The proposed annual agency fees were reviewed by the Lottery's evaluation team and determined to be reasonable.

A maximum authorized contract expenditure amount of \$106 million, was developed based on an analysis of historical expenditures, anticipated future initiatives, and a moderate inflation rate during the initial term of the contract.

RECOMMENDATION

The Lottery recommends that the California State Lottery Commission approve the award of a promotions and retail marketing services contract to Alcone Marketing Group for an initial term of five years with options to extend the contract for up to two additional one-year terms, and a maximum authorized contract expenditure amount of \$106 million.