MEMORANDUM

Date: September 24, 2015
To: California State Lottery Commission
From: Paula D. LaBrie
       Acting Director
Prepared By: Richard Mahan, Deputy Director
             Sales & Marketing Division
Subject: Item 8(a) – Asian Consumer Market Advertising Services Contract

ISSUE

Should the California State Lottery Commission (Commission) approve a contract award with Time Advertising for Asian Consumer Market Advertising Services?

RECOMMENDATION

Staff recommends that the Commission approve a contract award with Time Advertising (Time) to provide Asian Consumer Market Advertising Services for five years with the option to extend for an additional two-year period. The total expenditure authority including the optional extension is $21 million.

BACKGROUND

The California State Lottery’s (Lottery) current Asian Consumer Market Advertising Services contract expires on November 7, 2015. On December 9, 2014 the Lottery posted Request for Proposal (RFP) #50029 on its website that provided an executive overview of the competitive solicitation process it would undertake to procure Asian Consumer Market Advertising Services. This overview was also mailed to 100 potential bidders from the Lottery’s Contract Development Services database and a list of agencies provided by the Sales & Marketing Division. Notification announcing the release of RFP #50029 was published in the Small Business Exchange, Challenge News, Bidsync, Los Angeles Times, San Francisco Chronicle, Ad Week, Sing Tao and Korean Times.

On December 30, 2014, the Lottery released responses to written questions submitted by interested parties to provide Asian Consumer Market Advertising and integrated communication services for all Lottery products with the objective of maximizing net revenue from Lottery sales for the benefit of public education.

The Asian Consumer Market Advertising Services RFP was developed with the understanding that the Lottery needs a strategically-based, highly creative Asian
language agency partner with best-in-class capabilities in media planning and buying across all channels, including digital creative and media, to help it navigate future challenges and opportunities. Accordingly, the Lottery was seeking an agency team capable of developing breakthrough work and highly integrated cross-channel media communications solutions that would successfully elevate its brand and motivate customers to engage with and buy its products to drive sales. The Lottery would consider proposals from partnerships and joint ventures, including creative advertising agencies, and media management firms.

DISCUSSION

Three agencies submitted proposals in response to RFP #50029:

- Gravity
- IW Group
- Time Advertising

Phase I

Phase I was open to all agencies and joint ventures that met specified minimum qualifications associated with the minimum years of experience performing Asian language advertising 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.) Bidders were required to submit an Introduction Letter, Agency Fact Sheet, and Certification and Guaranty, as well as a profile of their agency including some recent broadcast creative, two case histories of their most recent and relevant campaign work, and two media case histories that showcased media planning capabilities and demonstrated buying and negotiating skills.

Submission of the Introduction Letter, Agency Fact Sheet, Agency Profile (DVD Format), Agency Case Histories and Agency Media Case Histories (DVD and Written Formats), Certification and Guaranty forms, was mandatory and evaluated as pass/fail. All three agencies passed the mandatory submittal review and advanced to the rated evaluation portion of Phase I. The Agency Fact Sheet, Agency Profile, Case Histories and Media Case Histories were evaluated using the following criteria (listed in order of importance):

- Caliber of strategic thinking;
- Creativity and innovation;
- Quality of media capabilities (buying, planning, research, and analytics);
- Innovative integrated communications planning that drive sales;
- Agency positioning, vision, and philosophy;
- Agency size, history, staff, and location;
- Best-in-class digital and social media;
• Innovative promotions and experiential marketing;
• Relevant experience with gaming, entertainment, and/or low cost consumer goods; and
• Quality and relevance of client list.

Phase II – Finalist Competition

All three agencies that participated in Phase I advanced to Phase II, or the Finalist phase. The Finalist phase was conducted as a three-part process consisting of the Phase II submittal review, the Finalist Work Assignment and the Staff Plan and Compensation Proposal analysis. A briefing day was held where the three competing agencies were invited to meet with the Lottery Evaluation Team to ask questions about the Finalist Work Assignment and the information provided in the briefing.

These three finalists were asked to prepare and present a strategic, creative, and integrated work assignment including media and online components. The Lottery was looking for each Finalist agency’s recommendations and creative capabilities, as well as the analytical and strategic thinking used to derive their 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 compensation requirements, which would be evaluated on both a stand-alone and comparative basis.

Time Advertising presented meaningful insights concerning the Lottery’s key issues today and in the future. The panel felt Time had a strong understanding and presentation of key insights that were considered relevant for the target market. The marketing strategy presented provided a methodical, strategic approach that was fully understood by the panel. The panel felt that Time defined the targets in great detail and specified how the Lottery segments tie to their targets.

Time demonstrated originality and an ability to take the Hot Spot brand to a new level of engagement. The creative expressed the excitement of Hot Spot in a clear and memorable way that is highly relevant to the proposed target.

The panel felt that the fully integrated communications mix proposed by Time would reach the recommended target and that Time’s experiential marketing ideas effectively addressed the existing sales barriers and strategies on reaching the targets while selling promotional opportunities.

For the Finalist Work Assignment, Time was given an overall rating of “Significantly Exceeds”, Gravity was given an overall rating of “Exceeds” and “IW Group” was given an overall rating of “Meets”.

Best Value Analysis

Upon the receipt of the Staff Plan and Compensation Proposal, Time and Gravity were considered the agencies within competitive range. While both agencies provided strong creative insights and creative execution, the tipping point in the decision process was the number of FTEs (Full Time Equivalent) offered by each agency.

While Gravity offered the lowest total proposal, with 0% mark-up on both media and production, Gravity also had the lowest number of FTE’s (1.17) in Account Management Staffing and no staffing was included in the area of billing. Gravity was given an overall rating of “Meets with Exceptions” for the Staff Plan and Compensation Proposal.

Time offered the highest number of FTE’s (4.20) in Account Management Staffing and received the overall rating of “Meets” for the Staff Plan and Compensation Proposal. Additionally Time offered the lowest monthly retainer, and the lowest translation cost.

The Evaluation Team concluded that Time Advertising provides the Lottery with the best value in quantity and quality of staff allocated to the Lottery account. The quality of this Agency’s strategic thinking and creativity are exemplified by its scores in the two phases of the RFP. Time received a rating of “Meets” for its Cost Proposal and “Exceeds” and above for the other two categories. Time repeatedly demonstrated a solid understanding of the Lottery’s business and has a clear vision and thorough leadership that the Lottery needs.

As a result of the Best Value Analysis, staff recommends that the Commission approve a contract award with Time to provide Asian Consumer Market Advertising Services for five years with the option to extend for an additional two year period. The total expenditure authority including the optional extension is $21 million.