

**MEETING DATE:** March 22, 2006

**SUBJECT:** Procurement Authorization – Provision Of Advertising Agency Services For Production And Development Of Customer Information Materials

## **RECOMMENDATION**

It is recommended that the Commission approve the issuance of a purchase order for the creation and production of customer information advertising material for a two-year term from April 1, 2006 to March 31, 2008 to Axmith McIntyre Wicht Ltd. in the total two year upset limit amount of \$1,940,000 as the service provider.

## **FUNDING**

Funding for these services has been included in the 2006 TTC Operating Budget. Funding for 2007 and 2008 will be included in future Operating Budgets as required.

## **BACKGROUND**

The Commission communicates a range of customer messages (education, information, promotion and advocacy) to various target audiences through transit system campaigns, consisting primarily of posters and brochures and implemented as required. Since 1999, the annual average purchase order value for the production and development of customer information materials including company fees has been approximately \$1M per year. Examples of various TTC customer communication messages produced throughout the year include:

- Sources of TTC information (e.g., TTC INFO telephone line, Website and Yellow Pages)
- Fare products (e.g., Transferable Metropass and Weekly Pass, Metropass Discount Plan applications and Day Pass promotions)
- Benefits of using transit (e.g., cost savings, ease of use, environmental)
- “See It Your Way” campaigns (promote best transit routes to city events and transit maps)
- Education (how to use the Transferable Metropass and Weekly Pass, Student Discount Card)
- System-Safety and Security (e.g., escalator safety tips, system security features)

The 2006 plan includes 7 campaigns and approximately 17 other print communication activities. A typical campaign requires about 6,000 to 8,000 posters to provide coverage in the TTC’s 69 subway stations and all of its subway and surface vehicles. If a brochure is part of the communications package, up to 110,000 copies may be required for distribution to TTC customers.

The TTC requires the assistance of external suppliers to cover the development and production of posters, brochures and other customer information materials used in its campaigns. The scope of work provided by these suppliers includes creative development from initial concept and design, layout, copy writing and art direction through to production co-ordination of all materials, including sourcing the best production price.

Although selected functions have been moved in house, the need for production and development services remains. The technical and creative qualifications for the above tasks are beyond the available resources of TTC staff. Having these projects completed in-house would require the addition of a large staff component possessing these specialized skills and would not be cost effective.

It is important to note that of the funds allocated in the upset purchase limit, approximately 87% of the total expenditure is for the actual printing and production of the customer information materials, the remaining 13% covers the supplier fee. Supplier fees are paid only for work that is completed.

Customer benefits derived from customer information materials include improved communications and increased awareness of TTC products and services. Benefits to the TTC include increased customer satisfaction and the potential for increased ridership and revenue. The Commission currently has a two-year contract for the production and development of customer information materials with McDonnell Haynes Ltd. as the primary supplier and Axmith McIntyre Wicht Ltd. as the secondary supplier, both of which expire on March 31, 2006.

## **DISCUSSION**

Twenty-five (25) companies were invited to submit proposals, in addition to public advertisements on the TTC's web site on Tuesday, November 15, 2005 and in the November 21, 2005 edition of Marketing Magazine. A total of seven (7) companies submitted proposals as outlined on the attached Summary of Proposals (Appendix A).

Staff's intent was to again retain two suppliers (a primary and a secondary) for greater flexibility in different creative approaches and distribution of workload, with no additional cost to the TTC, for the development and execution of customer information materials for the Commission. The primary supplier would carry out the Commission's month to month core work, while the secondary supplier would be assigned work on a project by project basis, as required.

The Request for Proposal stated that in order to be considered qualified to perform the work, the proponent must score 75% or higher on the qualitative evaluation. A two envelope system was used for this requirement in which the pricing would not be reviewed until a short list of qualified firms was determined after a qualitative evaluation. Once pricing is considered the lowest price qualified firm(s) is recommended for award.

The proponents were requested to submit their proposed agency percentage fees as a fixed percentage that would be paid on media and production spending on a per project basis over the contract term (April 1, 2006-March 31, 2008) as well as for two optional years (2008/2009 and 2009/2010).

Staff evaluated the proposals based on predetermined, weighted criteria, which considered the suppliers' corporate qualifications and relevant experience, the project team's qualifications and experience, creative work and the proposed approach to assignments.

The initial review of proposals resulted in a short list of two (2) proponents; McDonnell Haynes Ltd. and Axmith McIntyre Wicht Ltd. Both McDonnell Haynes Ltd. and Axmith McIntyre Wicht Ltd. were considered to be qualified as they scored over 75% as stipulated in the Request for Proposal. The other five proponents received scores under 75% and as stipulated in the Request for Proposal were not considered further.

The evaluation team then considered the pricing submitted by the proponents. Based on production expenditures of approximately \$800,000 annually, McDonnell Haynes Ltd. average pricing was significantly higher than the pricing proposed by Axmith McIntyre Wicht Ltd. As a result the evaluation team recommends the award of only one contract to Axmith McIntyre Wicht Ltd. as the Commission's service provider on the basis of the best overall proposal considering qualifications and pricing. Marketing and Public Affairs staff are prepared to work with only one supplier instead of two (a primary and a secondary supplier) for the production and development of customer information materials for the term of the contract.

Axmith McIntyre Wicht Ltd. has performed work for the Commission in the past including the Commission's 2005 "Major" ad campaign and have performed satisfactorily demonstrating insight of the TTC's operating environment. They have experience in the use of transit media and the development of compelling communications when dealing creatively with similar, low budget public "social" sector accounts such as the Commission (e.g., City of Toronto Works Department). The company also has good corporate experience dealing with major private sector accounts (e.g. Telus, Labatt Breweries and Interac Association). The fees proposed by Axmith McIntyre Wicht Ltd. are considered fair and reasonable based on the experience and qualifications and is the same as what is currently being charged by Axmith McIntyre Wicht Ltd. under the existing contract.

Staff is recommending the award of the contract to Axmith McIntyre Wicht Ltd. with an upset limit amount of \$1,940,000 for the two-year period as the supplier. The majority of the expenditures are for poster and brochure production costs that are only spent if justified and the remaining amount covers the company fee. The company fee will be based on a percentage of actual production expenditures.

Prior to the expiration of the two year term, staff from Marketing and Public Affairs may request an extension to the contract for the third and fourth optional year subject to the supplier's satisfactory performance.

### **JUSTIFICATION**

Award of the contact will ensure the uninterrupted development and production of various customer information materials to meet the Commission's requirements over the next two years.

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March 22, 2006

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Attachment

## APPENDIX A

### SUMMARY OF PROPOSALS

#### List of Proponents

McDonnell Haynes Ltd.\*

Axmith McIntyre Wicht Ltd.\*†

Quiller & Blake Advertising

Rao-Barrett and Welsh

Scott Thornley & Co. Inc.

Field Day Inc.

Dentsu Canada Inc.

\* Short listed

†Recommended for award