



TOPIC: University of Maryland University College: Marketing and Advertising Contract

COMMITTEE: Finance

DATE OF COMMITTEE MEETING: March 17, 2011

SUMMARY: In June 2007, the Board of Regents approved for the University of Maryland University College (UMUC) the award of a 5-year marketing contract to MGH, Inc. to provide marketing and advertising services. The contract expires June 2012. UMUC is now requesting approval to amend the contract to increase its spending authority for media buys by \$30 million. As the amendment exceeds \$5 million, this request is made pursuant to University System of Maryland Procurement Policies and Procedures: Section VII.C.2.

The marketing and advertising services contract has two components. The first is for agency fees to the vendor for services provided in placing UMUC advertising. At the time of the approval, agency fees were estimated to be \$14,073,550 (5 years @ \$2,814,710 a year). The second component is the media buys (print, radio, television) which was estimated at the time of the approval to be \$80 million (5 years @ an estimate of \$16 million a year). The total approved spending authority was \$94,073,550 over the 5-year term of the contract. Due to many factors—increased interactive and television advertising; rising advertising costs in all forms of media; the launching of new academic programs such as Cyber Security; and increased competition from the well financed for-profits—the cost of the media buys is projected to exceed the originally approved amount. Therefore, UMUC is seeking Board approval to increase its spending authority under the MGH, Inc. contract by \$30M through June 30, 2012 for media buys only. Agency fees are unchanged.

ALTERNATIVE(S): UMUC could significantly reduce its marketing spend rate during the final year of the contract. However, this action would significantly impact enrollments and is therefore, considered to be nonviable alternative.

UMUC will begin a solicitation process for a new contract in the next several months. The new contract is anticipated to begin in February 2012, so that a new agency will be on board prior to the start of the April 2012 marketing campaign. The current marketing and advertising contract with MGH may still need to remain in effect through June 2012 to allow for finalization of all marketing activities of prior campaigns.

FISCAL IMPACT: The source of funds for this contract will be UMUC's operating budget. The new total spending authority for media buys for the 5-year contract would be \$110 million, thereby raising the total contract value to \$124,073,550. There is no increase to the previously authorized \$14,073,550 for agency fees.

CHANCELLOR'S RECOMMENDATION: That the Finance Committee recommend that the Board of Regents approve for the University of Maryland University College an increase in spending authority by \$30 million for media buys only under the previously approved 5-year contract with MHG, Inc. for advertising and marketing services. The total value of media buys will increase from \$80 million to \$110 million bringing the total contract value inclusive of agency fees to \$124,073,550.

COMMITTEE RECOMMENDATION: Recommend approval. DATE: 3/17/11

BOARD ACTION: DATE:

SUBMITTED BY: Joseph F. Vivona (301) 445-1923