

RFP – LC000056 Professional Advertising, Media and Related Services Q&A (Phase #1)

1. Is the preference of this RFP to find a full service agency that provides creative services and media buying?

Traditionally, the NCEL has in fact worked with a single, full service agency for both creative and media services. As we have reviewed the practices of other successful marketing organizations and lotteries, we see more opting for multiple agencies in order to find the best partners for a specific service.

In order to work with the agencies we believe can best meet our needs, we have opted to receive proposals to provide services in one or both of the areas being sought. For this reason, we have required that costs must be provided separately for Creative Advertising and Marketing Communication Services and Media Planning and Buying Services.

Until the actual evaluation process for Phase II occurs, we will not know if we are recommending to award to one agency or two agencies. Simply put, our real preference is to find the best agency or agencies for our business and we are open to either situation in order to achieve that goal.

Creative, Advertising, Marketing Communication Services RFP

2. What is NCEL's annual budget for agency fees/retainer?

The NCEL does not currently have a specific budget for professional services for creative, advertising and marketing communication services. This expense will be part of the NCEL's overall operation budget.

3. Will travel expenses be reimbursed for the required bi-monthly meetings in North Carolina?

These potential travel expenses should be anticipated by the Responding Contractor (agency) and accounted for in the annual fee for professional services. The NCEL will reimburse for travel expenses for up to three employees at the NCEL's State Rate for production related expenses (page 40) as well as for up to two agency staff to attend lottery industry conferences (page 16). Our belief is that a Responding Contractor can anticipate the cost associated with required meetings at Lottery headquarters, but may be challenged to do so with respect to yet undetermined productions and industry conferences and as a result we will reimburse as outlined in the RFP for production related and industry conference expenses.

4. If we're submitting a response with sister company/media agency for the Media Planning and Buying RFP, could the fee proposal portion be submitted together or is it required to be separate?

Cost proposals must be submitted separately. Please reference page 2 of the RFP for details. In order to identify and have the opportunity to work with the agency or agencies

we believe can best meet our needs, we have required that costs must be provided separately for Creative Advertising and Marketing Communication Services and Media Planning and Buying Services. This allows for a fair evaluation of both services independently.

Media Planning and Buying Services RFP

5. Are there any “minimum requirements” for a media agency (agency size, revenue, billings, etc.)?

Evidence that Responding Contractor has annual billings of at least ten million dollars (\$10,000,000) is required. Beyond this, the NCEL has not specified another minimum requirement, but rather has requested information which will be used to evaluate the Responding Contractors ability to manage the NCEL’s media budget including:

- Responding Contractor must demonstrate that its organization is of sufficient size and has the qualifications required to perform the requested services
- Thorough description of the organization demonstrating the employee capacity to undertake and successfully carry out the proposed services
- An organization diagram indicating reporting relationships and location of the staff, including staff positions that will be new hires.
- A list of its ten largest, current accounts and the date of acquisition of each account
- List the accounts by approximate annual billing size (beginning with the largest account) and must include for each account a description of the type of projects billed.
- Responding Contractor must provide a minimum of two (2) accounts and necessary contact information as references.
- Responding Contractor must also include a list of accounts terminated in the past two (2) years and reason for such termination.
- If the Responding Contractor is responsible for media planning and buying, complete chart 2017 spending by media—network TV, spot TV, radio, outdoor, print, digital, direct response

Pages 31 and 32 fully outline these Phase I requests.

6. What is NCEL’s budget for media planning and buying fees?

The NCEL anticipates spending approximately \$20,767,548 in FY19 on media. The balance of the budget goes to creative production and fees. The current agency fee includes both media and creative services, so there is not a specific buying fee to share based on our current structure.

7. What is NCEL's current media commission % structure? Does it vary by media type or do you pay one flat % commission across all media?

The NCEL currently pays one agency fee for both creative and media services. This is a flat percentage rate that does not vary by media type. Moving forward the NCEL plans to pay one flat percentage rate for media services across all media types. This rate will not include creative services. The responding contractor for media services should work to create a blended rate that will apply across all media types.

8. The NCEL has recently posted a job listing for a "Advertising Manager" on its website, whose duties include agency interface. Will this be a net-new position (regardless of whether a combined/split agency model is selected)?

Yes, the position is not related to the RFP and its outcome. All positions within the advertising department require agency interface.

9. Will this position assist in increasing access or creating a dedicated media-facing client, and/or streamline decision-making?

The position will assist with both creative and media services. The position is for the benefit of the NCEL and will aid in managing the overall volume, workflow and approval process.

10. Draw stations dictate specific buy considerations.

Are local draw stations required by law/regulation/policy?

Draw station partnerships allow the NCEL to air live drawings in an efficient manner. The airing of live drawings are a critical aspect for the NCEL in two ways. First, it allows the NCEL to gain additional awareness without directly impacting its media spend. Secondly, it provides transparency to players regarding the drawing process. Research has shown that players have greater trust in games that utilize ball machines with live drawings. Our most successful draw games are aired live with ball machines. Games that are not aired tend to perform lower and/or were discontinued. While draw station partnerships are not required by statute, they are the NCEL preference.

11. Is a statewide network or the NCEL website and/or app a sufficient "replacement" to local draw stations?

The NCEL has opted for televised drawings for daily and national games with the exception of its *Lucky for Life* game. As mentioned above, draw station partnerships allow the NCEL to air live drawings in an efficient manner. The airing of live drawings are a critical aspect for the NCEL in two ways. First, it allows the NCEL to gain additional awareness without directly impacting its media spend. Secondly, it provides transparency to players regarding the drawing process. Research has shown that players have greater

trust in games that utilize ball machines with live drawings. Our most successful draw games are aired live with ball machines. Games that are not aired live on TV tend to perform lower and/or were discontinued. Given these learnings and the critical role of live on-air drawings, a website or app would not be a sufficient replacement. Because our players are highly diverse with a wide-ranging level of internet activity and savviness, limiting our drawings to an online format may have a negative impact to game performance. However, it should be understood that agency input is requested in the process of selecting, evaluating, and reviewing draw stations partnerships.

12. Given the NCEL has issued a recent RFP for market mix modeling to gauge ROI of various media channels by market, will the contracted model take the place of, or work in conjunction with, modeling duties outlined in the media RFP?

The NCEL is securing research to determine the sales impact generated by advertising spend by individual media channels such as television, radio, online video and display ads, and out-of-home ads. We wish to gain detailed knowledge of the effectiveness and efficiency of each media channel by conducting robust analysis to inform planning including budget allocation across the various media types and markets within North Carolina. The goal is to identify advertising and media to maximize revenue generation while minimizing expenses. In addition, the NCEL would like to develop an independent model to measure effectiveness moving forward. The media mix modeling research is intended to help the NCEL better understand the current return on advertising investment, both overall and by media type, and how to best optimize these to drive incremental ticket sales while adjusting for factors such as weather, game jackpots, economic factors, and additional product competition. The modeling tool will help with ongoing media modeling and evaluation. The contracted model is intended to work in conjunction with the modeling duties outlined in the media RFP. However, the NCEL is open to utilizing a responding contractor's model should it prove to be a viable replacement.

13. As the website was revamped in 2017 to integrate Lucke-Rewards and Player's Club, and released a new iOS and Android app in November 2017, is there an ongoing business emphasis to create digital-specific extensions to the NCEL and support through digitally-focused campaigns?

The NCEL anticipates that digital campaigns will become even more critical in the future. For now, the changes made to the NCEL website and mobile app were designed simply to offer a cleaner, contemporary look with simpler navigation to aid player experience. Integration of the NCEL site and Lucke-Rewards/Online Play services follows ecommerce format and best practices. The new mobile app offers ability to check tickets for winners, as well as a dashboard and optimized notifications, again for player convenience.

14. What constitutes a state or local marketing effort and/or promotion that would qualify for per-hour fee within Outside Professional Services? Can you please provide an example and project a range of annual requests?

A state or local marketing effort might include a promotion tied to a new game launch. Perhaps how-to-play events are developed and scheduled with a unique offering to players onsite at events. The agency's primary responsibility with respect to these efforts would be tied to developing concepts and/or assisting with obtaining executional services (if services are not offered by the responding contractor). The NCEL has not typically received support for these types of activities from an agency partner, so it would be difficult to anticipate future needs at this time.

15. Can you provide any insights into your current/historical media mix?

The current media spend of \$20,767,548 can be broken down as follows:

- Television - \$12,811,594
- Radio - \$4,015,368
- Out of Home - \$2,337,484
- Print - \$115,500
- Digital - \$1,487,602

16. Case studies are requested in the entertainment category and retail-product category. Is demonstrating Lottery experience also valuable? Will you be weighing case studies in each of these categories equally, or is there a prioritization of an Agency's experience within these categories?

While the NCEL appreciates that a responding contractor has lottery experience, this may not be the case for all agencies. As a result, we focused on entertainment and retail-product categories. To that end, please submit the case history that best exemplifies your agencies capabilities.

17. In reviewing the 2018 sales data provided, are you able to disclose which games have driven the most growth YOY? What does NCEL see as its biggest opportunity for growth in the future?

Both instant and draw games sales were up in FY18 with overall sales up 7.8% and return to education up 9.0% versus FY17. In FY18, approximately 68% of lottery sales came from the scratch-off product line. Although instant scratch-offs clearly drive the majority of our sales, it is important to note that they are less profitable than draw games. For this reason, increasing draw games sales is advantageous to the NCEL's growth. Powerball, Mega Millions, Cash 5, Lucky for Life, and Carolina Keno offer opportunity for future growth.

18. What demographic audience has NCEL most successfully been able to capture and which demographic audience does NCEL currently see as a struggle?

Player demographics are largely consistent with the general population demographics, with a few minor differences:

- 42% of lottery players are aged 35-54, whereas only 35% of the general population currently belong to that age bracket
- 52% of lottery players are male (vs. 49% of general population)
- 25% of lottery players hold a university degree (compared to 29% of the general population)
- One-in-five North Carolinians are African American (20%), whereas 23% of North Carolina Lottery players belong to this demographic

General Questions:

19. What are your current ROI metrics, and how are they tracked?

Overall ticket sales, sales growth versus prior year and game sales indices are tracked and evaluated to measure advertising campaign success. Currently the NCEL is securing research to determine the sales impact generated by advertising spend by individual media channels such as television, radio, online video and display ads, and out-of-home ads to understand the effectiveness and efficiency of each media channel.

20. May we include a link on the USB to illustrate some of our creative work for the case histories (and for any other relevant sections)?

Yes.

21. Are there any page limits/preferences where not specifically noted?

No, there are not.

22. Is there any preference on font/margins and formatting issues such as those?

No, there is not.

23. May we get the NCEL Brand Guidelines or, at a minimum, a vector or hi-resolution NCEL logo file?

Yes, a link to the brand guidelines will be provided along with the NCEL logo.

24. How many agencies are involved at this stage of the process?

The NCEL does not have such information before the deadline for Phase I proposal submission.

Referenced Questions:

25. How successful was the 2015 brand initiative? (Section 1.2 – NCEL Brand)

The brand initiative was successful in that it helped the NCEL to better define the brand purpose. With the insights gained, the NCEL has made progress on building the image of NCEL, the perception of value in playing, and the emotional connection among lottery

players. Although there has certainly been fluctuation in quarterly brand tracker scores, the overarching trend has been a positive one. Defining the persona for the brand has also helped with creative appeal.

26. In 1.2 NCEL Overview, Goals and Objectives, at the top of page 10, there is reference to optional services that are outside the RFP scope of work. If an agency has a potential partner/subcontractor firm that we would recommend for some of these areas mentioned, and they will not be doing 25% or more of the work pursuant to 2.5, is it correct that we do not need to identify or describe their capabilities in this Phase I submission, but that we would for Phase II Cost Proposal?

Yes, that is correct for Phase I and Phase II. For Phase II purposes, we recommend the Responding Contractor identify the potential subcontractors and their associated services.

27. Can a proposal be dropped off physically instead of shipping? (Section 2.4 – Proposal Submission and Format)

Yes, it can.

28. Will any changes from questions/comments be clearly incorporated through an amendment to the solicitation in order to ensure compliance? (Section 2.6 – Changes, Modifications, and Cancellation)

Answers to questions received for Phase I and for Phase II will be posted as addendums.

29. Optional Professional Services enumerated in 2.8.3.1 need only be identified, described, and scoped/costed out for Phase II Cost Proposal, correct?

Yes for Phase II that is correct.

30. Are there any requirements or preferences for what information is to be included in the Cover Letter (Section 2.8.5 A)?

The only specific requirement for the cover letter is that it should be signed by an individual authorized to legally bind the Responding Contractor. See page 30 for details.

31. In terms of the conflict question- Is having another State's Lottery (located in an entirely different part of the country) considered a conflict? (Section 2.8.5 Proposal Content - Phase I; E4)

No, it is not considered a conflict.

32. Just to confirm, are additional Proposal Requirements listed in Part IV (4.1-4.6) all required for Phase I submissions, unless otherwise noted, as with 4.3?

4.1 and 4.2 only for Phase I, 4.1-4.6 for Phase II.

33. If submitting a Joint Proposal with an agency team, may just the prime contractor address the additional requirements such as 4.4, 4.6.1, etc. or do subcontractors/partners need

to respond to each of those questions as well in their separate submissions? (Part IV; Sections 4.1-4.6)

Per Section 2.5, only subcontractors that will be providing 25% or more of the work will need to comply with Part IV, Sections 4.1-4.6.

34. Could you please provide your current media mix by % or \$\$ for TV, radio, ooh, digital, social, SEM, sponsorships, and events?

The current media spend of \$20,767,548 can be broken down as follows:

- Television - \$12,811,594 / 61.69%
- Radio - \$4,015,368 / 19.33%
- Out of Home - \$2,337,484 / 11.26%
- Print - \$115,500 / .56%
- Digital - \$1,487,602 / 7.16%

Sponsorships and events come from a separate budget of \$3,509,500.

35. Do you have a preference on whether the work goes to one agency or two agencies? What do you see as the benefit of separating the scope?

Please see response to question #1.

36. Are there agencies in the state whose work impresses you and/or the evaluation committee? If so, who are they and what about their work impresses you?

We are not at liberty to provide any recommendation and/or endorsement during the procurement process.

37. Under 'Goals and Objectives' you mention, "To obtain the highest quality, creative advertising and related services at competitive prices." Can you provide a frame of reference on what you feel are competitive prices?

The RFP process in and of itself should help the NCEL to obtain competitive pricing for the services outlined. While prospective vendors are strongly encouraged to offer their lowest price and highest value possible, the prospective vendor offering the lowest price may not be selected as the successful vendor as other factors are also evaluated in the overall scoring. The NCEL will conduct a fair, comprehensive and impartial evaluation of all proposals to determine which provides the greatest value.

38. How many people make up the evaluation committee? What are their titles?

The NCEL's Executive Director will be appointing the evaluation committee members. Phase II participants will meet the evaluation committee during presentations.

39. Are those participating on the committee involved on a day-to-day basis with the advertising and marketing process?

See Response to Question 38.

40. Can you elaborate on what you mean by having an account group “assigned exclusively to the NCEL business?” Is it your expectation that the NCEL account team has no other clients?

Due to the scale and volume of production, the NCEL assumes that some, if not all members of the NCEL Account Services group will work exclusively on the NCEL’s business. This could include for example the Account Director/VP or the Account Supervisor. Other areas however such as creative or media will have a “dedicated team.” A dedicated team does not mean that the team is required to be on the NCEL account 100%. A dedicated team is desired to assure consistency of servicing and to build product knowledge within this group. A Responding Contractor’s proposed staffing recommendation will be considered.

41. What is the requirement in the number of people for a dedicated team?

A Responding Contractor’s proposed staffing recommendation will be considered. We would ask that the scope of work be reviewed to determine the time necessary and the appropriate recommendation.

42. Regarding 2.8.5. H. Case Histories, our clients’ budgets are proprietary information we are not at liberty to disclose. Are we allowed to omit or provide a broad budget range?

A broad range is acceptable.

43. To confirm, if we are bidding for both projects, we must submit a total of (4) case studies? If we are using a client case study for the creative, advertising, and marketing communications services bid, can we use that same case for the media planning and buying services bid?

The same case studies can be used for both a creative services proposal and a media buying and planning services proposal, however each submission should demonstrate the specific capabilities needed for that area.

44. If we are a finalist, can we get access to NCEL research that was conducted previously to help us craft our phase 2 response?

Additional research will be made available to Phase II participants.

45. Other than expiration of the current contract, are there any other reasons that you are conducting this RFP right now?

Per the NC State Lottery Act, any contract over \$300,000 must be procured pursuant to a competitive selection process. This competitive selection process would be required for professional advertising services at the end of the current agreement period. The NCEL has two additional renewal terms available for the current contract, but is opting for an RFP.

The purpose of this RFP is to identify and award contract(s) to the agency or agencies who prove to be the most strategic and innovative partner(s) for the NCEL to plan, develop,

and execute effective advertising, marketing and media programs to help the NCEL meet its objectives.

46. Will the incumbent agency (Contractor) be participating in the review?

By law, the RFP is opened to all agencies, including the incumbent agency, that meet the requirements of the RFP. The NCEL does not know which or if any agencies will be submitting a proposal until the Phase I deadline.

47. What challenges are you facing with your current agency partner(s)?

The following response applies to all of the NCEL's agency partners (past, current and future).

From any agency partner, we need strategic thinking and innovative approaches to help achieve our goals. With a demanding launch schedule for new products, agency partners need industry expertise, strong executional capabilities and have the flexibility to manage changes.

The NCEL and its agency partner(s) should develop a relationship based on clear and open communication, trust, respect and accountability. Our agency partner(s) is a critical source for the NCEL's marketing and advertising needs. A seasoned team of experts using their experience and insights to provide solid ideas and solutions is crucial. An agency partner(s) should be confident in bringing forward new, insight driven ideas that challenge the Lottery, but also be willing to address the questions and concerns that arise from new ideas and approaches. Our agency partner(s) should ultimately feel ownership over the NCEL business and brand, making the jobs of ensuring continued success and protecting the NCEL brand its top priorities.

48. What are you looking for in an agency partner besides the capabilities to handle the scope you've outlined?

The successful Contractor(s) will play a vital role in the future growth of the NCEL. As a result we desire a partnership with an experienced agency partner(s) who is committed to understanding the lottery business and our portfolio of products. To further aid the NCEL, the agency partner must possess the strong strategic planning abilities critical for both the development of insightful creative campaigns as well as effective media plans. We believe our agency partner(s) must be knowledgeable with respect to our goals, passionate about our business and mission, and sincerely committed to helping the NCEL succeed. We most appreciate a relationship based on clear and open communication, trust, respect and accountability. Our agency partner(s) is a critical source for the NCEL's marketing and advertising needs. A seasoned team of experts using their experience and insights to provide solid ideas and solutions is crucial. An agency partner(s) should be confident in bringing forward new, insight driven ideas that challenge the Lottery, but also

be willing to address the questions and concerns that arise from new ideas and approaches. Our agency partner(s) should ultimately feel ownership over the NCEL business and brand, making the jobs of ensuring continued success and protecting the NCEL brand its top priorities.

49. What do you envision the biggest challenge being for your new agency partner(s)?

Perhaps the most critical challenge the NCEL and its partner(s) will face is to maintain and build on the lottery's previous success. Although new products will always be introduced, the NCEL must rely on effectively reaching new lottery players with breakthrough creative that motivates lottery play. As existing players age, we must strive to be relevant to younger players. As new products continue to be introduced, the NCEL must also find effective ways in which to strategically drive and maintain awareness across all games in our portfolio.

50. Historically what medium or media have performed the best for achieving NCEL's KPIs?

Historically, network TV has performed the best; however, the ideal media mix truly depends on the specific product and the overall goals for the campaign.

51. What are your current practices regarding analytics and marketing mix modeling? Are these items managed by your agency, or by a third-party?

Currently the NCEL is securing research to determine the sales impact generated by advertising spend by individual media channels such as television, radio, online video and display ads, and out-of-home ads. We wish to gain detailed knowledge of the effectiveness and efficiency of each media channel by conducting robust analysis to inform planning including budget allocation across the various media types and markets within North Carolina. The goal is to identify advertising and media to maximize revenue generation while minimizing expenses. In addition, the NCEL would like to develop an independent model to measure effectiveness moving forward. The media mix modeling research is intended to help the NCEL better understand the current return on advertising investment, both overall and by media type, and how to best optimize these to drive incremental ticket sales while adjusting for factors such as weather, game jackpots, economic factors, and additional product competition. The modeling tool will help with ongoing media modeling and evaluation. This will be developed in the absence of a modeling tool being available. The NCEL is open to alternative solutions that will help achieve the same goal if a media services responding contractor has a proprietary tool they prefer.

52. You have an extensive list of sports marketing, festival, and collegiate relationships. Are there potential partners that you have been interested in partnering with, but have not had the opportunity? If so, who are those partners?

The NCEL has enjoyed the opportunity to partner with many sports teams and festivals across the state and has continued those partnerships that have been beneficial to our organization. The list included in the RFP was provided to give a general overview of the NCEL's marketing efforts. It is the mission of the NCEL's Marketing Department to build the brand of the Lottery through strategic relationships with many community, sport and collegiate events across the state. These events are managed in-house by Marketing. The local events provide opportunities to educate the public about our games and provide beneficiary information about the lottery's support for education. The Marketing Department continues to research new events for expansion into areas of the state where our event presence may be limited. If new events meet our criteria for event selection, we will negotiate the best packages that provide the most exposure.

Sponsorship objectives include:

- Creating awareness of the NCEL and our specific lottery games
- Developing the NCEL's image as exciting entertainment
- Educating players on how to play lottery games and on our beneficiary programs
- Providing additional winning experiences with the NCEL through promotional games and activities
- Foster community partnerships through our support of local efforts

53. How is creative work evaluated? Is it through consensus from a particular group or a more autonomous source such as the director?

During the RFP process the creative work will be reviewed by the Evaluation Committee. After a contract is awarded, the Successful Contractor will present to a team comprised of individuals from the NCEL's advertising, marketing and product development departments. Final selection of creative is made by the Advertising Director and Deputy Executive Director of Brand Management. Final review and approval is provided by the NCEL's Executive Director.

54. Will your chosen agency partner(s) have a single point of contact for review/approvals at NCEL?

The Successful Contractor will present to a team comprised of individuals from the NCEL's advertising, marketing and product development departments. The NCEL will review creative and/or media internally and provide one-voice feedback to the Successful Contractor.

55. How do you streamline the approval process for creative concepts, media plans, etc.?

Detailed input documents are provided to identify both creative communications and media needs. Key NCEL team members attend kick-off calls to answer immediate questions. Creative concepts are presented to a small group comprised of individuals from the NCEL's advertising, marketing and product development departments. The NCEL

will review creative and/or media internally and provide one-voice feedback to the Successful Contractor. Timelines are reviewed on a weekly basis to identify approval needs.

56. How is your internal marketing organization structured?

The Brand Management and Communications Division includes the Advertising, Marketing, Product Development and Communications departments. Each department is headed by a director with various managers, supervisors, coordinators and analysts supporting each department's day-to-day functions. Each department reports to the Deputy Executive Director of Brand Management and Communications.

57. Can you please provide, for the most current year available, the breakdown of total spending by:

- a. Media spend: \$20,767,548
- b. Creative/production: \$2,900,000
- c. Agency fees: \$2,332,452
- d. Event/sports marketing: \$3,509,500
- e. Research: \$400,000
- f. Point of sale: \$964,500
- g. Public relations: Not currently allocated in FY19
- h. Other: Marketing Services: \$789,500

58. Can you please provide, for the most current year available, the breakdown of media spending by:

The current media spend of \$20,767,548 can be broken down as follows:

- Television - \$12,811,594
- Radio - \$4,015,368
- Out of Home - \$2,337,484
- Print - \$115,500
- Digital - \$1,487,602

59. What campaigns have you done within the last year that you are particularly proud of and why?

In an effort not to influence the creative development during the creative assignment, we will decline to comment.

60. Can a Contractor's affiliate (i.e., an entity controlled by or under common control with Contractor) act as a subcontractor?

Yes, please refer to Section 2.5 regarding disclosure requirements for subcontractor(s) that will be providing 25% or more of the work.

61. Can an advertising agency and a media agency that are affiliates (i.e., entities controlled by or under common control with Contractor) submit a joint proposal?

Yes, please refer to Section 2.5 regarding submission of joint proposal. Please also refer to Response to Question 4 regarding proposal submission.

62. In the case of a joint proposal, could the business for one type of service be awarded to one of the joint proposers, but not the other (e.g., If Agency A and Agency B make a joint proposal for Creative, Advertising and Marketing Communications Services and Media Planning and Buying Services, respectively, could Agency A be awarded the Creative, Advertising and Marketing Communications Services business if Agency B is not awarded the Media Planning and Buying Services business?)

Only if one agency can stand on their own without the other agency for purposes of background requirements (i.e., experience, integrity, financial viability, etc.) and that the joint proposal can easily be segregated based upon one portion of the proposal dedicated to Creative, Advertising and Marketing Communications Services and the other dedicated to media Planning and Buying Services. If the joint proposal has the two agencies intertwined so that evaluation of the one agency is difficult, then the NCEL will not be able to separate the proposal to award to only one agency from a joint proposal.

63. Will competitive bidding requirements in Section 2.8.3(l)(1) apply to items and services for which bidding is not customary, e.g., media space and time, talent, photography, music? Bidding will not be required where not customary and/or beneficial as in the case of media space and time, talent, and music. Photography may be bid depending on the specific situation.

64. If the Contractor is a subsidiary of a publicly traded parent that does not publicly disclose financial statements of its subsidiaries, can the Contractor meet the requirement of Section 4.5 by submitting the audited financial statements of its publicly traded parent?

Only if the subsidiary is included in the audited financial statements of its publicly traded parent.

65. In contracting with third parties, will NCEL grant Contractors the authority to contract with media and other third parties on the basis of sequential liability, whereby Contractor will be liable for payment only to the extent that NCEL has paid Contractor, and NCEL will be liable to the third party only to the extent that it has not paid Contractor? Yes, this is acceptable and how the NCEL currently conducts business.

66. If a subcontractor is an affiliate of the Contractor (i.e., an entity controlled by or under common control with Contractor), will NCEL grant that subcontractor authority to contract bind the NCEL to procure selected materials and services as authorized?

The Contract with the Successful Contractor will require that the prime contractor is responsible for all actions of its subcontractors.

67. Will the NCEL make full or partial advance payment where vendors require advanced payment?

Yes, this is acceptable and how the NCEL currently conducts business.

68. Do the maximum advertising expenditures of NCEL referenced in Section 2.8.3(l)(1)(k) include expenses paid to third parties (e.g., for media space and time, talent, photography, etc.). The section referenced in this question does not include information regarding maximum advertising expenditures. That said cost for media space is included in the Media budget. Third party costs associated with productions are included in the Creative Services Production budget.

69. Is there any alternative that will meet the criminal record check requirements in Part IV, Section 4.3, e.g., Could the Responding Contractor conduct the criminal record check and represent and/or certify to NCEL that the Responding Contractor, its parent, and the Responding Contractor's officers, directors, and applicable shareholders have successfully passed the criminal record check.

No, the NCEL is required by the North Carolina State Lottery Act to perform the background checks.

70. Can the criminal record check requirements in Part IV, Section 4.3 be limited to officers and directors that are employees of the Responding Contractor and not those of its parent company?

That will depend upon the involvement of the parent company with respect to the NCEL Contract.

71. If a Responding Contractor is subsidiary of a parent corporation, can the requirements in the second paragraph of Section 4.3 be limited to officers, directors and shareholders who are employees of the Responding Contractor, and not the parent corporation?

See Response to Question 70 above.

72. Will NCEL keep the results of the criminal record check requirements in Part IV, Section 4.3 and other required investigations in Attachments C and D of the RFP confidential?

Yes, all criminal record checks are strictly maintained by the NCEL Security Department. Responding Vendors have the option to submit the required background check forms directly to the Director of Security via encryption key.

73. Can you share details on your current media mix (% or spend by channel; by market)?

The current media spend of \$20,767,548 can be broken down as follows:

- Television - \$12,811,594
- Radio - \$4,015,368
- Out of Home - \$2,337,484
- Print - \$115,500
- Digital - \$1,487,602

Responding Contractors invited to participate in Phase II will be provided spend by market information.

74. What is one media tactic/channel/idea they have always wanted to try? Why haven't they?

No, there are not specific channels that we haven't had an opportunity to try.

75. Are there existing station contracts in place for live drawings and/or media spend (either time-based or fee)?

Yes draw station partners receive a percentage of the spend in their market.

76. Are on-air drawings a mandatory?

Please refer to question 10.

77. We appreciate the documents you've stated that you will share if we are a finalist (sales by country and brand tracker). Can we also review any existing target research, segmentation or anonymized new/lapsed player data?

Yes, available research will be provided to Phase II Finalists.

78. Aside from peaks when Mega Millions and Powerball jackpots are large, are there critical sales seasons you "must win" or times during the year you see as opportunity to grow frequency?

There is not a particular time of year for Powerball and Mega Millions, however, we look at performance for these games YOY and look to grow overall sales. February, March and April are traditionally high performing months for lottery sales in general.

79. How are out-of-pocket data management, tools and travel funded?

Responding Contractor's cost quotations should cover all services and other items required by the RFP as well as services deemed necessary by the Responding Contractor including charges incidental to the routine conduct of business. With respect to travel, the NCEL will reimburse for travel expenses for up to three employees at the NCEL's State Rate for production related expenses (page 40) as well as for up to two agency staff to attend lottery industry conferences (page 16). Travel expenses to lottery headquarters for meetings should be anticipated by the Responding Contractor and accounted for in the annual fee.

80. Page 18 – paragraph 1 references responsibility for creative development and production of an extensive array of merchandising items and point of sale materials. Does this include the procurement and production of all of the merchandise and premiums and retail materials (including display fixtures)?

Bidding and procurement of premium items is not part of the scope of the RFP and is typically handled internally by the NCEL. Point-of-sale or point-of-purchase materials or displays are included in the RFP (see page 18 section D) and includes both design and bidding of POS/POP. Retail design beyond POS/POP is considered optional and an hourly

rate can be provided on page 44. For example POS/POP might include a poster, banner, or cling displayed at a lottery retail location. Optional retail design might include a service such as designing a permanent lottery kiosk for ticket sales in a mall or airport.

81. Page 20 – What are your expectations for Multi-cultural marketing (MCM) efforts (content, media, retail materials)? And, can you confirm the target? Is it limited to Hispanic? Will MCM be part of all campaigns or will it be a separate initiative?

Our multi-cultural marketing efforts up to this point have included some point-of-sale translation and beneficiary focused newspapers ads, so our efforts have been fairly limited. Any future considerations would be reviewed to make sure that we are striving to be inclusive and not that we are targeting a group or economic class. We would endeavor to incorporate MCM into approximately two to four campaigns annually.

82. Page 22 Section 2.8.3.1 Optional Professional Services - are you looking for a blended rate across all departments for the execution of each type of work? Or, are you looking for an hourly rate for incremental internal SME (Subject Matter Experts) to guide each effort?

Responding Contractors who participate in Phase II will complete and submit the Optional Services Cost Proposal found on page 44. The Phase II Responding Contractor may opt to offer one blended rate for any of the services listed or may provide SME rates. We anticipate that this will be handled differently by Responding Contractors based on their particular abilities.

83. Page 31 Question E 7.d. – are bidding and procurement of all retail merchandise, premiums, materials, fixtures/displays a part of the RFP?

Bidding and procurement of premium items is not part of the scope of the RFP and is typically handled internally by the NCEL. Point-of-sale or point-of-purchase materials or displays are included in the RFP (see page 18 section D) and includes both design and bidding of POS/POP. Retail design beyond POS/POP is considered optional and an hourly rate can be provided on page 44. For example POS/POP might include a poster, banner, or cling displayed at a lottery retail location. Optional retail design might include a service such as designing a permanent lottery kiosk for ticket sales in a mall or airport.

84. Page 31 E.2.c - Should the diagram of the organization be inclusive of all employees or employees who would staff the account?

Please include all employees so that overall capacity is clear, but denote which staff positions would be assigned to the lottery account.

85. Page 47 B. Evaluation and Award Steps – can you provide more details on your evaluation criteria and scoring system of Phase 1 Proposals.

In Phase I, the relevant experience and capabilities of an agency will be viewed as most significant. There are 600 potential points for Phase I. An agency must score 70% at a minimum for consideration for Phase II. Ability to meet minimum requirements, case

histories, experience, and strategic processes are reviewed in detail during the Phase I evaluation process.

86. Page 30 2.8.5 Proposal Content – do you a preferred format (horizontal or vertical), size, and/or binding system for the proposal?

We have no preference.

87. Page 36 Advertising Strategy – what are your expectations for PR event or stunt (ambient). Can you clarify if PR part of the scope? Can you clarify what you mean by “ambient”?

PR is not part of the scope and is listed in the Optional Services Section for both creative and media services. Optional Costs Proposals can be found on Pages 44 and 46. Responding Contractors who offer PR services may be asked to develop strategies and implement tactics to amplify messaging to frame public perception of the NCEL including:

- Analyzing attitudes and issues that may impact the NCEL’s operations or goals.
- Creating content to educate and engage citizens aiding organizational aims.
- Protecting the reputation of the NCEL.
- Pitching on-air interviews with advertising partners.
- Soliciting/evaluating promotional opportunities from media partners.

PR events might include new game launch events or anniversary events. Such PR efforts could include a stunt of some type, perhaps a ticket giveaway or an ambient ad. By ambient advertising, we mean guerrilla marketing, including an unexpected ad placement to create buzz.

88. What is your current methodology for campaign measurement?

Currently, overall ticket sales, sales growth versus prior year, and game sales indices are used to evaluate success of ad campaigns.