



**pennsylvania**

DEPARTMENT OF REVENUE

BUREAU OF FISCAL MANAGEMENT

## NOTICE TO PROCEED

The Department of Revenue gives the "NOTICE TO PROCEED" for the following service:

VENDOR: M.J. Brunner, Inc.  
NOTIFICATION DATE: March 19, 2012  
DOCUMENT #: Funds Commitment # 4000016687  
EFFECTIVE DATE: March 19, 2012  
TERMINATION DATE: March 18, 2017  
CONTRACT AMOUNT: \$183,000,000  
BUREAU: Department of Revenue/Pennsylvania Lottery  
SERVICE TO BE PROVIDED: M.J. Brunner shall provide full professional advertising services and advice during the term of the Agreement, including but not limited to marketing concepts, designs, layouts, copy, research, liaison, public relations coordination and supervision, media placement, pre-testing of advertising materials, media recommendations, marketing assistance, sponsorships, and execution and supervision of all subcontracted assignments.

REMIT INVOICE TO: Pennsylvania Lottery  
ATTN: Jim Frye  
1200 Fulling Mill Rd, Suite 1  
Middletown, PA 17057

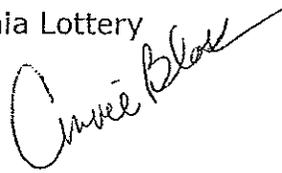
ACCOUNT CODES: Fund: 2027011000  
Cost Center: 1869001000  
GL Account: 6343200

Any individual giving permission to accept services for work to begin before said service is completely approved is in violation of this policy and may be held personally responsible.

The Commonwealth of Pennsylvania will not be obligated to pay a contractor for any services provided before the effective date of the contract.

**MEMO**

**DATE:** December 23, 2011  
**TO:** Todd Rucci, Executive Director, Pennsylvania Lottery  
**FROM:** Connie Bloss, Chairperson, RFP #2011-1  
**RE:** RFP #2011-1, Lottery Advertising Services



The Issuing Office designated to conduct the Lottery Advertising Services procurement has completed its evaluation in accordance with Commonwealth policies and procedures. As further described below, **Brunner**, is recommended for selection for contract negotiations for RFP #2011-1, Lottery Advertising Services. This memorandum also documents that all necessary steps were taken in conducting the procurement in accordance with provisions of the Commonwealth Procurement Code. To the extent that written determinations are required under the Code for any of the following steps and no attached record exists, this memorandum shall serve as written confirmation that such step occurred.

Public notice of the RFP was posted on the DGS website on August 31, 2011. An evaluation committee was established consisting of agency representatives from Revenue, Governor's Office, Health, BMWBO and General Services. A representative from the Comptroller's Office was invited and participated in the committee. A pre-proposal conference was conducted for this procurement on September 28, 2011. Potential offerors were given the opportunity in accordance with Section I-9 of the RFP to submit questions concerning the procurement to the Issuing Office. The official responses to the questions were incorporated into the RFP by addenda per Section I-10 of the RFP.

The Issuing Office established the relative importance of the major evaluation criteria prior to opening the proposals, consisting of technical 50%, cost 30% and disadvantaged business 20%. Proposals were opened in a manner to avoid disclosure of their contents to competing offerors. The sealed technical proposals were distributed to the evaluation committee and the disadvantaged business proposals were forwarded to the Bureau of Minority and Women Business Opportunities for its review and scoring. The Issuing Office retained the sealed cost proposals until the evaluation committee completed its technical evaluation.

Offerors were afforded approximately two months to respond to the RFP. Five proposals were received in total on or before the due date of October 27, 2011. On November 16, 2011 the evaluation committee reported the results of its technical evaluation to the

Issuing Office. As indicated in the overall scoring, three offerors' proposals, **Brunner**, MARC USA and Tierney, achieved initial overall scores placing them within the competitive range of proposals determined to be reasonably susceptible of being selected for award. Two offerors' technical submittals, Mullen and Stern, failed to score within the required 70% of the highest scoring technical submittal to be considered for selection for best and final offers or selection for contract negotiations.

As authorized by Section I-20 of the RFP, these offerors were selected to proceed to a "Best and Final Offers" phase of the evaluation process by participating in an oral presentation on December 7, 2011. Concurrently, BMWBO re-scored the three qualifying offerors. There was no disclosure of any information derived from proposals submitted by competing offerors.

At the conclusion of the oral presentations, the evaluation committee re-scored the technical portion of the RFP and were then dismissed. After that time, with Revenue counsel, the chairperson, a representative from BMWBO and the Comptroller's Office present, the cost and disadvantaged business portions of the RFP were opened and scored. It was determined at that time in accordance with Section I-20 of the RFP that the three remaining offerors would be asked to participate in a second phase of the "Best and Final Offers" process by submitting their best and final cost and disadvantaged business offers. All three offerors produced the requested materials no later than the due date which was December 19, 2011.

Based on the resulting revised pricing and disadvantaged business offers which were opened with the same representatives present on December 23, 2011, the overall scoring for this procurement concluded as follows:

<u>Offeror</u>	<u>Technical Score</u>	<u>DB Score</u>	<u>Price Score</u>	<u>DW Bonus</u>	<u>Overall Score</u>
<b>Brunner</b>	<b>419</b>	<b>200</b>	<b>251</b>	<b>30</b>	<b>900</b>
Tierney	500	43	282	30	855
MARC USA	420	25	300	30	775
<u>Suppliers NOT meeting 70% Technical Threshold</u>					
Mullen	262	N/Q	N/Q	N/Q	N/Q
Stern	191	N/Q	N/Q	N/Q	N/Q

After combining the final technical scores, final disadvantaged business scores, and final cost scores, in accordance with the relative weights assigned to these areas and fixed prior to the opening of the proposals, the proposal submitted by **Brunner** received the highest overall score.

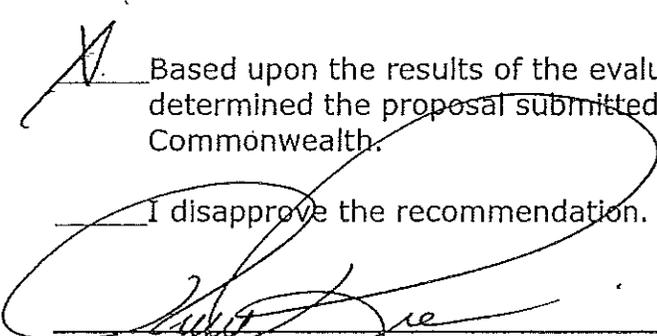
As part of its proposal, **Brunner**, has committed to subcontracting with five disadvantaged businesses for products and project services over the entire project timeframe. **Brunner** is committing 35.80% of the total value of its offering to 401 Group LLC, Market Space Communications, Splash Media LLC, Melior Group Inc. and Young & Company Inc. This represents approximately \$6,623,000 over five years contingent upon purchase and service volume.

As part of its proposal, **Brunner**, has certified that 100% of the work for this project will be performed in the United States or member WTO countries. **Brunner** and their respective proposed subcontractors will be verified as responsible contractors in accordance with Management Directive 215.9, Contractor Responsibility Program, prior to contract execution.

As the Evaluation Committee Chairperson, I recommend that **Brunner** be selected for contract negotiations. This recommended selection is based upon the results of the evaluation and review of the proposals as summarized above. Based on the cost submittal of this offeror, the value of the contract is estimated to be \$185 million for the initial five year term. The term of the contract will be five years with three optional years in any combination @ \$37 million per year.

Based upon the results of the evaluation and the above recommendation, I have determined the proposal submitted by **Brunner** is the most advantageous to the Commonwealth.

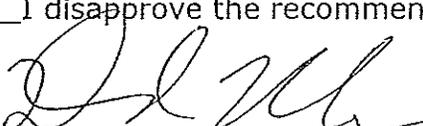
I disapprove the recommendation.

  
\_\_\_\_\_  
Todd Rucci, Executive Director, Pennsylvania Lottery

1/6/2012  
\_\_\_\_\_  
Date

Based upon the Lottery Executive Directors determination, I authorize the Issuing Office to proceed with contract negotiations with **Brunner**.

I disapprove the recommendation.

  
\_\_\_\_\_  
Daniel Meuser, Secretary of Revenue

1/6/12  
\_\_\_\_\_  
Date

AGREEMENT FOR LOTTERY ADVERTISING SERVICES

THIS AGREEMENT is made as of the 1<sup>st</sup> day of March, 2012, by and between the COMMONWEALTH OF PENNSYLVANIA, (hereinafter referred to as the "COMMONWEALTH"), acting through the DEPARTMENT OF REVENUE (hereinafter referred to as the "DEPARTMENT"), for the Pennsylvania Lottery (hereinafter referred to as the "LOTTERY" and M.J. BRUNNER INC., (hereinafter referred to as "AGENCY" or "CONTRACTOR"), a corporation duly organized and in good standing under the laws of the COMMONWEALTH, with offices at 11 Stanwix Street, Fifth Floor, Pittsburgh, Pennsylvania, 15222, and having Federal Employer Identification Number 25-1358415

WHEREAS, the DEPARTMENT has as one of its responsibilities the operation and management of the Pennsylvania Lottery, in accordance with the provisions of Act No. 91 of 1971, P.L. 351, approved August 26, 1971, as amended, sometimes known as the "State Lottery Law," (hereinafter also referred to as the "Act"); and,

WHEREAS, under the provisions of the Act, the DEPARTMENT has the authority and duty to pay costs incurred in the operation and administration of the LOTTERY, including costs resulting from any contracts entered into for promotional, advertising or operation services, or for the purchase of LOTTERY materials; and,

WHEREAS, the DEPARTMENT further has the authority to allocate monies from the Lottery Fund to pay the expenses of the operation of the LOTTERY; and,

WHEREAS, the DEPARTMENT deems it necessary to engage the services of a qualified advertising agency to perform the full range of advertising services; and,

WHEREAS, the AGENCY has demonstrated that it is qualified by training and experience to perform the services required in the manner and on the terms and conditions set forth herein; and,

WHEREAS, Officials of the COMMONWEALTH and the DEPARTMENT have determined that the AGENCY is qualified to serve the present needs of the COMMONWEALTH, Department of Revenue, Pennsylvania LOTTERY.

## II. AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals and of the mutual promises hereinafter set forth, and intending to be legally bound, the parties hereto agree as follows:

### 1. DEFINITIONS

As used in this Agreement, the term:

- a. "Agreement" shall mean this Agreement for Lottery Advertising Services dated as of the date first recited above.
- b. "Commencement Date" with respect to this Agreement shall mean the date affixed at the beginning of this Agreement.
- c. "Data", shall mean information including but not limited to written reports, studies, drawings or other graphic, electronic, chemical, or mechanical representations, and work of any similar nature which is required to be delivered by the AGENCY to the DEPARTMENT under this Agreement.
- d. "Lottery" shall mean the Pennsylvania Lottery.
- e. "Director" shall mean the Executive Director of the Pennsylvania Lottery.
- f. "Secretary" shall mean the Secretary of Revenue of the Commonwealth of Pennsylvania.
- g. "Subcontractor" with respect to this Agreement shall mean any individual or firm that provides goods or services which do not represent a component of a project or job being developed or managed by the AGENCY.

h. "Supplier/Vendor" with respect to this Agreement shall mean any individual or firm that provides goods or services which represent a component of a service, project or job developed or managed by the AGENCY.

i. "Term" with respect to this Agreement shall mean the five year period, plus any extensions, for which this Agreement is in effect.

2. WORK STATEMENT

The AGENCY shall provide full professional advertising services and advice during the term of the Agreement, including but not limited to marketing concepts, designs, layouts, copy, research, liaison, public relations coordination and supervision, media placement, pre-testing of advertising materials, media recommendations, marketing assistance, sponsorships, and execution and supervision of all subcontracted assignments as more fully set forth in the DEPARTMENT's Request for Proposals (hereinafter referred to as the "RFP"), attached hereto and made a part hereof as Appendix A, and any amendments thereto, and the AGENCY's Proposal, attached hereto and made a part hereof as Appendix B.

Included within these services as described above are any related or incidental services, functions or responsibilities or tasks not specifically described in this Agreement, but which are an inherent and necessary or customary part of AGENCY's services or that are required or reasonably necessary for the proper performance and provision of AGENCY's services, functions responsibilities or tasks set forth in AGENCY's Proposal.

The AGENCY shall prepare and submit to the DEPARTMENT annually or at such other times as required by the LOTTERY an advertising plan including all appropriate components as required by the DEPARTMENT. The plan shall be prepared in cooperation with the LOTTERY'S marketing division and submitted to the Secretary, the LOTTERY, and its marketing division. The document shall cover a period specified by the DEPARTMENT and

shall be submitted at a date specified by the DEPARTMENT, with the understanding that the AGENCY's initial advertising plan may be of an abbreviated nature due to the limited period of time between the Commencement Date and the date this CONTRACT receives all necessary Commonwealth approvals. The AGENCY shall provide employees as may be required by the DEPARTMENT for meetings and conferences at LOTTERY headquarters.

The AGENCY also shall provide general professional advertising services and advice to the DEPARTMENT and under the prices and terms set forth in this Agreement and any amendment(s) hereto. However, all obligations of the AGENCY under this paragraph shall be subject to the conditions as more fully set forth in the Terms Rider to this Agreement, attached hereto and made a part hereof, as Appendix F.

3. **CONTRACT TERM AND EXTENSIONS**

This Agreement is for a term commencing on the effective date, and expiring at midnight five (5) years from the Commencement Date, unless extended as hereinafter provided. It is understood and agreed by the parties that the DEPARTMENT, at its option, may extend the term of this Agreement for up to three (3) additional years in terms of one (1) year each, or any renewal period shorter in duration, not to exceed three years in total. The DEPARTMENT may exercise such option by sending written notice to the AGENCY at least three (3) months prior to the expiration date of the Agreement or by such other date as shall be mutually agreed upon by both parties in writing. Such extension(s) shall be based upon the terms and conditions agreed to between the DEPARTMENT and the AGENCY pursuant to this Agreement.

4. **PROPRIETARY RIGHTS**

The AGENCY shall relinquish to the DEPARTMENT any and all copyrights or privileges to Data developed and delivered to the DEPARTMENT under this Agreement. The AGENCY further agrees that it shall not include in the Data any copyrighted matter without the

written approval of the Secretary, unless the AGENCY provides the DEPARTMENT with the written permission of the copyright owner for the DEPARTMENT to use such copyrighted matter.

The AGENCY shall retain all rights to proprietary software tools and other proprietary technology it possesses at the time of the effective date of this Agreement, subject to the license granted to the DEPARTMENT to use such proprietary software tools and proprietary technology pursuant to this Agreement. The AGENCY shall provide the LOTTERY with a complete list of all claimed proprietary software tools and proprietary technology used in connection with the website prior to the commencement of services under this Agreement.

**5. INDEMNIFICATION**

The AGENCY shall indemnify and hold harmless the COMMONWEALTH, the DEPARTMENT and the LOTTERY, its agents and employees, from and against all claims, demands, actions, damages, losses and expenses, including reasonable attorney's fees, based upon or arising out of any activities performed by the AGENCY for loss or injury alleged to have been caused in whole or in part by any negligent or equally or more culpable act or omission of:

- (a) the AGENCY; or,
- (b) any subcontractor to the AGENCY; or,
- (c) any person directly or indirectly employed by the AGENCY or by a subcontractor to the AGENCY; or,
- (d) any person for whose acts or omissions the AGENCY or subcontractor to the AGENCY may be liable in performing obligations of the AGENCY under this Agreement, including situations in which the allegation is made that the alleged loss or injury was caused in part by an act or omission of any person or entity indemnified hereunder.

Notwithstanding the foregoing, in the case of loss or injury caused in part by persons listed in (a)-(d) above, the AGENCY'S indemnification shall be limited to its comparative share. The maximum liability of the AGENCY for any loss or injury set forth herein shall not exceed one million dollars (\$1,000,000).

6. **INDEPENDENT CONTRACTOR AND GOVERNMENTAL RESPONSIBILITY**

The AGENCY shall perform its services under this Agreement as an independent contractor and not as an employee or agent of the Commonwealth and shall provide and pay for such workmen's compensation and other insurance as is required by law. The AGENCY shall further provide for such social security, tax and any other payments or deductions as are required by law.

7. **PRIME CONTRACTOR RESPONSIBILITIES**

The AGENCY shall be the prime contractor, and, as such, is responsible for all contractual activities performed under this Agreement whether or not the AGENCY performs them. The AGENCY shall be the sole point of contact with regard to contractual matters, including payment of any or all charges under this Agreement.

8. **SUBCONTRACTING**

No subcontracting is permitted without the express, written approval of the DEPARTMENT. The DEPARTMENT reserves the right to require the AGENCY to replace, at no increase in the contract price or extension of the time for the AGENCY'S performance, such subcontractors reasonably found to be unacceptable to the DEPARTMENT. The AGENCY shall be responsible for enforcing against subcontractors those provisions of the Agreement applicable to subcontractors. Any change in subcontractors or in the location of facilities at which work is to be performed to a location outside the COMMONWEALTH, must be approved by the DEPARTMENT in writing prior to such change.

9. TICKET PURCHASE AND PRIZE PAYMENT RESTRICTIONS

The AGENCY acknowledges that, under the LOTTERY rules and regulations and DEPARTMENT policy generally, no officer or employee and no spouse, child, brother, sister, or parent residing in the household of any officer or employee of the AGENCY or of any subcontractor shall purchase a Pennsylvania Lottery ticket or be paid a prize in any Pennsylvania Lottery game. The AGENCY warrants that it has communicated this requirement to each officer and employee of the AGENCY and any subcontractors.

10. TERMS OF PAYMENT

The DEPARTMENT agrees to remit to the AGENCY, for the Term of this Agreement, plus any extensions and amendments, payment for services provided as set forth in Appendix C, Prices and Terms, attached hereto and made a part hereof by reference.

Payment for services will be made via a Funds Commitment rather than an agency purchase order. All references to "purchase order" or "purchase orders" in this Agreement or the Commonwealth's Standard Terms and Conditions, as set forth in Appendix A (attachment to the RFP) attached hereto and made a part hereof by reference shall be superseded by this Paragraph. A written notice to proceed signed by the DEPARTMENT will constitute the AGENCY's authority to make delivery, and shall evidence the existence of an executed contract. AGENCY shall submit invoices in accordance with the requirements of the DEPARTMENT.

11. ABSENCE OF CERTAIN CHANGES OR EVENTS

The AGENCY warrants that:

A. As of the effective date of this Agreement, the AGENCY has not, except as disclosed to the LOTTERY:

(1) sold, assigned, voluntarily encumbered, granted a license or sublicense with respect to or disposed of all or substantially all of its assets, other than in the

ordinary course of its business as conducted on the date of its Proposal dated October 27, 2011.

(2) entered into any contract or commitment except in the ordinary course of business except for acquisitions within its business area as conducted on the date of the AGENCY'S Proposal, October 27, 2011.

(3) changed in any respect material to this Agreement its business policies or practices;

(4) altered or revised in any way its accounting principles, procedures, methods or practices;

(5) entered into any other transaction or taken any other action except in the ordinary course of business as conducted on the date of its Proposal, October 27, 2011. Neither the DEPARTMENT nor the AGENCY are aware of any plans of any member of the AGENCY'S management, supervisory or key employees actively involved in the AGENCY'S performance of this Agreement to retire or otherwise cease being an employee of the AGENCY prior to or within one (1) year following the commencement of the term of this Agreement.

B. As of the effective date of this Agreement, there has been no material adverse change in the financial condition, business, properties, or prospects of the AGENCY.

If the AGENCY experiences any changes as outlined in A or B, above, during the period of this Agreement, the AGENCY shall notify the DEPARTMENT and the LOTTERY, in the manner set forth in Paragraph 23 of this Agreement, of such change at the time the change occurs or is identified, whichever is earlier. Failure to notify the DEPARTMENT and the LOTTERY of such change will be sufficient grounds for terminating this Agreement.

**12. KEY AGENCY PERSONNEL**

The DEPARTMENT has the right to designate up to five individuals employed by the AGENCY as personnel determined to be key to the successful implementation of this Agreement. Upon notice, as set forth in Paragraph 23 of this Agreement, by the DEPARTMENT of the designation of such key agency personnel, the AGENCY agrees to warrant to the DEPARTMENT, in writing, that it shall undertake to exert its best efforts consistent with the prudent conduct of business and reasonable terms of employment, to retain the services of such key personnel for the entire term of this Agreement plus all extensions thereof.

Should any of the designated employees terminate his or her employment, the AGENCY shall give advance notice to the DEPARTMENT within three (3) business days after the AGENCY becomes aware of the termination.

The AGENCY also warrants that it shall exert its best efforts to develop and maintain a staff of sufficient depth and continuity to serve the LOTTERY.

**13. DISADVANTAGED BUSINESS PARTICIPATION**

The AGENCY shall comply with all Disadvantaged Business Participation requirements as established by the Department of General Services, Bureau of Minority and Women Owned Businesses, and as outlined more fully in Section IV-6 of the RFP. This includes any reporting obligation concerning Disadvantaged Business and Enterprise Zone Small Business Participation, specifically, Prime Contractor Quarterly Utilization Reports.

**14. CONFIDENTIALITY**

The AGENCY agrees not to divulge or release any information, reports, or recommendations developed or obtained in connection with performance of this Agreement, except to authorized DEPARTMENT personnel or upon approval of the Secretary of Revenue. The AGENCY agrees to abide by the terms of the DEPARTMENT'S confidentiality provisions,

attached hereto and made a part hereof as Appendix D, which provisions shall survive the term of this Agreement and any extensions thereof. News releases pertaining to any service provided by the AGENCY under this Agreement will not be made without prior written approval of the DEPARTMENT.

**15. TAXES**

The DEPARTMENT shall have no responsibility for the payment of any federal, state or local taxes which become payable by the AGENCY or its subcontractors as a result of this Agreement. The DEPARTMENT agrees to provide the AGENCY with applicable Pennsylvania sales and use tax exemption certificates upon request.

The DEPARTMENT reserves the right to offset against the compensation due the AGENCY any COMMONWEALTH liability, except tax liabilities which are properly appealed by the AGENCY.

**16. ACCOUNTING RECORDS**

The AGENCY shall maintain, in accordance with generally accepted accounting principles, all pertinent books, documents, financial and accounting records and evidence pertaining to the Agreement to the extent and in such detail as necessary to document all net costs, direct and indirect, for which payment is claimed.

Subject to execution by the DEPARTMENT, or its designee, of the AGENCY'S confidentiality statement, such financial and accounting records shall be made available for inspection and copying, upon request, to the Department, its designees, the State Inspector General or any authorized agency of the Commonwealth of Pennsylvania at any time during the contract period and any extension thereof, and for three (3) years from expiration date or final payment under this Agreement, whichever is later in time.

**17. RIGHT TO AUDIT**

Subject to execution by the DEPARTMENT, or its designee, of the AGENCY'S confidentiality statement, the AGENCY agrees to permit the audit of its records by the DEPARTMENT, its designees, and the State Inspector General. All billings, cost, and financial accounting records, source documentation, data systems, programs, applications, project planning summaries, and filed summaries, will be available for audit, examination, inspection and copying. The COMMONWEALTH reserves the right to perform, at its sole discretion, additional audits, including but not limited to audits of a financial/compliance, economy/efficiency, program results nature, or limited scope audits. Additionally, the COMMONWEALTH and the DEPARTMENT reserve the right to inspect and copy any of the AGENCY'S third-party auditor's reports and management letters.

**18. WAIVER**

The failure of a party to insist upon strict adherence to any term of this Agreement shall not be considered a waiver or deprive the party of the right thereafter to insist upon strict adherence to that term or any other term of the Agreement.

**19. AMENDMENTS, MODIFICATIONS**

This Agreement may not be modified, amended, or extended, unless in writing and signed by both parties. Any such modification or amendment shall be as the parties may mutually agree and shall be as permitted by law. Any breach or default by a party shall not be waived or released other than through a writing signed by the non-breaching or non-defaulting party.

**20. DISPUTE**

In the event that any dispute arises between the parties with respect to the performance which is required of the AGENCY under this Agreement, the DEPARTMENT shall make a

determination in writing of its interpretation and shall send the same to the AGENCY. That interpretation shall be final, conclusive and unreviewable in all respects, unless the AGENCY within thirty (30) days of the receipt of said writing delivers a written appeal to the Secretary of Revenue or his duly authorized designee. The decision of the Secretary (or said designee) on any such appeal shall be final, conclusive and unreviewable in that the AGENCY shall thereafter with good faith and diligence render such performance as the DEPARTMENT or Secretary of Revenue has determined is required of it. The AGENCY'S sole options with respect to any such decision shall be either:

- (1) to accept said decision as a correct and binding interpretation of the Agreement; or,
- (2) to make such claim as it may desire to the COMMONWEALTH'S Board of Claims pursuant to the Act of May 20, 1937, P.L. 728, No. 193, as amended. 62 Pa.C.S.A. § 1721, et seq.

Pending a final resolution of any such claim brought before said Board, the AGENCY shall proceed diligently and in good faith with the performance of this Agreement as interpreted by the DEPARTMENT and the DEPARTMENT shall compensate the AGENCY pursuant to the terms of this Agreement.

## 21. TERMINATION

This Agreement may be terminated by the DEPARTMENT:

### A. For Convenience

- (1) The Commonwealth may terminate this Contract without cause by giving Contractor sixty (60) days prior written notice (Notice of Termination) whenever the Commonwealth shall determine that such termination is in the best interest of the Commonwealth (Termination for Convenience). Any such termination shall be effected by delivery to the Contractor of a Notice of Termination specifying the extent to which performance under this Contract is terminated either in whole or in part and the date on which

such termination becomes effective. In the event of termination hereunder, Contractor shall receive payment for the following:

- (i) all services performed consistent with the terms of the Contract prior to the effective date of termination;
- (ii) all actual and reasonable costs incurred by Contractor as a result of the termination of the Contract; and

In no event shall the Contractor be paid for any loss of anticipated profit (by the Contractor or any Subcontractor), loss of use of money, or administrative or overhead costs.

Failure to agree on any termination costs shall be a dispute handled in accordance with the Contract Controversies clause of this Contract.

B. Due to lack of funding, whereby the continuation of the Pennsylvania Lottery or its games shall be determined by the DEPARTMENT not to be in the best interest of the COMMONWEALTH. Such termination shall be effected by the DEPARTMENT sending notice to the AGENCY, in writing, of its intention to terminate at least thirty (30) days prior to the termination date;

C. By sending to the AGENCY at least thirty (30) days' notice that it will terminate this Agreement due to the AGENCY'S nonperformance or inadequate performance or other cause unless the AGENCY adequately remedies its nonperformance or inadequate performance or other cause during such reasonable period as the DEPARTMENT shall have specified; or,

D. Upon the occurrence of any changes, as set forth in Paragraph 12 of this Agreement, which the DEPARTMENT, in its sole discretion, determines to be contrary to the best interest of the COMMONWEALTH by sending to the AGENCY at least thirty (30) days' notice prior to the termination date.

22. NOTICE

The parties agree that all notices given pursuant to the terms of this Agreement shall be sufficient and deemed given upon receipt if in writing and mailed first class mail or overnight delivery service. Any such notice or communication shall be sent to the following addresses of the respective parties, or such other addresses as may be designated from time to time by the parties in writing:

- (a) As to the DEPARTMENT:

Secretary of Revenue  
Pennsylvania Department of Revenue  
11th Floor, Executive Office  
Strawberry Square  
Harrisburg, Pennsylvania 17128-1133  
Telephone No. (717) 783-3683  
Facsimile No. (717) 787-3990

and

Executive Director  
Pennsylvania State Lottery  
1200 Fulling Mill Road  
Middletown, Pennsylvania 17057  
Telephone No. (717) 702-8000  
Facsimile No. (717) 702-8024

- (b) As to the AGENCY:

Michael Brunner  
M.J. Brunner, Inc.  
11 Stanwix Street  
Pittsburgh PA 15222 19  
Telephone No. (412) 995-9514

23. ORDER OF PRECEDENCE

This Agreement shall be interpreted in the following order of precedence:

- (1) The Rider
- (2) Contract terms;

(3) The RFP (including STD-272 Commonwealth Standard Terms and Conditions, attached as an exhibit to the RFP);

(4) AGENCY'S proposal.

24. **RESOLUTION**

The Resolution signed by the President of the AGENCY or its Secretary or Assistant Secretary, authorizing the signatory to execute this Agreement between the AGENCY and the Commonwealth of Pennsylvania is attached hereto and made a part hereof as Appendix E.

25. **APPENDICES**

The following documents are hereby made a part of this Agreement and are included as Appendices hereto:

APPENDIX A	Request for Proposals dated August 31, 2011.
APPENDIX B	Proposal for Advertising Services to the Pennsylvania State Lottery dated October 27, 2011.
APPENDIX C	Prices and Terms
APPENDIX D	Confidentiality Provisions
APPENDIX E	Resolution
APPENDIX F	Terms Rider

26. **GENERAL PROVISIONS**

This Agreement shall be governed by and construed according to the laws of the Commonwealth of Pennsylvania. This Agreement constitutes the entire Agreement between the DEPARTMENT and the AGENCY with respect to lottery advertising services.

27. **EFFECTIVE DATE**

This Agreement shall be effective only upon full and complete execution by all of the signatories hereto, including the Office of Attorney General. No party shall have any right to

rely upon any terms of this Agreement until all required signatures have been affixed to this Agreement, including all required signatures for form and legality.

**28. TRANSITION**

The DEPARTMENT contemplates awarding a contract for advertising services approximately three (3) months prior to the expiration date of this Agreement. AGENCY agrees that the DEPARTMENT reserves the right to utilize the last three months of the Term to transition to a new vendor. AGENCY shall cooperate with the DEPARTMENT in connection with any transition to the new vendor. Such cooperation shall include, but not be limited to, AGENCY's negotiation of any television or production studio contracts, and the facilitation of any marketing plans required by AGENCY under the terms of this Agreement. AGENCY shall be fully compensated for said transition activities in accordance with the Prices and Terms as set forth in Appendix C.

**29. SEVERABILITY**

If a court of competent jurisdiction determines any portion of this Agreement to be invalid, it shall be severed and the remaining portions of this Agreement shall remain in effect.

[Remainder of Page Intentionally Left Blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly

executed as of the day and year first above written.

COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF REVENUE

M.J. BRUNNER INC.

Daniel P. Meuser / cee  
Daniel P. Meuser  
Secretary of Revenue

By: Michael J. Brunner  
Michael Brunner  
President - CEO + Chairman

SAP DOCUMENT NO. 40000 / 6687  
FUND \_\_\_\_\_  
G/L ACCOUNT \_\_\_\_\_  
COST CENTER \_\_\_\_\_  
AMOUNT \_\_\_\_\_

BY Christina E. Lyons 3/19/12  
FOR COMPTROLLER DATE  
Comptroller  
Department of Revenue

Approved as to legality and manner of execution:

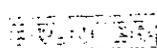
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II-1. STATEMENT OF THE PROBLEM.....	4
II-2. MANAGEMENT SUMMARY.....	5
II-3. WORK PLAN.....	6
A. Annual Plan.....	10
B. Marketing Plan.....	18
C. Research Plan.....	35
D. New Media/Interactive Program.....	46
E. New Game Concepts.....	55
F. Niche Marketing.....	62
G. Best Practices in Consumer Marketing.....	66
H. Cooperative Advertising.....	72
I. Loyalty Programs.....	75
J. Advertising Agency and Instant and Terminal-Based Vendors.....	83
K. Additional Concepts.....	87
APPENDIX 1 II-4. PRIOR EXPERIENCE.....	94
A. Offeror Experience.....	94
APPENDIX 2.....	99
B. Production Experience.....	99
APPENDIX 3.....	102
II-5. PERSONNEL.....	102
A. Organizational Charts.....	102
B. Resumes/Qualifications.....	103
APPENDIX 4.....	131
II-6. IDENTIFYING INFORMATION.....	131
A. Name and Address of business.....	131
B. Type of business entity.....	131
C. Place of incorporation.....	131
D. Major offices and other facilities.....	131
E. Subcontractors.....	131
F. Offeror's representative regarding all contractual matters.....	133
G. Offeror's representative regarding all technical matters.....	133
H. Federal Employer Identification number(s) and Pennsylvania tax identification number(s).....	133
I. Date of registration to do business in Pennsylvania along with registration number.....	133
APPENDIX 5.....	134
II-7. PRIOR PERFORMANCE AND DISCLOSURE.....	134

A. Offeror's Prior Contract Performance.....	134
B. Offeror Disclosure.....	134
APPENDIX 6.....	136
II-8.FINANCIAL CAPABILITY.....	136
A.Financial statements.....	136
B.Dun & Bradstreet comprehensive report.....	136
C. Securities and Exchange Commission (SEC), Reports:.....	136
D. Documented capitalized billable.....	137
APPENDIX 7.....	137
II-9.OBJECTIONS AND ADDITIONS TO STANDARD CONTRACT TERMS AND CONDITIONS.....	137
ADDENDUM 1.....	138
ADDENDUM 2.....	139
ADDENDUM 3.....	140
ADDENDUM 4.....	141

## II-1. STATEMENT OF THE PROBLEM

With advertising activity of this large a scale and so large a potential impact on Pennsylvania households, a statement of the nature and scale of the problem can be vital. Too much is at stake. A financial investment can be misallocated if any agency does not have a strong focus on the problem ... or does not understand factors that can dramatically impact the Lottery performance. Accurate assessment of the problem will help the selected agency to develop ideas that are optimally effective and cost-efficient and to distinguish the "interesting idea" from the "needed recommendation."

In addition, understanding key strengths and commitments of the Lottery itself goes hand-in-hand with understanding the problems it faces. Together, a knowledge of both these factors increases the likelihood of effective agency partnership and marketing success.

Current Lottery strengths, for example, include but are not limited to:

- Enhanced commitment to providing increased funding for programs benefitting older Pennsylvanians
- Renewed commitment to innovative synergistic instant and online game designs and deep appreciation of the impact of game design on net revenue
- Fresh commitment to advertising innovation and discipline
- A retailer network whose *per capita* penetration – about 1:1,260 – is very strong and well poised for future growth

With the above in mind, we believe the problem is to:

- Begin to set new records in net revenue beginning in FY 2012-2013
- By developing new sales-building synergy among product improvement, sales promotion, new products, winner awareness, retailer sales-building and effective advertising
- Using media plans that are optimally efficient and appropriately utilize digital options

- As well as fresh appropriate communications about benefits to older Pennsylvanians whose ranks in the third-oldest state in the nation are about to include waves of Baby Boomers

Many advertising tactics will flow from this problem statement. Brunner is in a strong state of readiness to execute these needed steps— including market research, production, our “Lowest Cost Media”™ buying, post-buy analyses, TV drawing show negotiation and more – as well as develop an all-inclusive plan integrating these tactics with the goal of achieving, in a manner commensurate with the dignity of the Commonwealth of Pennsylvania, a solution to the problems as stated.

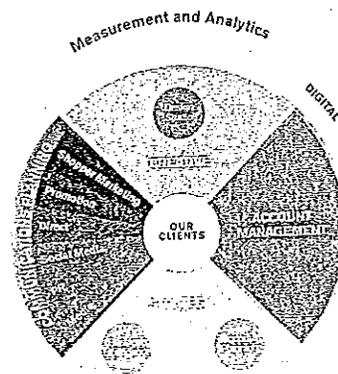
We believe that our Statement of the Problem flows directly from the Governor’s vigorous support of a stronger Lottery Fund overall, and his commitment as expressed in reference to the Lottery law and PACE/PACE NET programs—to “fulfill that promise to our older citizens ensuring their benefits are protected.”

## II-2. MANAGEMENT SUMMARY

Brunner, one of the leading independent advertising agencies in the nation and one of the largest and most successful firms in the Commonwealth, is a full-service, integrated marketing communications firm that proposes to deliver a full range of services, along with our selected business partners, to the Lottery.

### Proposed Effort and Deliverable Services

The spectrum of services we will provide includes everything from annual and long-range strategic planning support to marketing plan development and implementation at all communications touch points. We will develop and produce all advertising in support of current and future Lottery games. We will develop comprehensive



media plans and we will handle all research, negotiations, billing administration, and a formal proof of performance process with applicable media outlets and partners. Brunner is also prepared to handle all aspects of the negotiation, production, transmission and airing of the live, nightly televised drawing show. Deliverables will include a formal agreement with an approved production studio in Harrisburg, an uplink facility as well as six major TV stations throughout the Commonwealth. Brunner will also deliver a full-range of interactive/digital and social media services, and our team will be prepared to participate as needed in any related activities designed to promote the Lottery. We are able to identify, negotiate and purchase effective and efficient partnerships with third parties on behalf of the Lottery in support of relevant marketing communications efforts. Brunner's Business Intelligence team is prepared to design and execute research studies based on the approved Lottery research plan. We also will utilize our in-house experts in Shopper Marketing, Retailer/Consumer promotion and P.O.P. on the Lottery's behalf.

Finally, with our comprehensive in-house PR capability, we are prepared to support the range of potential PR needs of the Lottery including but not limited to, event planning, local market and retailer promotional support, game publicity, winner awareness, and the all important benefits messaging for our true mission of benefiting older Pennsylvanians.

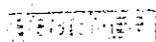
All work, at all stages of development, in every discipline will be reviewed with and approved by appropriate Lottery stakeholders in accordance with the high ethical, moral and creative standards of both Brunner and the Lottery.

### II-3. WORK PLAN

Brunner's technical plan for completing the comprehensive set of tasks outlined in Section IV of the PA Lottery RFP is as follows: We will employ a mix of agency personnel that will include active and significant involvement from a cross section of agency resources at

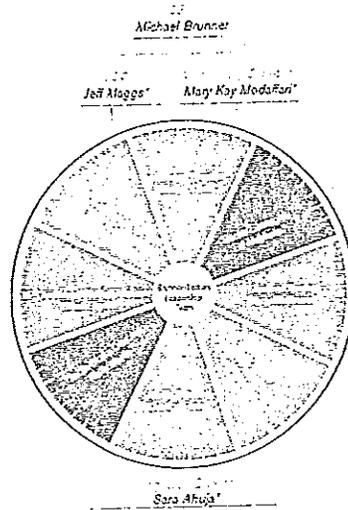
all levels in a wide spectrum of disciplines. In total, based on our current understanding of the tasks and the workload involved in successfully executing these tasks on behalf of the Lottery, we are estimating a total of roughly 33,000 agency resource hours which represents 20 FTEs supporting the Lottery business at Brunner. The core Lottery team at Brunner will be managed at the very top of the organization by two members of the agency's Executive Management Team as the EMT Sponsors. These representatives will be ultimately responsible, in collaboration with the Senior Account Director, and other senior members of the core team, for ensuring that all of the agency's products and services are delivered at the highest quality level and in complete accordance with all Lottery standards of excellence.

Brunner's core Lottery leadership team will consist of eight (8) of our most senior associates representing all key disciplines in the agency. Our team consists of a mix of professionals with deep and broad lottery expertise in both the Commonwealth and along with other team members who bring a vast array of experiences from diverse global, national and regional brands in a host of consumer and professional business categories (@1,600 hours annually). This collective experience will be brought together to present the Lottery with some of the finest thinking in marketing communications from world-class marketers who call Brunner home. As our Organization Chart indicates on the next page, our team will include a strong Account Management team of three professionals who will be 100% dedicated to the Lottery (@4,800 hours annually). Our Creative team will be lead by a seasoned Creative Director and will include a fully dedicated Broadcast Producer and two Copywriter/Art Director teams as well as a mix of developers and designers who will work on offline and digital efforts on behalf of the Lottery (@9,000 hours annually). We will dedicate a robust and highly skilled media planning and buying team to the Lottery. This team will be lead by a Media Director who will drive the planning process along with a Director of Buying who will lead a group of buyers/media and



market specialists, as well as media administration and billing staff who will ensure that billing is timely, accurate and in complete accordance with Lottery requirements. Brunner's media team has a diverse set of skills that includes offline specialists, digital/new media experts and individuals who are able to play across an ever fragmented media landscape. This team will also lead our media vendor selection and management process, and will require appropriate proof of

PA Lottery Team



(Krisan Cook) (Andy McKenna) Petra Arbacia (Candice Patak) (Keith Martin)  
 New Hire (Gordon Robertson) Katy O'Brien David Lind Ed Mahlman Lisa Simpson Kathy Bakst Len Delyst  
 Jamie HS New Hire Heidi Henaker (By Market, By Medium) ProHeader, Designer  
 Kevin Corfield Mike Lashor Heidi Hanchar Debbie Zaccaro  
 Maria Tacunio Jan Nicholson Suzanne Baker / Marlon Starr  
 New Hire

performance documentation from all selected vendor partners/media outlets (@10,200 hours annually).

Our Integrated Communications Planning team will feature a diverse group of PR, Sales Promotion, Shopper Marketing and Research professionals as needed. This team along with our selected bid partners will be leading Niche Marketing efforts, Retailer support programs, Co-operative Advertising tie-ins, and Loyalty program development and execution, should this be an

approved part of the Lottery Marketing Plan going forward. And our Business Intelligence team will implement the approved research plan outlined in our RFP submission along with selected vendor partners and Lottery representatives. (The total hours for Integrated Communications Planning professionals are @4,000 annually.) The Brunner team will be supported by our full-service StudioWorks for proof reading, design services, and digital support services (@3,600 hours annually).

Regarding Program Evaluation and Review Technique (PERT), Brunner employees a robust Agency Scorecard (see below), which we have developed in collaboration with our industry association (AAAA) and a cross section of Brunner clients. This Agency Scorecard is customized for each client and provides an opportunity for the client (Lottery) and Brunner to evaluate each and every component of the agency's performance by discipline on a quarterly, semi-annual and or annual basis. This tool is used in conjunction with Brunner's proprietary CRICKET measurement and analytics tool which provides us with host of quantitative data sales, marketing and media performance data, and insights by campaign.

### Agency Scorecard Example

Weighted Agency Scorecard Example	
1. Overall Agency Performance	1 2 3 4 5 6 7 8 9 10
2. Client Satisfaction	1 2 3 4 5 6 7 8 9 10
3. Financial Performance	1 2 3 4 5 6 7 8 9 10
4. Marketing Performance	1 2 3 4 5 6 7 8 9 10
5. Media Performance	1 2 3 4 5 6 7 8 9 10
6. Sales Performance	1 2 3 4 5 6 7 8 9 10
7. Customer Retention	1 2 3 4 5 6 7 8 9 10
8. Innovation & Creativity	1 2 3 4 5 6 7 8 9 10
9. Operational Efficiency	1 2 3 4 5 6 7 8 9 10
10. Risk Management	1 2 3 4 5 6 7 8 9 10

## A. ANNUAL PLAN

### Goals

Our Plan is precisely focused on achieving the Lottery's stated objectives. A few words of detail on these three goals may demonstrate the precision we have applied to the plan and the standards we set for ourselves in serving clients and future clients.

First, regarding "maximizing the net proceeds for the Lottery Fund," we believe that the Lottery, it's Executive Director, the Secretary of Revenue and the Governor all see the potential for growth as we do. Therefore, the aim in our plan is to set an all-time record for net revenue growth in the 2012-2013 fiscal year, and to exceed in the near future the \$1 billion mark in annual net revenue. A new synergy of fresh thinking and true best practices will be required to achieve these goals, but we believe they are within reach.

Next, with regard to "marketing programs ... as to promote the positive image and integrity of the Lottery," we believe that this is accomplished not simply by avoiding inappropriate steps, but by embracing the mission of the Lottery being unique among all in the nation. There is a special understanding of how the Lottery relates to its players as well as citizens, as it especially relates to older Pennsylvanians, who receive benefits made possible by the Lottery revenue. We believe that this special understanding should be, and must be, more widely appreciated. This is simple due diligence and transparency, but it is also impacts the opinion of players who, as we propose, will come upon increasingly interesting products and communications.

Finally, marketing products "effectively and efficiently" must be a key not only to fulfill appropriate accountability requirements, but because misallocated investment means that worthy products, game development, well-crafted advertising and other tactics focused on net revenue growth may not get the investment needed to achieve objectives.

For these reasons, we pledge to address the Lottery's objectives with precision.

## Overview

This plan will build on current basic strengths of the Lottery – for example, it's understanding of the importance of game design, point of sale, efficient advertising planning and impact of emerging media and its fresh commitment to strengthen the Lottery Fund providing needed benefits to older Pennsylvanians.

As specified, this comprehensive plan narrative illustrates how we would approach the tasks required of the successful offer, including its synergistic work with the instant game service provider and terminal-based gamer provider. It flows from an understanding of the problems as expressed in Statement of the Problem.

## Overarching Initiatives

To address the Lottery's stated objectives, there will be many tactical suggestions but these four overall goals and initiatives are key.

### **Achieve all-time net revenue record figures in 2012-13 and beyond**

Plans to reach this goal begin with the development of new instant and terminal-based game design ideas, and a fresh-focused approach to developing such ideas.

Optimal game design is fundamental to sales and revenue success. All other tactics perform better when supporting superior games. Accordingly, we recommend several steps – many involving new levels of cooperation with the game providers – to (1) improve the process of strong game design (2) go to market faster by avoiding a sequential approach to marketing and (3) develop stronger promotional messaging by working with an interdisciplinary team from the outset of the development process. We've conferred with other state lotteries, for example the New York Lottery, regarding best practices which integrate and synergize certain development

functions. As a result of this research, our own experience and looking to Brunner's unique team, we offer these initiatives:

We recommend a "Game Team" a multi-discipline group consisting of appropriate senior-level individuals from the Lottery, ad agency and instant and terminal-based services providers.

Included in this agency commitment, we will devote an experienced account management individual specifically to work with instant and online game providers to assure optimal and seamless development of best-mix game portfolio.

The business partnership between the Lottery and instant and online service provider is key of course, but devoting additional experienced resources to the is effort -- from consumer research to game design to retailer training materials to advertising and promotion -- can improve game features to assure revenue performance and shorten the 'go to market' time by developing the entire game/launch program synergistically.

Regarding instant games, we will work with the Lottery and provider during instant game development periods and throughout the fiscal year.

Regarding terminal-based games, we recommend weekly meetings on game development, including (a) best practices in U.S. and around the world and (b) specific research of new games and features.

To maintain focus on online ideas which demonstrate promise, we suggest that this group shift its focus to a specific game to assure optimal features and launch time are achieved.

**Add a new retail chain to the Lottery network and provide innovative promotional support for all retailers**

We have contacted Bob Evans Restaurants, who is a current client of Brunner, with 38 locations in Pennsylvania, and following discussion they have expressed a desire to be a Pennsylvania Lottery retailer. Bob Evans restaurants have strong traffic and represent an audience and environment that can deliver new net sales.

The key sales "geography" in any retail product: the Point of Sale. We believe it is here – where, we understand, more than half of instant sales are purchased on impulse, for example that the Lottery can build on its retailer count growth of recent years. We also suggest a POS program featuring QR codes which can launch exciting messages from smart phones. Appropriate age-controlled messaging similar to those now used on the Lottery website, will be utilized here.

**Assure new level of media effectiveness in the current changing media landscape.**

Our "Media Effectiveness Discipline Strategies" (MEDS) is perfectly matched to the needs of the Lottery products. Our MEDS approach is generally applied to clients whose media plans are broadcast-centered but in need of ongoing updates to assure that emerging effective media are not overlooked.

Studies as recently as this month confirm need for ever-changing multi-platform approach for optimal awareness, synergistic frequency and retail sales results.

Fragmentation of media usage among consumers in Pennsylvania is a challenge, eroding the ability to reach and excite the consumer. The remedy requires ongoing review and reevaluation of annual media plans. The media landscape is simply changing too quickly and too often.

We will conduct quarterly reviews to assure state-of-the-art performance and cost efficiency.

Coordinating with our Digital Media Opportunities team, we will also provide "Weekly New Media Reports" to the Lottery covering emerging trends and social and geo-based media.

### **Communication of Benefits and Winner Awareness**

For reasons of transparency and as outreach to individuals who may qualify for Lottery Benefits, the Lottery has a responsibility to communicate in appropriate fashion the important and necessary details and scale of programs benefiting older Pennsylvanians.

For similar reasons of transparency, the communications of Winners and winnings is also important.

We believe such messages can also play a role in establishing a sales environment where the purchase of Lottery tickets is indeed by all – frequent players, light players, players of some games but not others, lapsed players and non-players – as a fundamentally worthwhile activity.

There are in our plan, many tactical steps, working in synergy, which build directly or indirectly on these fundamental initiatives.

### **Overview of Annual Planning**

The above overarching initiatives, we believe, will be important to address in 2012-2013, the fiscal year identified in the Request for Proposal as the one to address specifically. We believe these are likely key initiatives in the foreseeable, succeeding years as well.

### **Advertising**

A full-service advertising agency for 22 years, Brunner has all resources needed to develop advertising creative deliverables: concept development, message strategy, copywriting, design, art direction, print production, broadcast production, digital production and programming and more. In keeping with best practices of the American Association of Advertising Agencies,

Brunner carries out due diligence, when required, in bidding certain assignments involving television commercial production, radio commercial production, as well all activities carried out by a full-service advertising agency.

### Media Placement

A function of high importance for the Lottery, media placement at Brunner is complete using state-of-the-art tools to assure low cost and optimal performance. Functions include media planning, budgeting, media negotiating and placement, post – buy analysis, competitive spending analysis and more. Among the many state-of-the-art programs utilized are: Simmons, Scarborough, Nielsen, Arbitron, Neilson, Marketmate TV and radio, Neilson media mix analysis using clear decision software, IMS and comscore.

Specific propriety programs include:

- Media Effectiveness Discipline Strategies (MEDS). Our approach to assure optimal cost effectiveness which utilizes factors ranging from seasonality and trends in markets (Brunner is very closely attending to costs in the six Pennsylvania markets) to game sales goals.
- “Street Fighter” mentality. This dramatic wording represents the approach which our media buyers take on behalf of our clients. All media costs are negotiated. There are no real “rate cards” in our minds The client can depend on the total focus of media buying specialists — an appropriate sort of business ferociousness – to apply their funds with great care in an area where a few tenths of a percentage point can result in a visible dollar savings.
- Stewardship is a critical and ongoing service that a client receives from the Brunner Media team. Our long standing relationships with the rep community across the state allow us to insure the full effectiveness of the budget spent, of buys placed and troubleshooting as needed.

### Studio

Brunner’s StudioWorks offering comprises a large group of on-staff design and production professionals who are experts at developing traditional printed and digital materials, such as direct mail, email marketing, point of sale, product literature using traditional images and design, as well as tweets, tagging, QR codes, links, and more. Our work has won hundreds of

local, regional and national awards – and, more importantly, achieved strong sales results for clients. The StudioWorks team works with our creative group to ensure that all promotional materials are on strategy and designed to have the highest possible impact in the marketplace. We also can tap into other specialists through our Talent E-source network for other promotional needs as vetted by the Lottery.

It should be noted that print and digital art work produced for the Lottery, if desired, will be archived at Brunner for easy access by the Lottery.

### **Research and Measurement Analytics**

Our market research group has extensive experience in every major type of consumer research, including: advertising testing, tracking studies (product and awareness), surveys (online, phone or in person), quantitative studies such as segmentation studies, qualitative studies (focus groups, one-on-one studies), campaign measurement analytics, social media monitoring, and more.

As noted in Section II-3 C, our proposal Imagination Panel is an online community panel which provides an opportunity to develop new social media ideas and to remain up-to-the-second on current relevant trends.

Additional research and measurement analytics software and tools]:

#### **List of Measurement Tools:**

- **PR:** Cision point; PR Track
- **Web Measurement:** Google Analytics; Web Trends; Net Insights; Compete.com
- **Social Media:**
  - **Facebook:** Facebook Insights
  - **Twitter:** Twitter API; Bit.ly; Twitlyzer; Twitter Counter
  - **Sentiment (Social Media Monitoring):** Sysomos
- **Search Engine Marketing:** Google AdWords; Google Insights; Google Trends; Atlas
- **Display Media:** Atlas; Strata
- **Consumer Usage/ Trends/ Behaviors/Beliefs:** Experian Simmons; DataStream

In addition to this our clients use these sources:

- Coupons: Coupons Inc; SmartSource
- eMail: FishBowl; ExactTarget; Epsilon
- Sweepstakes: WildFire; ePrize

### Account Management

Brunner recognizes that experienced, trusted Account Managers are key to overall performance of the agency. We have a reputation for continuity and service, which we highly value – as do our clients. Accordingly, we propose an Account Management team composed of individuals with lottery experience (both in Pennsylvania and elsewhere) and with other relevant experience in complex multi-media and retail environments which will enable them to hit the ground sprinting to assist the Lottery in achieving net revenue records in the years ahead.

### Additional Services

In addition to the services highlighted above, Brunner also brings to the table a nationally recognized digital marketing practice (Brunner Digital), as well as strong public relations, consumer promotional services, and shopper marketing disciplines. These services combined with the ones described above, give us the ability to deliver highly impactful, integrated communications solutions that help our clients intersect their target consumers at all possible touchpoints and engage them at the deepest levels.

To further assure a hit the ground sprinting start and deeper resources throughout the assignment, Brunner has augmented its team by adding resources from nationally-recognized strategic communications and its digital engagement unit, Realtime Media (RTM). What's more RTM and Brunner propose that they address opportunities of a specially-designed Loyalty Program.

As requested as part of the annual plan, below is percentage allocation for the fiscal year 2012-2013.

**Budget Breakdown**

Agency Fee	11%
Production	13%
Minority Business	4%
Public Relations	1%
Media	64%
Research	2%
Other	5%

**B. MARKETING PLAN**

Brunner has developed a preliminary integrated marketing communications plan for the Lottery within this RFP. This plan addresses the Lottery's diverse consumer and retailer-related objectives for the period of July 1, 2012 through June 30, 2013 as we currently understand them. Our plan will continue to be refined as we collaborate with and gain insight from key Lottery stakeholders as well as from consumers. While the key tenants of our proposed plan will be highlighted in this section, the specific components of this holistic plan will be laid out in a comprehensive manner in the following sections of this RFP including the Annual Plan, the Media Plan, New Media/Interactive, Loyalty Program Design and Implementation, Research Plan, New Game Concepts, Niche Marketing Programs, Winner Awareness, Benefits Communications, Co-op Advertising, and finally in a special piece regarding our POV on Point-of-Sale Advertising support found in section II-3 K.

Interdisciplinary thinking is critical to success today as a result of ever changing and increasingly fragmented consumer media consumption habits and the explosion of technology-based delivery systems that have raised the bar on a brand's need to entertain, engage and inform its current and prospective target audiences. Messages must be delivered in a more intimate, customized, and constantly evolving fashion, format and forum. We recommend a mix of core plan components as well as an ability to test and learn in order to regularly optimize the impact of the plan against a set of clearly defined and highly measurable objectives. While our plan is highly orchestrated and interconnected, it must be nimble in order that we may be able to respond to changing market dynamics, economic conditions, media and marketing opportunities, competitive threats and new "news" that may present itself throughout the year. It is why Brunner's DNA focuses on being Smarter and Faster. Speed to market is critical, but so is our ability to change and react as appropriate.

Our goal is to create brand momentum by bringing together a team of right brain and left brain specialists from a wide spectrum of marketing disciplines that will remain a part of the core Brunner team for the Lottery throughout the duration of our engagement. However, while team consistency is obviously important, we will ensure that new and fresh perspectives are regularly brought to the table from a host of internal and external resources that will support our core integrated team of professionals who will live the Lottery day in and day out. These perspectives will come from a comprehensive and eclectic mix of partners as part of Brunner's eco-system that we have cultivated and activated over many years. We call it the BRC (Brunner Resource Community). Members of our BRC include universities like CMU, PSU, and PITT.

It includes industry associations like AAAA, AAF, DMA, Mobile Marketing Association, In-Store Marketing Institute, NRF, NASPL, and many others. Our BRC also includes industry icons like David Bell and others. Finally, we partner with a host of on-call

vertical specialists with whom we can connect on a myriad of relevant topics when we are working to solve specific problems and or identifying untapped opportunities for clients. This resource community and all of Brunner's power and might will be leveraged as appropriate on behalf of the Lottery.

The range of tools we will bring to bear in our plan include advertising, public relations, digital marketing, sales promotion, shopper/retail marketing as well as direct response marketers. This integration ensures a plan that is founded on a media agnostic or media neutral approach. We will balance a mix of owned, earned and paid media within the established \$37 million budget. The detailed budget breakdown appears as requested in Section II-3, A of this RFP.

The overall mission is to stretch every available budget dollar so that  $1+1=5$ . Added value will be negotiated and leveraged with all media partners to support enhanced winner and benefits awareness efforts that are critical components of the plan. We must be in the midst of consumer's minds and hearts on a consistent basis, 365 days a year. And, ultimately we must drive top line and bottom line business results for the short term while continuing to build the brand for the long run.

As you will see in the following pages, the cornerstone of our marketing plan is a robust media plan that efficiently and effectively supports all appropriate games in a manner directly proportionate to their current and potential impact on the Lottery's sales (and image). Broadcast, despite many reports of its imminent demise, is not going away. It will remain a major part of our recommended media mix. However, from a paid on-line media standpoint, there is an opportunity to dramatically extend the Lottery's reach by combining digital, with tried and true broadcast efforts. We will utilize mobile to supplement our broadcast in order to reach those consumers who don't watch TV or are light TV viewers, as well as those consumers who are utilizing available technologies to time shift their viewing and thus likely missing our message.

While today, mobile usage isn't as ubiquitous as TV and desktop internet usage, within the next two years it will surpass desktop usage among adult consumers throughout the Commonwealth. Therefore, we will recommend testing cutting edge location based tools like Foursquare and Gowalla—all the while gaining the added benefit of contemporizing the Lottery for those early adopters.

The Digital landscape is complex and ever changing with so many choices that make it a daunting task for marketers and brands to decide where to spend valuable time and limited resources in order to maximize ROI versus simply latching on to the latest shiny object or the newest technological toys in our communications toy box. Brunner will use CRICKET, our measurement and analytics program, to help the Lottery test and learn and then scale the programs that work while mitigating the risk associated with programs and media that don't deliver acceptable ROI. We will create and connect your customized digital eco-system that drives revenue and builds lasting relationships.

The plan will include a proactive and engaging social media effort that goes well beyond Facebook wall posts, or offer driven Twitter feeds. We will create a dialogue through entertaining content that can get passed along by your most loyal players who become advocates for the brand.

Another vital component of our recommended marketing plan will be Co-op Advertising. We will forge alliances with media partners, global brands with a strong presence and close connection with consumers in the Commonwealth like Heinz. Brunner has extensive Retail Marketing and account specific programming experiences as well as strong roots in LSM (Local Store Marketing) and Sales Promotion so we will be able to work with Lottery team members to drive programs down through the existing retail channel partners in a way that maximizes impact in store at the moment of truth. We have expertise working with a variety of national retailers

with strong PA footprints. We also have working relationships with several key PA-based retailers in a variety of categories and channels. We also have strong relationships with regional brands like Bob Evans Restaurants who is an excellent match for our Lottery products. Other key retailer partner prospects we plan to approach include Dick's Sporting Goods and GNC. We plan to leverage these relationships to build customized win/win retailer specific programs that increase Lottery revenue with and loyalty among existing Lottery retailers while also helping the Lottery expand its reach via associating with powerful retailers in channels that may fall outside the traditional Lottery comfort zone.

Brunner will help enhance and expand sponsorships and cooperative advertising among sports properties, venues and community initiatives as part of our proposed plan. This will occur not just in major markets, but in the nooks and crannies of the Commonwealth where many of our current and potential players reside and thrive. One way to increase exposure of the Lottery is a portable Lottery-branded vehicle, "Lottery on Wheels" positioned where crowds gather, in places, where people congregate and celebrate like sporting events, community events, concerts, etc.

Another component of our plan calls for an expansion or transformation of the VIP Club into a true points-based loyalty program that we call "Pennsylvania Rewards." While many loyalty programs will engage and reward loyal consumers, a strategically designed and smartly implemented program like the one Brunner and our strategic partner, Realtime Media, are recommending, can have the dual effect of driving higher levels of purchase from core consumers as well as rewarding Lottery retailers. "Pennsylvania Rewards" will offer consumers points for purchasing lottery games, assign those points value, and offer a marketplace where Lottery retailers can set reward levels to consumers. It will source all rewards in-state, from retailers that sell the Lottery. Rewards will drive traffic back to Lottery Retailers and allow them

to target their specific Lottery consumers with special offers. All of the details of our recommended and customized approach as well as an overview of our specific set of skills that make us particularly qualified to partner with the Lottery on this potentially game-changing endeavor are outlined in II-3 of the RFP.

Lastly, but certainly not least, our recommended plan calls for a renewed and enhanced focus on Winner Awareness and Benefits messaging using a mix of Advertising, Contemporary PR, (including Community Relations, Media Relations, Social Media outreach and Special Events), as well as Retailer Promotion tactics. In fact, we propose that we ratchet up the energy around these critical components of the Lottery's success formula by combining them under the umbrella of what we call "Winners Awareness". In our plan, we recommend that the entire definition of winning be turned on its ear so that winners are not only the players who win great prizes but also the older Pennsylvanians who benefit from the Lottery fund every single day in every single corner of the Commonwealth. We want to personalize the communications so that consumers truly get it. There should be no confusion around the simple fact that everyone in Pennsylvania has someone close to them who has been touched directly by the benefits that exist solely as a result of the Lottery. Whether it is the PACE program, Mass Transit, Meals on Wheels, the benefits are real and the people who receive them are real and they are everywhere. This is not some distant and detached group of old people. It is people like you and me. Like your parents, your grandparents, your friends. We want to help the Lottery transform the concept of "benefiting older Pennsylvanians" into a deep seeded emotional platform that truly resonates with consumers in order to inform, engage and inspire them and in fact to "WOW" them regarding the impact the Lottery represents. With the Lottery you might say that indeed "everyone is a winner!"

## Media Plan

### Introduction

We can use your words to sum up why our media capability is right for the Lottery—we deliver the strategic planning excellence you want combined with the “street fighter” mentality you need when negotiating to get the biggest bang for your media buck.

### Our Approach

#### Strategic Excellence

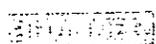
Interdisciplinary thinking is critical to success today, which is why we take a “360” approach to planning rooted in deep consumer insight that results in what we call Communications Planning. Professionals specializing in everything from media planning and buying to public relations to digital and direct to promotion, and beyond, work together to help our clients deliver consistent brand messages—sometimes in quite unexpected, some might even say “inventive,” ways—at every intersection with the target audience.

We make the collaboration easy within our organization with a one-profit-center business model. No one’s bonus depends on how much of your budget gets pulled into one discipline or another. It’s all focused on what we need to do to connect you with your customer business results.

#### The “Street Fighter” Mentality

We call it the value exchange. It’s the daily negotiation to deliver the best rates and value for every dollar you spend. We treat your marketing dollars as if they were our own, and we understand the importance of nailing the details from pre-buy to post-buy. We don’t want you to see this as value-added, but rather as what every client should expect from us every day.

We know we must always deliver three things with every contact plan we develop and implement for our client:



1. Efficiency – We must achieve the best value for your dollar.
2. Impact – We must break through the clutter to get your brand noticed.
3. Accountability – We must prove that it's working.

## Market Dynamics

There is one more reason we believe we're the right agency to handle your media: Our communications planning group has strong knowledge of your markets from years of working with retail clients ranging from PNC Bank and Mellon Bank to Eat'n Park and McDonald's to Sheetz Convenience Stores, Cub Cadet, Bob Evans, and more.

## Recommendation: Media Strategies

Three overarching strategies are recommended as a back drop to individual game programs:

- Provide Consistency – the Lottery is a 365-day-a-year business
- Modernize the Media Mix – continued fragmentation of media requires a full mix of media to reach our broad audience
- Recognize the “path to purchase” – take advantage of media that puts the Lottery message in close timing to a potential sale

## AUDIENCE BEHAVIOR

There is no “magic bullet” for reaching such a broad audience as adults 18+. What works for an older audience – TV and print – is only part of the media mix needed to effectively reach a younger audience – especially as consumer touch points and time-shifting options continue to grow. As dozens of messages battle constantly for attention, it's more important than ever to surround potential customers with as many meaningful touch points as possible.

	TV	Radio	Out-of-home	Digital	Social Media	Newspapers	Magazine
Adults, 18-54	Moderate	Moderate	Moderate	Heavy	Moderate	Light	Light
Adults, 55+	Heavy	Light	Light	Light	Light	Heavy	Heavy

Source: Simmons Spring NCS 2011, Pennsylvania residents 18-54 and 55+

How purchase decisions are influenced and made, and the number and frequency of connection points between our clients and their customers continues to accelerate. Many of

these connections are driven by digital touch points and as a result, digital media is an integral part of the communication mix.

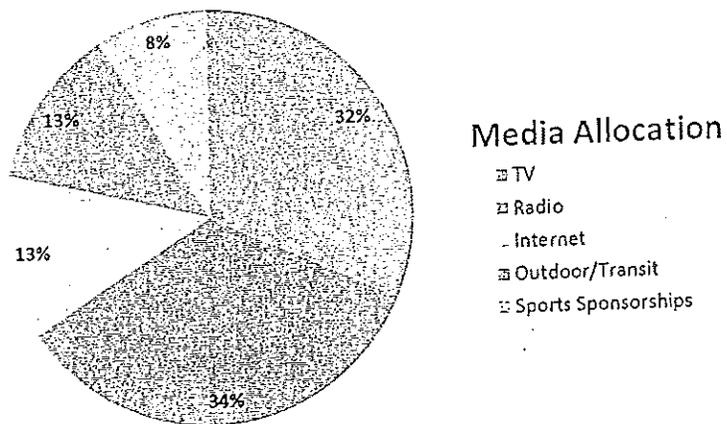
	News/Weather/Sports	Email	Medical Information	Play Online Games	Watch TV Shows/Video	Research a Purchase	Download Music
A18-54	X	X	X	X	X	X	X
A55+	X	X	X				

Source: Simmons Spring NCS 2011, Pennsylvania residents 18-54 and 55+

The bottom line... a hard-working mix of media vehicles is critical for effectively reaching the A18-54 half of the Lottery audience.

**Role of Media**

- **Game Support** – media creates awareness, frequency and immediacy to help influence the purchase process.
- **TV** remains the largest reach vehicle, and particularly effective in reaching A55+.
- **Radio** excels at reaching consumers close to point of sale—90% are in their vehicles less than 6 minutes before shopping. (source: Nielsen, June 2010)
- **Outdoor & Transit** are the perfect visual companions to radio’s longer-form audio messages, also reaching consumers on the go and close to point of sale.
- **Internet** advertising plays many important roles – video builds awareness by extending TV’s reach, mobile reaches consumers near or at the point of purchase, Facebook combines mass reach and social media/advocacy opportunities.





AND

- Roadblock strategy: maintain coverage through the week and increase coverage on the two drawing days of each game across all media to increase sales consistently, regardless of jackpot size
- This plan reaches 80% of all PA adults 18+ 4.5 times every week for 52 weeks for each game

Medium	Time	Details
:15 TV	5am-9am	Own high-performance daypart; gain early influence on purchase decisions
Online TV - :15 Video Pre-Roll	6pm-12am (primetime)	Hulu.com & TV network sites the evening prior to drawing days
:15 Radio	5am-7pm	1x per hour on drawing days - top 5+ stations; DJ live reads of local area winners & lottery benefits weekly as added value
Digital Outdoor	5am-9:30pm	Bulletins/posters used to round out digital coverage - 40% dedicated to PowerBall, 35% to MegaMillions
Bulletins/Posters	24 Hours	
Online video & rich media ads	5am-9:30pm	Local newspaper & TV sites, portals & ad networks
Facebook Ads	5am-9:30pm	Largest online reach; Target PA residents 18+ around games, sponsored stories
Mobile - MMS & in-app ads	5am-9:30pm	Top mobile ad nets (AdMob, Millennial)

# Cash 5

- Drive consistent sales, regardless of jackpot size, via a daily roadblock strategy around 5pm hour – “Cash 5 at 5” – across all media to reach consumers at work, home or on the go.
- This plan reaches 77% of all PA adults 18+ 3.7 times every week for 52 weeks

Medium	Time	Details
:15 TV	5pm	Own 5pm news hour on 3-4 stations daily
Online TV - :15 Video Pre-Roll	4pm - 6pm	Hulu.com and TV Network Sites
:60 Radio	5pm	1x on each of top 7+ stations everyday; DJ live reads of local area winners & lottery benefits weekly as added value
Digital Outdoor	5pm - 5:30pm	Bulletins/posters used to round out digital coverage -- 25% dedicated to Cash 5
Bulletins/Posters	24 Hours	
Online video & rich media ads	4pm - 6pm	Local newspaper & TV sites, portals & ad networks
Facebook Ads	4pm - 6pm	Largest online reach; Target PA residents 18+ around games, sponsored stories
Mobile - MMS and in-app ads	4pm - 6pm	Top mobile ad nets (AdMob, Millennial)

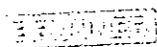


### INSTANTS

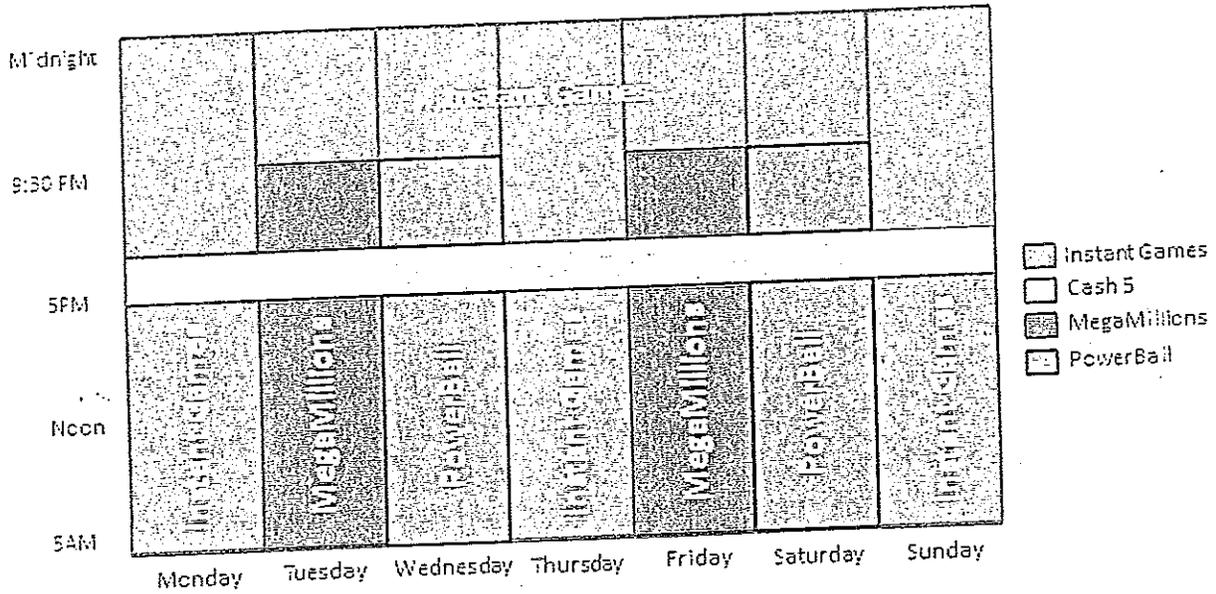
- Run heavy TV and radio the first week of each month to launch new games, and use out-of-home media to maintain sales throughout each month
- This plan reaches 89% of all PA adults 18+ 6.4 times every week for 52 weeks

Medium	Time	Details
:30 TV	5am-8pm	Multiple, high performing dayparts
Online TV - :15 Video Pre-Roll	6am-12am	Hulu.com and TV Network Sites
:60 Radio	6am-12am	Run across top 5-10 stations per DMA; DJ live reads of local area winners & lottery benefits weekly as added value
Digital Outdoor	M/Th/Su - all day except 5-5:30p M-Su 7pm - 12am	Updated to support new games monthly
Transit	24 Hours	Interior bus cards & transit shelters - promote new games monthly
Online video & rich media ads	6am-12am	Local newspaper & TV sites, portals & ad networks
Facebook Ads	6am-12am	Largest online reach; Target PA residents 18+ around games, sponsored stories
Mobile - MMS and in-app ads	6am-12am	Top mobile ad nets (AdMob, Millennial)

Other games such as: The Daily Number, Big 4, Quinto Treasure Hunt and Millionaire Raffle will be supported with customized POS and the Loyalty Program.



This diagram demonstrates how digital outdoor, for example, would be used as part of the roadblock strategy to cost efficiently support multiple games.



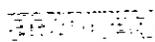
The negotiations to maintain and improve the nightly televised drawing are vitally important to providing winning numbers and other important information to players, potential player and all Commonwealth citizens.

With a total annual air-time value in the millions, and the need for highly reliable production resources, agency readiness to execute these negotiations and secure these services.

There are many issues to consider:

- Initial due diligence, appropriate vetting of specifications and, particularly in regard to production and transmission, initial communications to potential services provider
- Seeking appropriate value for Lottery information and the Lottery brand
- Impact of additional draws and products, especially in regard to Jackpot games
- Establishing appropriate policies regarding programming over-runs, make goods, and related
- Having experienced negotiating skills
- Concluding due diligence and reporting of performance at the conclusion of each year

The Brunner Media team understands these issues as well as the fundamental relationship between production costs and station compensation to the Lottery. And will dedicate it's most experienced senior media negotiators to this task to yield optimal value to the Lottery in terms of price, show appearance and total promotional value.



PA Lottery: Year Long Activity

	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	June
<b>RESEARCH</b>												
Research Audit												
Performance Measurement												
Annual Tracking Study												
Copy Testing												
Website Survey / Optimization												
Pro-Forms & Campaign Measurement & Analytics												
Business Building Insight												
Imagination Panel												
Digital Digest												
Quarterly Newsletter												
Social Media Monitoring												
Online Game Development & Validation												
Crowdsourcing Qualitative Ideation Consumer Session												
Quantitative Testing												
Contingency												
Segmentation Study												
Personas Research												
Insights Study												
<b>NEW MEDIA / INTERACTIVE PROGRAM</b>												
Mobile												
Winner Awareness												
Foursquare - Location based search / geo targeting												
Scratch & Win - Augmented Reality												
Online - Social Media												
Gamify Gus												
Social Media Engagement												
Website												
Vip Players Club												
Home Page Feature - Winner Awareness												
Strategic Content Design												
<b>NEW GAME CONCEPTS</b>												
Night Owl												
Pick'em												
The Colors of Money												
Foursquare - Mayor of Money												

On-going engagement throughout the year with monthly reporting

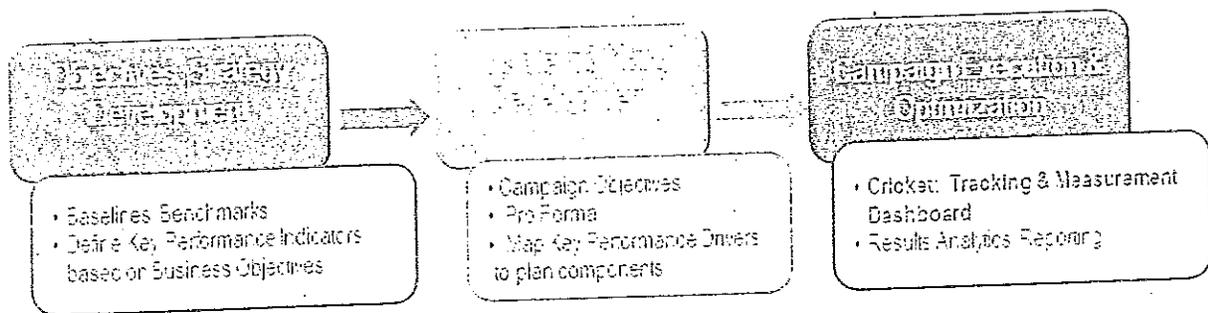
On-going engagement throughout the year



## Test & Learn Approach

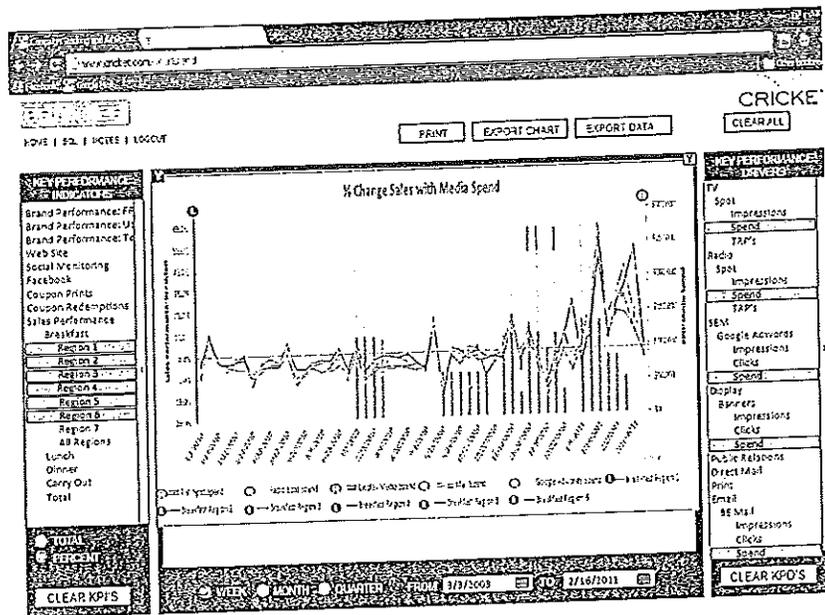
We understand that with so many online marketing options emerging seemingly almost daily, that it can be a daunting task to decide what to focus on. With the myriad of alternatives available to us, how do we collectively decide where to put our efforts? We can't do everything. At the same time, if we don't adopt an ROI driven test-and-learn approach, we risk being left completely behind.

We've developed a proprietary Measurement & Analytics approach which fuses measurement with the planning process.



And we've developed a reporting dashboard called CRICKET which helps us collectively evaluate and analyze our programs to decide what's working – and perhaps even more importantly what isn't – so that we can adjust course.

In short, we've invested heavily here in order to help make your life easier when it comes to being prepared for this



new world, which will only continue to become more complex.

### C. RESEARCH PLAN

The research need of a contemporary American lottery are quite varied – having significant revenue impact as it provides diagnostic input and improved performance on games, creative, media selection and more. Further, best practices in some jurisdictions as detailed in II-3 J shows that a more integrated cross-disciplinary application of research involving, for example, appropriate individuals from the Lottery, game services providers and ad agency can provide more insight and potential revenue game. Brunner is ready to address these contemporary needs in the 2012-2013 fiscal year as requested.

#### Introduction

Brunner research capabilities span project management, design, programming, analysis, insight, and target audience development refinement. Our research team works closely with the strategic planning team to ensure that all studies will lead to highly useful implications that can directly impact growth for the Lottery. This includes a better target market understanding so that messages are more effective at driving sales. It includes validation of concepts and new game ideas to ensure players will enjoy our new offerings. And it includes enhancement or creation of new marketing approaches that can grow the business through things like niche marketing, geographic strategies, retailer programs, loyalty programs, and more.

#### Recommendations:

We believe a research plan should be organic and flexible so that the Lottery can be opportunistic with new game ideas and culturally relevant games and messaging. The research recommendation is structured into four basic needs that we see:

- 1) Performance Measurement: We are recommending research to inform the quality and impact of our creative campaigns through copy testing and post-advertising and brand awareness

measurement. This includes measurement of digital activities as well as the overall tracking of the economic impact from marketing efforts.

- a) Assessing campaign effectiveness, forecasting ROI, measuring outcomes, and optimization of digital campaigns and website presence
- 2) Ongoing Business Building Insight: We believe it is critical to stay close to the pulse of our consumers to ensure that games, messages, and marketing tactics stay relevant. We also recommend using our consumers as sounding boards throughout our development process.
  - a) Consumer Panel, industry tracking, and social media listening
- 3) Online Game Development Creation & Validation: Brunner recommends that all major investments in new games be validated before proceeding to market
- 4) Contingency budget: We are recommending a contingency budget which will allow us the flexibility to properly inform, validate, and measure work that may not be currently anticipated. These are research recommendations that are currently not planned for in the annual research budget. We've also placed the segmentation study into the contingency research budget. Due to the large scale investment of these types of studies, our first goal would be to look at your existing research and leverage what you currently have before inventing something new.

If we are fortunate to move forward as a partner with the Lottery, we will conduct a Research Audit of the Pennsylvania Lottery research that has been conducted in the past 3 to 4 years. This is to ensure that we have the appropriate foundation for discerning the essence of the brand. Brunner will review the Lottery research to gain a deeper understanding of perceptions, player segments and target audiences, reactions to past potential proposed games, the competitive landscape (i.e., the competition for entertainment dollars), macro trends, the internal environment, outside influencers such as retailers, etc. Depending on the results of the review, we may determine that additional research (see contingency components) is needed to fill in any knowledge gaps.

## Performance Measurement

### Copy Testing (2 studies)

Copy testing will be employed to test creative ideas, concepts, and/or for vetting opportunistic promotions. Creative to be tested will be in animatic or storyboard form rather than fully produced work. We have allocated for two copy tests to be conducted throughout course of the year each entailing an online survey among 300-450 Pennsylvanians who play the lottery (various levels of play will be included). Final sample size will be determined based on the number of ideas/concepts to be tested in each evaluation. We believe this might be conducted under secure conditions involving VIP club members. This could be an added engagement value of the club.

The questionnaire would be developed by Brunner, in partnership with the Lottery, and is expected to average 10 minutes in length. For the purpose of this plan, we have assumed one- to two open-ended questions. Upon questionnaire approval, Brunner will program and host the survey. Emails will be deployed to qualified participants directing them to the survey. Each email will contain a hotlink to the survey, and the respondents can complete the survey at their convenience during a specified timeframe. Respondents will be offered an incentive (e.g., entry into a drawing) to maximize response rates.

### Annual Tracking Study

We recommend conducting an annual tracking study to measure the impact of marketing and gaming activities on perceptions of the Lottery and to assess the brand health. The objectives of the tracking study will include, but not be limited to, measuring Pennsylvanians awareness and perceptions, understanding of benefits, and attitudes towards the Lottery as well as recall of promotions and advertising. Additionally, we will evaluate the brand health on credibility (i.e., likeability & awareness) and momentum (i.e., uniqueness & relevance).

The tracking study will be employed via an online survey or a hybrid online/telephone methodology. Final methodology will be determined based on feasibility at the time of the study. Sample size for the tracking study will be 600-750 and will be dispersed across the Commonwealth.

#### Website Survey/Optimization (ongoing throughout the year)

We recommend engaging Foresee Results to conduct an ongoing website satisfaction survey. The purpose of this engagement is to gathering insights for site optimization on an ongoing basis to ensure visitors always have a positive experience which translates to positive brand perceptions and ultimately more ticket sales.

Utilizing an ongoing site survey will measure the website's impact on behaviors; perceptions of the brand and will provide information regarding who is visiting. Collecting the data is just the start; the analysis plays a key role, providing actionable insight such as:

- An in-depth understanding of overall satisfaction
- Understanding why site visitors do or do not purchase and level of play/spending.
- Identification of areas of the site that work well and those that do not and best practices to optimize engagement.
- Understanding of site traffic drivers (why do they visit/information sought – winning numbers, winning individuals, benefits information, etc.).
- Trending of satisfaction levels based on site changes/updates.
- Pro-Formas and Campaign Measurement & Analytics.
- These tactics will be completed on a campaign basis and are included in the overall campaign initiative budgets.
- Pro-Formas will be used to measure marketing investment against anticipated outcomes. Outcomes will be projected using benchmark conversion data either from the Lottery, the Brunner Data Depot, or industry benchmark standards. Back-end analytics will include a CRICKET (II-3, B) dashboard that will aggregate all campaign and sales data. This data will be analyzed to assess campaign performance and will be matched up with the pro-forma to identify opportunities for optimization in future campaigns.

## Ongoing Business Building Insight

### Imagination Panel

Building an imagination panel or online community of like minded individuals (i.e., share an interest in playing the Lottery), will provide a space for which to glean new ideas on an ongoing basis. We would recruit 100-150 members (age 18+), dispersed across the state, to join the community. Panel members may be recruited from the VIP Players Club, through outside resources, or a combination of the two. These individuals would be encouraged to engage with one another and share their thoughts, feelings, and ideas. Additionally, this community may be used as a sounding board for new game ideation, feedback on potential or current promotions, or even real-time response to lottery questions or concerns.

This panel or community would live online, in a secure environment that would only be accessible by invitation only. It will not be an open source.

### Digital Lottery Digest

Staying abreast of the digital and social media landscapes and knowing what others are doing, how they are using these spaces in innovative, thought provoking, and cutting edge ways not only keeps us informed, but also helps challenge us to think differently. Brunner proposes the adoption of a digital lottery digest or newsletter which we would produce 2 to 4 times a month (frequency will be determined based on available information).

We will seek to gather ongoing information on lotteries across the country and across the globe. Utilizing tools such as Google Alerts, RSS feeds, newsletter subscriptions, industry publication, etc. Brunner will aggregate the information into an easily digestible "digital digest."

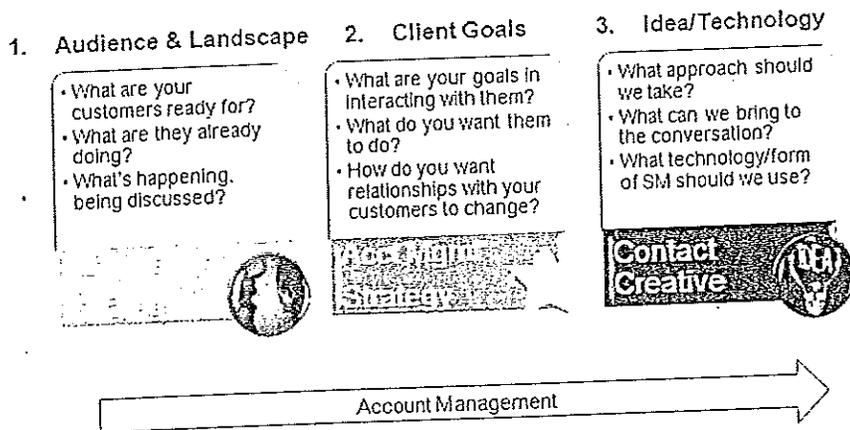
## Quarterly Newsletter

In addition to the digital world, it is also critical to on top of trends impacting the offline world. Utilizing resources such as iconoculture, Lexis Nexis, World Lottery Association, trade publications, etc., Brunner will develop an "internal" quarterly newsletter. The newsletter may include areas such as trends impacting consumer behaviors, spending, and entertainment options/choices, findings from non-PA lotteries and other competing entertainment venues, best practices, or even examples of unique ways to engage and communicate to consumers outside of the gaming category. The goal of the newsletter is to stay informed and to continuously cultivate ideas and insight.

## → Social Media Monitoring (bi-annually) *weekly / monthly / quarterly*

The social media landscape is ever changing with adoption of the medium growing every day by both consumers and businesses alike. Listening (to social media conversations can help meet many objectives including reputation management, market research, and campaign measurement.

Brunner has established the following process to outline opportunities and prescribe specific actions for our clients that will lead to long-term social media marketing success.



The first step in our process requires listening to existing social media discussions. Using a monitoring tool provides us the ability to listen to all social media conversations on any given topic. We can find out what audiences are saying about your brand, products, and competitors. We can learn how active the audiences are. What keywords and phrases are used most frequently in the conversations? What topic trends are happening over time? What specific social media are being used to have these conversations?

To stay up-to-date on social media conversations, Brunner recommends a listening engagement twice a year. This will supplement the weekly social and new media trends report proposed in the New Media program section II-3 D. As the listening progresses, a deck will be developed to capture the information and will include areas such as conversation volume, word clouds depicting the frequently mentioned words in conversations, conversation themes, conversation sentiment, topic trends which show the ebb and flow of conversations over a given time period and what days the conversations spike or dip, and why.

### **Terminal Based Game Development**

There is perhaps no more important research to be undertaken in the months and years ahead than that which is focused on developing new online features and games. The Lottery has developed a strong portfolio of terminal based games some of which, like Millionaire Raffle, have been models for other lotteries. But of course the challenges continue for fresh ideas; development activities must constantly be improved.

Further, we understand that terminal based game research is frequently executed by the online game services provider.

Successful terminal based game development can have significant impact on net revenue in 2012-2013. And we pledge to develop fresh approaches to achieve a new revenue record

figure in this year. The challenge of course is that there are many factors to consider, among them:

- Features and trends of current terminal based games
- Matrix Size
- Price Point
- Top Prize
- Overall Perceived value
- Manner of Play
- Manner of Draw
- Day of the Week for the draw

We suggest that the application of research resources among service providers and Brunner be integrated to achieve efficiencies of cost and time. A supplement to current development activities, a special interdisciplinary team dedicated to one new terminal based game and one significant new terminal based game feature in FY 2012-2013 be constituted. Perhaps, dubbed "ROAR" (Research for Online Additional Revenue), this dedicated team can synergistically utilize, analyze and assess research resources. An additional proprietary tool of ours may add fresh insights to this state-of-the-art mix of tools.

#### **Crowdsourcing Qualitative Ideation Consumer Session**

LiveLAB™ is a potent hybrid of brainstorming session, crowd sourcing initiative, and focus group. A live, dynamic, and transparent collaborative experience where marketers work together with their most influential, informed, and articulate consumers on generating new insights and marketing innovations.

In order to aid in the development of new games and compelling narratives (e.g., new types of prizes or payout narratives), Brunner would work with Headmint's LiveLAB and Lottery marketers to identify, interview, and hire a small group of the most informed, articulate, passionate "prosumers" of the lottery, and convene innovation workshops with them in order to harvest insights and ideas that are more likely to succeed as they have been co-created with the consumer, quite literally.

Respondents are recruited for an all-day session; marketing experts, lottery retailers, and other guest-thought leaders participate in a series of exercises through the course of the day to build upon ideation as a group. Throughout the day, ideas are created, vetted, and enhanced. This research will provide a forum for the audience to create ideas then react to them, and refine them in an iterative process that leads to a handful of powerful ideas at the end of the day.

### **Quantitative Testing**

Following the qualitative research, online game ideas or themes will be developed or concepts refined. We then recommend creative development testing via a quantitative survey. The survey could be used to test platforms variations, vet themes, or special promotions, etc. with the idea of coming away with an emerging leader which could then be further developed.

The survey would be conducted online and would be executed in a similar fashion to that previously described in the Copy Testing methodology.

### **Contingency Budget**

### **Segmentation Study**

Brunner recommends conducting a segmentation study depending on the "age" and relevance of any similar studies conducted in the recent past this will help us to understand who the target audience currently is, identify high- and low-value segments, and where white space opportunity may exist. Objectives to be addressed in the segmentation study include:

- Developing profiles of the current Lottery players
- Defining value placed on the Lottery
- Identifying potential white space for future target audience and positioning opportunities
- Evaluating potential target audience segments/psychographically define target(s)
- Identifying which potential audience is most viable for future communications (high value versus low value segments)
- Understanding and exploring the impact of the channel on ticket purchasing behaviors

There are two analytical methods of segmenting an audience via an online survey: a priori and post hoc. The method of segmentation refers to when the segments are defined. Segmentation research requires that respondents be clustered based on some set of responses that are identified before data collection (questionnaire design). In a priori segmentation, the variables and the segment definitions are both identified before data collection. Post hoc segmentation requires that the responses on which the segmentation will be based (but not the segment definitions) be identified. The segments are then determined by using an analytical technique (such as cluster analysis) after all the data is collected. This allows groups to be formed based on "natural" breaks in the data.

In order to reach the objectives of this study and gain the greatest insight into users, we recommend proceeding with a post hoc segmentation analysis. Deliverables will include the questionnaire, cross-tabulations, and a report illustrating recommended target profiles. In addition, once the profiles have been identified, all questions will be analyzed against those profiles to understand each profile's perceptions of the brand, key brand equity metrics (e.g., awareness and usage), media usage, and how they compare to one another. This will assist in future planning, targeting, and communication efforts. An additional outcome of this research would be the development of an algorithm (set of 10-15 questions) that will tell us which of the identified segments future respondents (who respond to future promotional offers) fall into based on their responses to those same questions. Communications can then be personalized to these respondents based on their segment.

### Personas Research

Drawing upon the findings of the segmentation study, this technique is an in-depth ethnographic study designed to provide a holistic, down-to-earth portrait of our target consumer. While they do not represent any one individual examined throughout the research process, it

does represent an archetype developed through identifying individuals who share similar characteristics, attitudes, and beliefs into one character. The archetype is then brought to life with additional demographic and psychographic information that relate to the product/category under investigation. The persona then becomes someone who accurately represents the needs and motivations of a much broader swath of users and is more relatable across the organization.

To help visualize engagement, participants are often asked to complete homework assignments, in this instance, potentially buy lottery tickets and then build a collage of emotions that reflect the experience. Interviews will last 2 to 3 hours each and will be facilitated by a professional ethnographic researcher.

### Insights Study

An Insight Study will aid in acquiring insights to further develop communications, positioning, and game ideas for the Lottery. The purpose of this qualitative research technique, consisting of a series of one-on-one interviews and mini-focus groups, is to “dig below the surface” and to get participants to think beyond rational responses.

We will seek insight into objectives such as:

- Explore the purchase decision frame work (what are the influences and trade-offs?)
- Explore purchase drivers and targets (e.g., different games for different demographics or lifestyles)
- Understand who the Lottery is competing against for entertainment dollars (what is the position of the Lottery when it comes to discretionary spending?)
- Identify desires and wants from the Lottery beyond the obvious (e.g., better odds of winning)

To achieve optimal insight, several techniques or exercised would be employed.  
For example:

- Laddering, which is a series of escalating probes that help respondents reveal the inner-most emotional drivers behind rational thought process
- Metaphor projection, where respondents are asked to draw metaphoric relationships between themselves and a product or brand
- Story telling, where they are asked to tell a story where the Lottery is the “hero” of a situation and how other products/services/types of entertainment may be the villain

- Mind mapping, where a central theme is selected and placed in the center of the map and respondents work to build “spokes” on the wheel that represent the major relationships to the central theme. Each spoke is then elaborated to guild a thought web of corresponding concepts

While this research plan is forward thinking, Brunner has already begun an intensive research process. As you’ve seen throughout the questions in this RFP, we’ve already sought consumer input on our ideas via consumer focus groups held in Pittsburgh on October 17. We’ve used our syndicated research to help with understanding our audience. We’ve used Iconoculture to understand trends around gaming. We’ve scanned social media for insights. And we conducted 21+ store checks that spanned Greater Pittsburgh, Latrobe, Erie, the turnpike, Carlisle, and the Greater Philadelphia area. We have an understanding for the challenges the lottery faces as it relates to the consistency of materials, visibility, promotions, and educated sales people. At the same time we are energized by all the friendly, loyal players we’ve met and can see the love they have for the products you sell. And lastly, there were many sales people who were truly knowledgeable and had strong relationships with the customers they see day in and day out playing their favorite numbers. There is clearly a passion. Not just for the older Pennsylvanians you support, but to the enjoyment you bring to players every day!

#### D. NEW MEDIA/INTERACTIVE PROGRAM

##### Introduction

##### General Digital and Emerging Media Capabilities

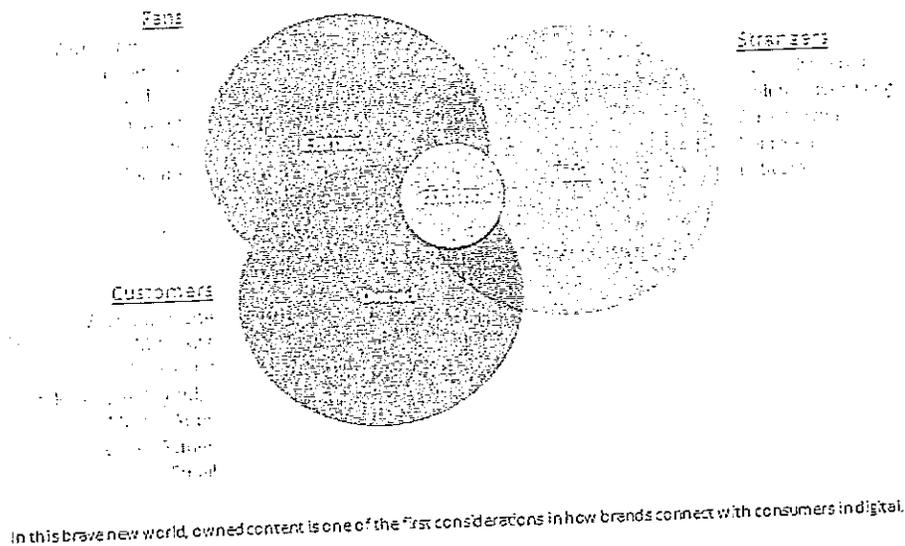
Interactive has been a way of life at Brunner Digital since the digital channel was in its infancy — 15 years to be exact. What began as an acquisition of an interactive firm in the mid-1990s has grown into one of the Top 75 digital brands in the U.S. (as listed by *Advertising Age* and *Ad Week*). A key strength of our digital capability is that it feeds off of the high level of creativity we deliver across all of the practice areas within our organization. Just as important is

the strong technological expertise we have right here inside our four walls, which feeds our ability to execute highly effective digital marketing solutions for our clients. Brunner Digital offers a full breadth of interactive services, including strong expertise in social media and mobile marketing. For additional information, please visit [www.brunnerdigital.com](http://www.brunnerdigital.com) and [www.brunnermobile.com](http://www.brunnermobile.com).

### Our Approach to Digital/Interactive Marketing

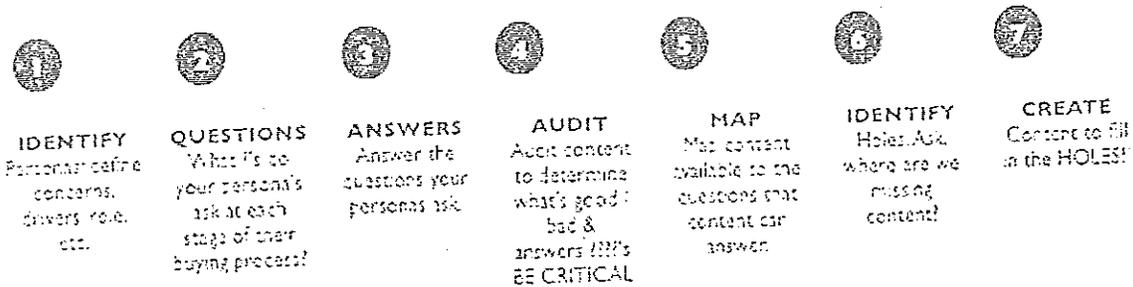
The optimal agency model is one that understands content. Brands today need to look at the online media mix through a new lens. One that's more balanced.

At Brunner what really makes a big creative idea—is, one that works across connections and is integrated across paid, earned and owned media.



At the core, tying everything together, living at the center of everything a brand does - is often the "digital content" experience. Whether it is content created by the Lottery or content created by the consumer, the content experience is more participatory, and more interactive than ever before. We can't get by on just hitting people over the head with one-way mass messages

any more. We need to engage at every step in the consumer journey.



Based on our early analysis, the Lottery has recognized this opportunity and is doing many things well to capitalize on the emerging media landscape. However, we believe that there is an opportunity for the Lottery to "connect" your digital eco-system through a more engaging content-driven experience.

Large well-known brands are beginning to realize that the media they own are just as (or maybe more) powerful than the media they buy. Coke, Pepsi, Old Spice and Volkswagen all use owned media to generate more traffic than the sites they buy paid advertising on.

In this new competitive environment, owned content is the first consideration in how brands connect with consumers in digital format.

Brunner has a full service, digital and e-marketing offering which includes the following practice areas:

#### Online Media: Our approach to online media

The number and frequency of connection points between our clients and their customers continues to accelerate at an alarming rate. The good news is that with all of the data available at our fingertips, we can be more effective than ever before in reaching our audience.

Our approach to online media starts with understanding our consumer, their relationship to media (digital and otherwise) and how we can leverage that relationship to deliver the

message most effectively. From there, we use a variety of research tools, consumer insights and overall client objectives to deliver an integrated solution in which each medium plays a specific role. We offer the following:

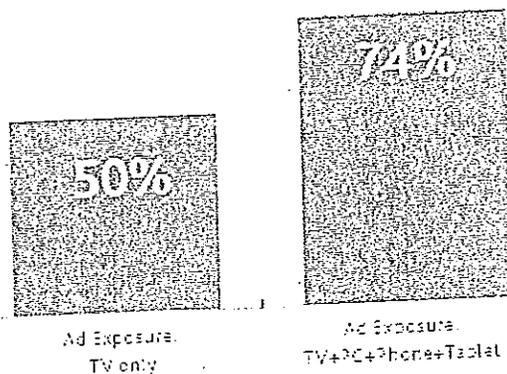
- Strategic planning, buying, measurement, reporting and optimization
- Access to planning tools (Comscore, Nielsen @Plan, Simmons New Media Study and more) and third-party rich media and ad serving tools (Atlas, Pointroll, etc.)
- Experience in a variety of campaign types including awareness building, direct response, CPC, CPL, CPA, CPM
- Experience across a variety of digital applications including mobile (MMS, SMS, tablets, apps and more) rich media including digital video, in-streaming, in-text, geo and contextual targeting and social media platforms

#### Our philosophy to online media:

- Online media is an integrated part of a robust communication mix and can play a variety of roles depending on the objectives and consumer's relationship to digital media
- On-going monitoring and optimization is critical to maximize results for our clients
- New opportunities are always emerging so staying on top of the latest applications and best practices is a must
- Creative messaging and the delivery mechanism must be tightly integrated to connect and be effective

#### Online Media Opportunities:

Extend your reach! We've been able to repeatedly show success in extending the reach of TV advertising by combining digital efforts such as online video with rich-media overlays. For example Interactive video that drives to retail locators.



Source: Nielsen // 2011-2012

nielsen

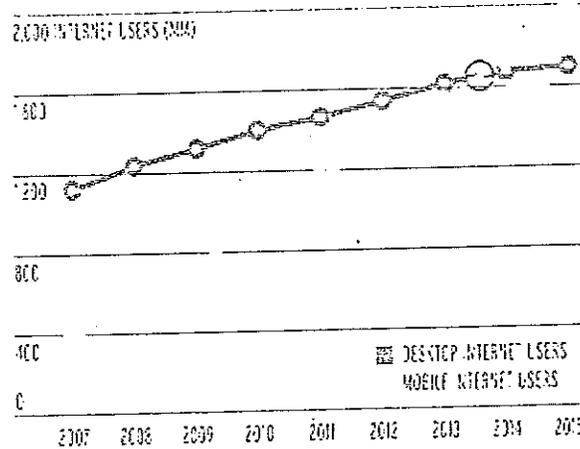


Reach the on-the-go consumer! Mobile ads promoting new and existing games while the user is in the retail setting.

Pinpoint the hand raisers! Those who have visited or searched for lottery information will get our ads delivered to them later.

**Mobile:**

The smart phone has become indispensable. When you walk out the door, it's as important as your wallet, purse, and keys. To many, it's more important than a computer or TV. Consequently many brands have announced that they are thinking



**2013**

Mobile web usage will surpass tethered usage in three years

“mobile first” when it comes to media planning. While a mobile-first strategy may not yet be appropriate for the Lottery, we do feel that there is room to engage the core lottery consumer, particularly the Instant Win players, by enhancing the already great mobile website that you’ve already developed.

Some of our most innovative thinkers launched Brunner Mobile two years ago in order to connect the brands we work with to an increasingly hard-to-reach audience through the one device that audience always has on hand.

**RECOMMENDATIONS:**

Mobile Opportunities:

Foursquare + 1, we would look to partner with Foursquare to develop a program that creates as sense of urgency and reach consumers on the go by enhancing LOCATION

based search/geo targeting efforts that also drive to retail. When a user checks into Foursquare within ½ mile of a retailer, they are presented with an offer to buy 4 Instant win games and get 1 free, with easy access directions to the retailer. Please note that we would explore alternative play of entries to be required.

**Augmented Reality “Scratch and Win Finder”:** Our low cost, augmented reality retailer locator app, can be a useful tool for the on-the-go player – and can serve to contemporize the Lottery brand at the same time.

#### **Online Social Media:**

As we discussed in our marketing plan section above, Brunner’s approach to Social Media is holistic, and therefore doesn’t live specifically within online. That being said, there is no better channel than online to “amplify” key PR messages or to harness the power of online word of mouth.

Brunner has been able to help many of our clients focus these efforts in a smart way by leveraging Facebook Fan bases to grow revenue and to amplify messages through mobile-enabled social tools.

#### **Online Social Media Opportunities:**

(Ongoing discussions regarding the use, application and marketing of Gus will be reviewed on an ongoing basis). **Gamify Gus!:** Give Gus a “real life” persona, and bring him to life as an online story teller to woo younger players. Utilize Gus as the way to bridge the physical (offline) world with the digital.

Leverage location-based marketing platforms like Gowalla and Facebook Places to build a virtual, clue-driven scavenger hunt which encouraged users to “check-in” whenever they encountered Gus or interact with the lottery. Scavenger photos can feed Facebook and Flickr content.

Users can earn points for this kind of brand interaction which could tie back to the VIP program. By leveraging the location data, and integrating with your retailer database, we can drive to retailer and turn this type of deeper engagement into trial/purchase opportunities.

Additional content marketing ideas:

- Increase Repeat Play with deeper online social engagement—Social media by nature causes fragmentation. Consequently there is often a feeling as a marketer that “we’re doing a lot of stuff” – but is it driving results? Based upon our cursory review of the Lottery activities, we believe there is an opportunity to drive deeper social sharing integration across all online properties, but most specifically Facebook.
- Facebook over half of PA residents 18+ use Facebook: 5,401,560 (55%). And 20% of them play Facebook and social games!
  - By methodically growing the lottery’s Facebook Fanbase, we can eventually create a group of advocates large enough to move the sales needle through activation efforts like:
    - Facebook/Mobile
    - “Office Pool Tool” – A fun, useful office pool tool, that leverages the viral effects
    - Facebook to create office pools, or even virtual pools with groups of Friends & Family
  - Game Design Contest use --let’s tap into the crowd and our strongest advocates to generate game ideas – Fans of the week can help to drive further engagement

**PALottery.com:**

You’ve asked us for our thoughts regarding your website, [www.PaLottery.com](http://www.PaLottery.com). Again, in our opinion, the lottery is doing a lot of things very well. We’re happy to see the effort behind social media integration, and the Mobile version of your website is one of the more seamless that we’ve seen. The easy access to retail locators is a nice emphasis. And the primary utility of the site, the winning numbers and jackpots, are readily available to the user.

It would be presumptuous of Brunner to make too many recommendations before knowing the background behind your overall approach to date. However, based on what we currently know about your strategic goals and objectives, here are a few areas that we would like to address:

## Recommendations:

### VIP Players Club Emphasis

Your VIP program, in its current state, is getting lost in the shuffle on the home page. Leveraging your loyalty play in a bigger way on the home page could go a long way towards helping to drive incremental sales through cross-selling efforts. Highlighting key benefits or perhaps having a much larger callout on the page would likely bring along many more registrants. We've provided a lot more thinking regarding the Loyalty program in Question II- 3, I.

### Winner Awareness

These are great stories! But again, the user needs to dig hard to find them. Moreover, they are done in a way that isn't capitalizing on the excitement that they could portray. We'd love to bring these to the forefront as a home-page feature, potentially using video or some type of fun interview format that truly brings the excitement of winning the lottery to life.

### Strategic Concept Design

There is a lot of information on the home page – presumably not all of the content is weighted equally. For instance, Retailer support could play a much larger role on the site. The Who Benefits information, arguably one of the key messages that you need to feature, is getting lost in the left-hand navigation alongside other less strategic content like “Past Winning Numbers”, which doesn't seem as important or strategic.

### Thought Leadership & Innovation:

Our longstanding leadership in the digital space has put us at the forefront of finding innovative ways to employ the latest technology to connect our clients with their consumers. But staying ahead of the curve isn't easy when there seems to be a new communications channel introduced every day. That's why Brunner assembled a group of digital and technology experts

within the agency who are dedicated to identifying—and when necessary, inventing—new ways for brands to engage with today’s hyper-connected, on-the-go consumer. Our BHiveLab group has expertise in new technologies ranging from emerging technologies like Visual Search, to HTML5 and Near Field Communications, to “co-viewing” programs, and more. For more information, visit [www.BHiveLab.com](http://www.BHiveLab.com).

#### Recommendations:

Consider continuing to Invest in Innovation! Brunner’s BHiveLab is specifically set up to invest in innovative “first use” technology program(s) aimed at keeping the Lottery on the cutting edge. We’ll work together to define the right areas to invest in, and at the right level.



We’ll keep you smart! One of the major outcomes of BHiveLab is the ability to keep our clients smart. So we’ll not only make sure you know what the latest technologies can do, we’ll also help you make them RELEVANT through our weekly customized “Digital Digest”. Important trend information that you need to know – delivered right to your inbox each week.

#### Retailer Engagement:

Quite often, Brunner’s been able to utilize our strong technology bent to improve areas of communication that aren’t typically “consumer advertising” by nature. To this end, we believe that there is a substantial opportunity to improve retailer performance by leveraging the online channel.

#### Retailer Opportunities:

Training and Loyalty - We envision an incentive based, online, video based training program that will enable us to dramatically improve the retailer education efforts. Retailer personnel can be encouraged to view the video series which will teach them about the games, cross selling techniques, etc. We’ll incent the retailer personnel to take the program by awarding

points toward drawings, and prizing levels that can even tie into a larger loyalty effort. Benefit to the Lottery? Lower costs, potentially higher sales, and measurability.

## E. NEW GAME CONCEPTS

### Overview

Successful revenue-increasing programs are the result of many elements working in synergy: wide availability of product... strong Point of Sale material... carefully-crafted awareness-building media plan... creative with action-generating message points, and more.

But a key determining factor is the game itself – especially for terminal-based games.

Accordingly then, Brunner undertook several steps to assure that recommendations made here are strong, relevant and immediately helpful to the Lottery as it seeks fresh thinking to achieve its primary goal of increasing net revenue to grow the Lottery Fund.

Specifically, we:

- Reviewed known past practice concerning product development
  - For instant games, this included assessment of the monthly and annual portfolio of products and principal key features such as:
    - price point,
    - top cash prize,
    - manner of play,
    - prize payout,
    - themes,
    - seasonality, and
    - the impact of 'impulse purchase' at the Point of Sale
  - For terminal-based (online) games, this included a similar assessment of the portfolio of current and recent-past games and principal key features including:
    - Price point
    - Matrix size and composition
    - Top cash prize
    - Perceived value (or chance of winning) of game
    - Drawing type
    - Day of the Week of the Drawing
    - Prize payout

- On this final point of prize payout, we should note that we certainly sought to formulate all terminal-based games with an approximate 50% payout. We examined product ideas and made estimations of likely net new sales in relation to current products or the impact on current products. We also examined concepts with very-slightly-higher payouts but with a \$2 price point; we cite some details of this exploration following the recommendations for individual games as we think this information may be helpful to the Lottery as it rightly considers all relevant ways to build revenue and provide benefits to older Pennsylvanians.
- Conducted store checks of Lottery retailers in six counties in the eastern and western portions of the Commonwealth.
- Conducted consumer focus groups among players at which
  - Game concepts were presented
  - Discussion was undertaken of likelihood to play in relation to current games , and
- Discussions with key individuals at the lotteries in New York, Georgia and Oklahoma were undertaken to assess their experience with game development and development techniques.

Throughout this due diligence we executed steps following conditions set down in the Request for Proposal.

#### NEW TERMINAL BASED GAME

The Lottery has a strong basic portfolio of terminal-based games whose per capita play (\$102) exceeds that of the national average (\$80) as well as those for the lotteries in Ohio (\$84), Florida (\$95) and some western states for example. The Lottery has strong discipline in game development.

Yet its per capita sales for terminal-based games trails that of states such a as New York (\$142), Georgia (\$104), Michigan (\$111), Maryland (\$147) and New Jersey (\$146). The figures do not include keno or VLT play in these states

We believe the Pennsylvania Lottery now seeks , with the issuance of this Request for Proposals, a stronger partner to participate in robust examinations of the terminal-based games

concepts to bring per capita sales more in keeping with certain peer states. The resumption of growth of terminal-based games is certainly key to overall net revenue growth.

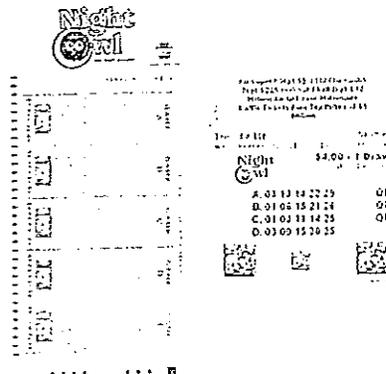
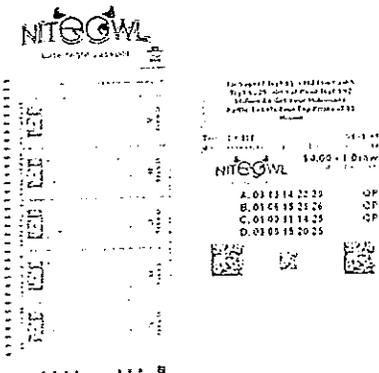
In addition to the suggestion of the \$1 Nite Owl and suggested attributes for a new \$2 game, we also explored ideas which we think merit further attention: variations to Millionaire Raffle, extension of the online draw portfolio, and certain "re-skinning" refreshment of online draw games.

We would welcome the opportunity to assist the Lottery in this development with the goal of breaking the all-time net revenue record and strengthening the Lottery Fund.

**Game Name: "Nite Owl"**

Overview: A new online game will fill a popular jackpot niche while carving out an open time slot that dovetails with the popularity of Mega Millions and Powerball. Nite Owl is a bi-weekly online game that is drawn at 11:00 pm; it has a starting jackpot of \$250,000 that rolls until it is hit. Nite Owl will also be the Lottery's second internet-only drawing game.

Nite Owl is extremely marketable. The word itself conjures memorable images and a fun personality. Plus, there's an added element of the possibility of increased prizes with a "moon" ball.



Pricing: Nite Owl will be \$1 per play.

Game play: Nite Owl is a lotto draw, with a bonus ball. Choose six numbers from 1 to 39. Every Tuesday and Friday at approximately 11pm, six numbers will be drawn online only. In addition, one of three "moon" balls will be drawn. The moon ball offers the chance to double your prize, without having to pay an extra dollar like you do for Power Play with Powerball. For example, if a full moon is drawn, non-jackpot prizes will double. A half-moon boosts your prize by an extra half. Payouts/Top prizes: Rough Worksheet

		New Moon	Half Moon	Full Moon
Match 6 numbers	Jackpot	1: 5.5 million	Jackpot	Jackpot
Match 5 numbers	\$500	1: 15,000	\$750	\$1,000
Match 4 numbers	\$10	0.21527778	\$15	\$20
Match 3 numbers	\$2	1:15	\$5	\$4

Odds for Base Play and "Moon" Increases

If the "New Moon" is drawn, 20% of the pot is allocated for lower tiered prizes.

Rationale: Let's create a new game with a sizable prize that is drawn one hour later than approximately the same as Powerball and Mega Millions. As a jackpot game, it can be a perfect addition to players already buying Powerball and Mega Millions tickets. After all, what's another buck when you're spending two on the big jackpot games?

Bonus thinking: Nite Owl offers a chance to drive sales in late-night locations, such as gas stations and convenience stores, or via ITVM kiosks in bars.

Notes on Development: This prize structure was of course not formally calculated or programmed. It was not shown to players in focus groups. Rather, it is a rough work sheet developed to assist in the layout of a structure, using payouts and odds ranges from existing or recent games. Inevitably, the figures will not be final, however, we believed that we should complete exercises such as this for games simply to help assure that key items (e.g., possible payouts, ability to fund prizes, etc) were of such ranges to be approximate 'real-world' first-steps to game designers and, of course, acceptable to players.

### Player Reaction: Very Strong

Player reaction to Nite Owl was very strong. The game was seen as having a very distinctive "feel" and look. The "moon" draws were especially well received. Players readily observed that the game would draw on Mega Millions nights and, importantly, it was seen as a game quite distinct from Mega. The "moon" feature did not require an additional purchase and this "built in" multiplier was seen as very attractive. We developed these features to fill an "open niche" in play features and to help add Mega interest, addressing a likely marketing goal to boost Tuesday/Friday jackpot draws. The \$1 price point was seen as quite attractive for this concept. Even relatively light players showed keen interest in this kind of different game.

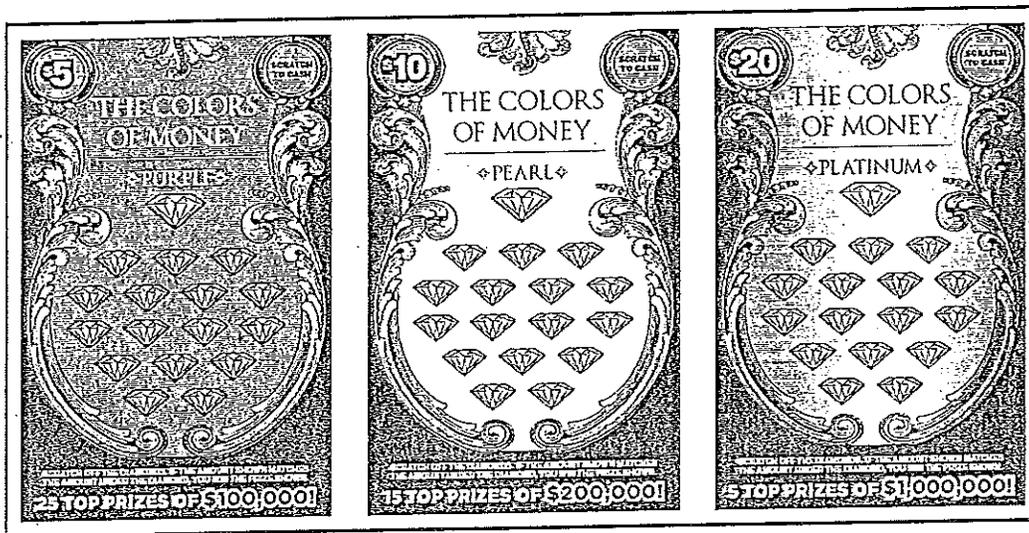
We should add that players were told that these features might change somewhat in a final game should it be marketed. With rather wide tolerance they accepted this and kept their endorsement of the concept. Even the objection voiced by one player that the 'new moon' ball does not add to the payout was rather easily overcome in conversation among all players who reminded each other that "You don't pay for the multiplier so it's ok". The presence of the 'new moon' feature also obviously allows for a certain ease in developing sustainable odds as it does not require a separate payout. Finally, we believe that an 11pm online-draw game on the same day as Mega Millions draw is efficient regarding deployment of Lottery officials to conduct draws and carry out related functions.

Overall, the majority of players expressed interest in adding this game to their weekly play without eliminating an existing terminal-based product from weekly play. Reaction to this unique concept suggests that cannibalization with Mega Millions or other games would be minimal. We feel, then, that Nite Owl can add to incremental sales and, with an approximate 50% payout, add considerably to net revenue.

## NEW INSTANT GAMES SERIES

### “THE COLORS OF MONEY”

Overview: Launch a trio of instant games that create a cache among players. The three tickets would fall out of a series called “The Colors of Money.” Only instead of colors such as green, silver and gold which are common among ticket themes, the colors of this game are opulent and unique: Purple, Pearl and Platinum.



Imagine a customer at the checkout or ITVM scanning the instant ticket selections. A bold, purple ticket with a one-word name jumps out at them among a wide range of multi-colored ticket art. (For inspiration, we cite the New York Lottery’s “Black” instant ticket, whose fashionable-and-sleekly-clean design led to \$11 million in sales the first two weeks.)

Concept: A series of tickets with vibrant monochrome design which stand out visually from other strong games when displayed on counters, in ITVMs, etc – and whose top prizes have appeal that is reinforced by the ticket design.

Tickets may be introduced occasionally throughout the 2012-2013 year. The experiences in New York and other jurisdictions with so-called Black Tickets were a part of our research leading to this concept but other factors noted above were included. We are aware that some second and third applications of bold monochrome tickets appear most successful when not in back-to-back launches. Players responded very positively to concept, several noting that “it stands out” and “very distinctive... I’d see it and buy it” and “good idea and prizes”

Capitalizing on our team members’ past experience in launching both online and instant games for the Pennsylvania Lottery, we have created two games that will nicely complement existing offerings, while carving new areas to generate net revenue.

Pricing: Purple would be sold at \$5; Pearl at \$10 and Platinum at \$20.

Rationale: Creating a series of tickets drives interest in buying all three instant games, as opposed to just one. With the higher price points, we can offer bigger top prizes, which also will drive play.

#### Suggested Prizes:

- Purple offers 25 top prizes of \$100,000; more than \$50 million in cash overall
- Pearl offers 15 top prizes of \$200,000; 90 prizes from \$10,000 to \$20,000
- Platinum offers 5 top prizes of \$1,000,000; more than 200 prizes from \$10,000 to \$20,000

#### \$2 Games

Several \$2 price point terminal-based concepts also showed promise but none were of sufficient final form to warrant discussion as a likely “game” at this time. Concepts at this price point that yield net new sales are difficult to develop of course. But they can be important to add to the online portfolio – the upcoming \$2 Powerball game is an example – and we believe are

worthy of intense research. For these reasons, we do list these preliminary observations regarding our \$2 concepts as they may be helpful to the Lottery:

- An all-new feature combined plus bigger value are fundamental in development
  - Nite Owl had elements of this but its value even with appropriately-adjusted payouts was not quite sufficient to garner player endorsement at the \$2 price point. At \$1, it was seen as a dramatically good value.
- Certain features from the non-terminal-game lexicon show promise but, again, the value threshold is higher for players at \$2 price point
  - We, for example, tested a Gus-themed game. Apart from understandable explorations about the use of Gus generally, the presence of an online-game where Gus picked the numbers. An all-quick-pick game, did attract positive attention largely because the game simply stood apart from other terminal-based games. In the final analysis, the value threshold was too high.

## Summary

We believe we have two game concepts which, taken together, can:

- Add incremental sales in 2102-2103
- Add net revenue in the fiscal year
- Attract some light players into more regular play
- For Nite Owl: Add to the 'online draw' portfolio of games
  - This in turn presents opportunities for appropriate social media and engagement tactics to help sustain the game itself and open the door for yet additional 'new feature' online-draw games

## F. NICHE MARKETING

### Overview

Brunner will use a two-part approach to identify niche target audiences. The first step will be a Strategic Swarm (cross discipline agency team allowing for fresh and innovative thinking) with the Lottery. Brunner will facilitate a half-day strategic workshop that capitalizes on the knowledge of the integrated team (including Brunner, the Lottery and Sci-games) and past research insights. The purpose of the swarm will be to creatively brainstorm potential markets, as well as explore opportunities self-evident in past research studies conducted by the Lottery. For

the purposes of the RFP, Brunner has already begun the process of creative ideation and you will see eight ideas listed below.

The second step is to use quantitative research to size niche market opportunities. We would utilize either an existing segmentation study or an updated study should that be undertaken, to delve deep into psychographic attitudes and beliefs, lifestyles, media consumption, new media usage and other entertainment behaviors. This data will give us rich insight into the potential dollar value of alternative niche approaches both in games offered and communication efforts around them. Follow-up Persona research will inform message strategies that resonant with newly selected segments (please see the Research plan in Section II -3).

#### Criteria

- Current brand affinity with the Lottery (they should feel good about us).
- Current annual value as a player (there is always a threshold level for product engagement where cross-selling will be most cost efficient and effective. We'll identify the threshold for that outside ring of more moderate users who can be further penetrated. We don't want to solely rely on our core loyalist who is already leveraging their disposable income to support the lottery).
- Projected growth based on receptivity to proposed niche games (it has to have an ROI).
- Propensity to visit retailers that sell Lottery games (select segments who already have high accessibility to game for stronger ROI).
- Does the segment have longevity? (The niche market should depend on cultural trends, personalities or brands that may not be present to two-to three-years' time).
- Will the niche segment(s) be viewed positively by stakeholders? (The niche audience must make sense to our retailers, interest the Governor and avoid controversy that could be felt by PA constituents).

#### Focusing on the Right Niche

The following are examples of niche markets that could be explored in our strategic process:

- Social media game players
- Sports enthusiasts (taking efforts from instant games much further)
- Convenience store patrons
- Geographic concentrations
- Horse racing enthusiasts – both attendees and viewers

- Casino goers
- Any other high potential segments that fall out of the segmentation study

In order to demonstrate our strategic approach to a niche market, we've selected the example of Casino Goers. We believe that revenues for the lottery sales and casino operations can both succeed in Pennsylvania. Syndicated research confirmed our belief that there would be a high level of cross-over among people who enjoy gaming and the Lottery. Consumers who enjoy numbers, playing the odds, chances to win money, and the thrill of the unexpected are equally likely to enjoy casino games and Lottery games.

Our syndicated Scarborough data shows that Pennsylvania casino goers by and large tend to be young, engaged or recently married men. They are in the early stages of setting up their adult life and money is very important to them. They are impulse purchasers and consume a variety of media from TV to online. They are players of lottery games. Thirty percent have purchased an instant ticket in the last 30 days. Fifty percent have purchased an instant ticket in the last 12 months. There is room for growth.

#### **Recommendations:**

Our goal: Increase frequency of play of instant games among casino goers.

Our strategy: Seek out casino enthusiasts in environments where they are engaged and incent them with options designed specifically with their interests in mind.

#### **Ingredients required for this approach:**

The creation of an instant game that has broad appeal but that has marketing factors customized to casino goers and not marketed to any others, specific tactics and a defined time period.

We will utilize a variety of 1:1 tactics to reach this niche audience with the message focused on the special instant game that has been created for this purpose. Specifically, for a

defined period of time, we will use a combination, as vetted and appropriate, of direct mail, e-mail and behavioral and contextual online advertising to reach this group. We will purchase direct mail and e-mail lists of casino goers who have given their permission to be contacted. We will construct the online buy to be focused to those that are visiting an online casino and/or online gambling site – when at those sites, we will serve them a message focused on this instant game. Additionally, when this group visits a casino and checks into Foursquare on their smart phone, we will serve them a targeted offer (relative to this specific instant game).

We would also develop and strategically place pos materials in retailers in markets where casinos located.

#### Other relevant considerations

The ROI would be forecast at the beginning of any initiative using a pro forma. This pro forma would include the size of the universe we are talking to, their projected value based on the segmentation study, and then a series of conversion rates as follows:

- Percent aware based on the media communications plan
- Percent that respond to different media touch points that might be included in a plan. For example:
  - Projected conversion among TV viewership to purchase
  - Projected conversion from digital display ads to purchase or website engagement
  - Projected conversion from page views on the Lottery or niche microsites
- Brunner would use benchmarks already measured from previous campaigns or work to forecast off our Data Depot to anticipate likely consumer response to different campaign activities. Each metric will be tracked as a benchmark for future campaign efforts
- Brunner would use the pro forma model to ensure that costs of the marketing investment would not exceed anticipated return. If lower marketing investment levels can't effectively drive conversion, other niche markets will be considered

At the end of the niche marketing campaign, total game sales and other KPIs will be matched up against the pro forma to evaluate the success of the initiative but also to refine the sensitivity of our forecasting tool for future efforts.

## Niche Marketing – New Instant Game

Game Name: FOURSQUARE™ Mayor of Money

Overview: The first instant win game from the Pennsylvania Lottery to incorporate the popular location-based social network Foursquare.

About Foursquare: Launched in 2009, Foursquare has become the most popular location-based social network site with more than 10 million members. Users check-in on their smartphones or other GPS-enabled devices to alert their friends via Facebook or Twitter. Foursquare users also unlock specials or discover tips about places they frequent which have made the network a valuable loyalty program for thousands of retailers.

Game Play: Players scratch-off nine Foursquare location badges (i.e. Liberty Bell, Laurel Highlands) to check in. If one of the badges has a crown, you are “the mayor” and win the corresponding prize.

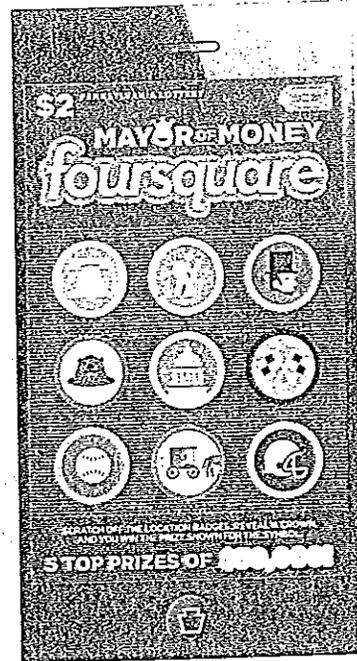
### Pricing:

Foursquare Mayor of Money is a \$2 game with a top prize of \$50,000.

Additional retailer promotion: If players check-in on Foursquare at participating retailers, they unlock additional bonus play possibilities. For example, if they buy four Foursquare games, they receive a free Big 4 play.

## G. BEST PRACTICES IN CONSUMER MARKETING

The Lottery rightly looks for case studies from all relevant marketing categories. We’ve reviewed a number of them both within and outside the Lottery industry. We’ve focused here on



two which we feel can best be models for Lottery as it seeks revenue growth and, we believe, greater cost efficiency.

## Tide, 'Loads of Hope'

### Overview

More than 36,000 loads of laundry cleaned for families affected by disasters, and counting...

In times of disaster people turn to the most basic of human needs – and one of those is clean clothes. Created by Procter & Gamble to respond to Hurricane Katrina, the Tide Loads of Hope program provides relief through its mobile Laundromat. One truck and a fleet of vans house more than 32 energy-efficient washers and dryers that can clean over 300 loads of laundry every day. Tide employees wash, dry and fold the clothes for these families for free. Because “we’ve learned, sometimes even the littlest things can make a big, big difference.”

### Campaign Elements

- Brightly branded mobile unit
- Promoted through media relations
- Heavy focus on social media content and outreach
- Facebook and website house rich content
- Videos and photos of families helped
- With “action-oriented” features: Donate Now; Buy a Vintage Tee
- Twitter updates track the mobile unit’s travels
- Evolved the program over time to include five-time Grammy Award Winner Faith Hill as spokesperson.
- Hosted a live concert in New Orleans featuring Hill to mark the 5<sup>th</sup> anniversary of Katrina to honor the resilient spirit of Gulf Coast residents and demonstrate Tide’s ongoing commitment to New Orleans.

### Results

- To date, Tide has washed over 36,000 loads of laundry for more than 27,000 families
- Campaign has generated nearly 1 billion media impressions
- Huge Facebook fan base of 2.1 million
- Survey showed the cause program rated 50% in brand awareness
- According to the brand manager, “the impact on consumers’ minds lasts all the way to the supermarket shelf.”

\*As reported in Marketing Week

### Why it Works and Relevance to the Pennsylvania Lottery

We like the Tide campaign because it successfully:

- Builds a personal connection with potential consumers
- Broadens the story beyond their products by connecting with a meaningful cause
- Engages social media audiences and lets them do the talking
- Creates and visibly brands its own unique cause. They completely own it.
- Makes a direct correlation with what the product does. Showcases the kinds of conditions the product can work in at the same time it builds brand equity.
- Points to purchase. There is a clear and direct connection to purchase and giving: 1 Bottle = \$1

We believe that the Lottery can do the same:

(Specific examples of how these concepts would be executed via tactics can be found in the Marketing Plan section of our response.)

- Create a personal connection whether that connection is a dream to win the lottery or the desire to help others in need
- Broaden the story by connecting with a meaningful cause
- The revenue collected from the Lottery positively benefits older Pennsylvanians. We need to share those stories more often, in more ways and put a "more human" face on the benefits playing the Lottery provides.
- Successfully engage social media
- While the Lottery has made strides to participate in social media, we believe more can be done to ramp up these efforts, coordinate and leverage all social media assets so that they work together and get players even more involved with the brand through consumer-generated content.
- Own a cause
- While the Lottery has done a great job with the tagline, Benefits Older Pennsylvanians. Every Day, when one tries to explain what that means, it gets a bit more difficult
- Not only is it difficult to understand, it's also what people want to know

In focus groups Brunner conducted, we heard that while winning is important, if they don't win, people at least feel good in knowing that their money will help older Pennsylvanians. However all of them conveyed the thought – that they had no idea how. And they showed a genuine interest in learning (seeing/hearing) just where and how their purchase helped seniors.

One idea to help convey this is to develop one name or brand that “umbrellas” over all the programs. The name would easily and immediately tell consumers what these programs are, and the Lottery’s role in supporting them. We understand that this would involve several different programs that ladder up to many different “Departments.” Therefore, due diligence would be necessary to make this work effectively and for all involved, but we feel it’s an idea that should be considered.

Reinforce the purchase with giving back and make a direct correlation with what the product does.

While the Lottery may not be able to make such a literal connection between its product ticket purchase – and its cause, as Tide does, some of the ideas that we have in our marketing plan bring this “full circle” approach into full view, linking purchase and winner awareness directly with the need to support senior programs.

## Zippo New Product Introductions

### Overview

We believe that Brunner has had many great consumer marketing successes with its own clients. Our work with iconic pocket lighter manufacturer Zippo is a great example.

The company has a deeply rooted history, dating back to WWII, and was traditionally associated with older men. As Zippo’s consumer face and preferences changed over the years, and as their target deteriorated the brand needed to reinvent itself and expand its product portfolio.

New audience segments ranged from young males, to affluent 30-something women, to the older male cigar aficionado crowd, to outdoor enthusiasts. Zippo’s new products included a candle lighter, cigar lighter and outdoor utility lighter, to name a few.

The one product attribute that held true to all these lines was the legendary windproof “Flame.” So we put the flame front and center, demonstrating how the flame allowed any audience to more fully enjoy their particular lifestyle no matter who they are.

Brunner was instrumental in evolving and introducing the Zippo brand into the mainstream by sourcing new retail channels and using strong marketing tactics to launch the new products.

### Strategy and Campaign Elements

When the company began expanding its portfolio of products, we knew opening new retail doors was critical to reaching the new audience segments. These included:

- Introducing the Zippo Candle Lighter to an affluent female audience required distribution in retail chains, such as Target, Bed Bath & Beyond and Yankee Candle. Brunner helped to open these doors and create these relationships.
- Through a comprehensive co-branding initiative with the Slatkin & Co. brand of candles and other home fragrance products, the Zippo Candle Lighter was made exclusively available in more than 1,400 Bath & Body Works stores nationwide.

To appeal to a younger male demographic

- We aligned and co-branded the Zippo pocket lighter with male icons, such as the NFL, Harley-Davidson, and Playboy.
- We also created the Zippo Encore program to connect with these young males through their passion for music. The program included:
  - A robust partnership with Rolling Stone Magazine, the undisputed authority on rock music
  - A highly interactive microsite containing exclusive content
  - Partnerships with up-and-coming rock bands
  - A presence at concert venues around the country
  - An ad campaign to drive traffic to the microsite

Overall the new product campaigns included:

- Retail channel outreach
- Co-branding with their other affinity brands
- Advertising (TV, print, out of home)
- Website development
- Facebook page and social media outreach
- Media relations

## Results

Since launching its first new flame-based products, Zippo has experienced year-over-year sales increases as high as 28 percent with its multi-purpose lighter line.

## Why it Works and Relevance to the Pennsylvania Lottery

We like the Zippo campaign because it successfully:

- Found a solution to an issue through innovative new product development; transitioning from a focus on smoking to a focus on “the flame”
- Introduced the brand and its new product lines to new audiences through lifestyle, activity-based messaging and new retail channels
- Launched new products that were able to command a premium price well above competitors’ price points due to Zippo’s strong brand equity

We believe that the Lottery can do the same:

(Specific examples of how these concepts would be executed via tactics can be found in the Marketing Plan section of our response.)

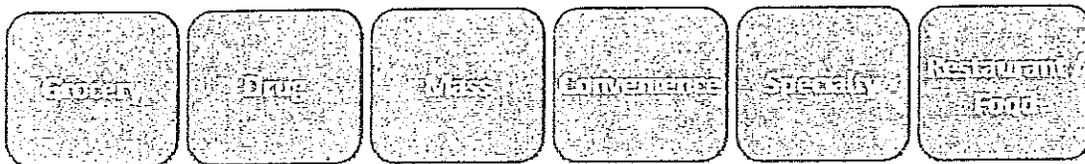
- Re-energize a solid brand and introduce it to new audiences through new games and retail channels
- Similar to Zippo, the Lottery has done a great job in elevating its brand above the “gambling” issue to focus more squarely on the joy of playing and the benefit in helping older Pennsylvanians. We suggest doing even more.
- When we placed Zippo Candle Lighter ads in and around malls and shopping centers, it directly increased sales at nearby retail outlets. Similarly, our media recommendation for the Lottery recognizes this critical “path to purchase,” suggesting we take advantage of media that puts the Lottery message in close proximity to point of sale
- Just as we did for Zippo, to reach new players, we believe the Lottery will need to modernize the media mix as outlined in our marketing plan

## H. COOPERATIVE ADVERTISING

In today's challenging economic climate, Brunner has successfully created cooperative advertising campaigns, promotions and sponsorship opportunities that forge strategic alliances, increase brand awareness, drive incremental sales volume and stretch our clients' dollars. Today's the Lottery customer journeys on an ever-evolving 'Path to Purchase.' Success along this path requires effective collaboration with retailers and insights into the strategies that motivate the customer while in the store. At Brunner, our long-standing expertise on both sides of the equation – dash the customer and the retailer – enable us to provide intelligent solutions everyday.

We believe that expanded but selective use of Pennsylvania boards in appropriate cooperative efforts can build sales and revenue and, at the same time, generate added appropriate good will concerning

Brunner would seek to deliver new retailer partners. We know you currently have success with retailers in most major categories. Brunner would build and enhance existing relationships while seeking to expand your retailer network in each major class of trade.



Brunner's retailer expertise runs deep. Our proposed lottery team has successfully created, developed and executed strong cooperative advertising programs, sponsorships and promotions among some of the nation's most significant retailers. These include Walmart, The Home Depot, Lowe's and Walgreens.

With the recent addition of the Florida Lottery in its stores, Walmart is an unprecedented opportunity. Brunner would make Walmart a prime target for new growth by leveraging retailer expertise and building a solid case for expansion into Pennsylvania.

In addition, our team works with a broad base of retailers with significant operations in the Commonwealth. Brunner's experience crosses all categories and specifically includes



Pennsylvania-based grocery, drug and convenience retailers such as Acme, Giant Foods, Weis Markets, Giant Eagle, Genuardi's, Sheetz, Wawa, and CoGo's, along with Dick's Sporting Goods and GNC in specialty retailing. Our list is not meant to be exhaustive, but merely a representation of where Brunner has experience and relationships.

We know that there are lottery promotions across America that effectively engage the Retailer in a dynamic way and reward the player in creative ways. To that end, Brunner would build customized retailer programs that increase Lottery revenue while building the brand equity of the retailer. This may include a chance to play the Lottery and win 'Free Groceries' or a 'Shopping Spree' at your favorite grocer, or 'Free Gas for a Year' at your favorite fuel/convenience store.

One example in the Restaurant/Food category is Bob Evans. As a current Brunner client, Bob Evans' footprint reaches all major population centers in the Commonwealth. We are in discussions with Bob Evans to leverage their 38 Pennsylvania locations to open up sales and revenue opportunities to a new audience, and we believe we will be able to add these to the lottery retailer network.



Promotionally, Brunner is well-connected to the consumer packaged goods industry.

Realizing that the Lottery has successfully capitalized with Instant Games featuring well-known Pennsylvania brands, such as Hershey and Martin Guitar, Brunner recommends extending the success to other significant brands. For example, key Brunner clients include Pittsburgh-based Heinz USA and Knouse Foods, based in Peach Glen, home to Musselman's Apple Sauce.

With Heinz, we envision an engaging game featuring the 'world's most popular ketchup.' The format can evoke a fun and playful way to incorporate "57 ways to win."

**Game name: Lucky 57**

Idea: Heinz ketchup is such a well-recognized global brand that it would be a powerful product to leverage in marketing the game. And with Heinz's heritage of 57 varieties, it provides an interesting prize structure and game play.

While we do not propose a complete prize structure here, however, we do suggest some specific features which can integrate well into a portfolio of instant games in a given month or quarter.

Prizes: Ten top prizes of \$57,000. Other winning prizes could be \$5,700 and \$57. A second-chance sweepstakes could offer a '57 Chevy as a grand prize. Plus 57 second-chance winners could win Heinz products for life.

Game play: Make this the ultimate "ways to win" instant game by having 57 ways to win on every ticket. We could achieve such a high count of ways to win through the different prizes in the second-chance drawing.

We envision this game at a \$2 or \$5 prize structure and would adjust according to price; however, based on current practice, its prize payment may be about 65%.

Brunner recommends exploring promotional partnerships and sponsorships with other popular Pennsylvania brands ranging from pretzels to pierogies -- all of which have the potential

to increase play among existing players AND enliven a new audience for the Lottery in an Instant Game format. We understand that exciting instant games contracts have been negotiated with preeminent leading professional sport teams.



The passion for sports teams in Pennsylvania runs deep. The current sponsorship tie-ins with major league teams in Philadelphia and Pittsburgh have proven successful. Brunner would seek to 'plus+ up' the sports initiative by continually looking at creative ways to enhance sponsors' games to energize existing players and, more importantly, to entice new players.

Examples may include The Terrible Ticket, a Steeler based game that replicates The Terrible Towel or an E-A-G-L-E-S Ticket that replicates the famous cheer heard at Philadelphia home games.



To increase our reach in more markets, we recommend continued expansion into the heartland of Pennsylvania through customized Instant Games and customized terminals at and around minor league ballparks in markets such as Scranton-Wilkes-Barre, the Lehigh Valley, Reading, Lancaster, Harrisburg, York, Altoona, Johnstown and Erie.

## I. LOYALTY PROGRAMS

### Overview

Through an existing partnership with Philadelphia-based Realtime Media, we are able to tap into the expertise and experience of the firm's staff including Ed Mahlman, with 29 years of

experience, serving the Lottery as the former Executive Director and account manager at its then full-service ad agency. If we are fortunate enough to win the business, Ed will remain an integral part of the team leading strategy.

Who We Are: Realtime Media is a global leader in driving customer acquisition and engagement through creative applications of technology.



Its proprietary solutions – including custom promotions, loyalty campaigns, instant-win games, contests and sweepstakes – use engage customers and prospects while gathering valuable marketing data and producing metrics-based results. The solutions enable Realtime’s clients to reach audiences across mobile, social, location-based, traditional and online media.

With 18 years experience, Realtime delivers flexible-yet-complex solutions securely and effectively, and can help from concept to execution and fulfillment with full compliance coverage. For additional information, please visit [www.rtm.com](http://www.rtm.com).

### Experience

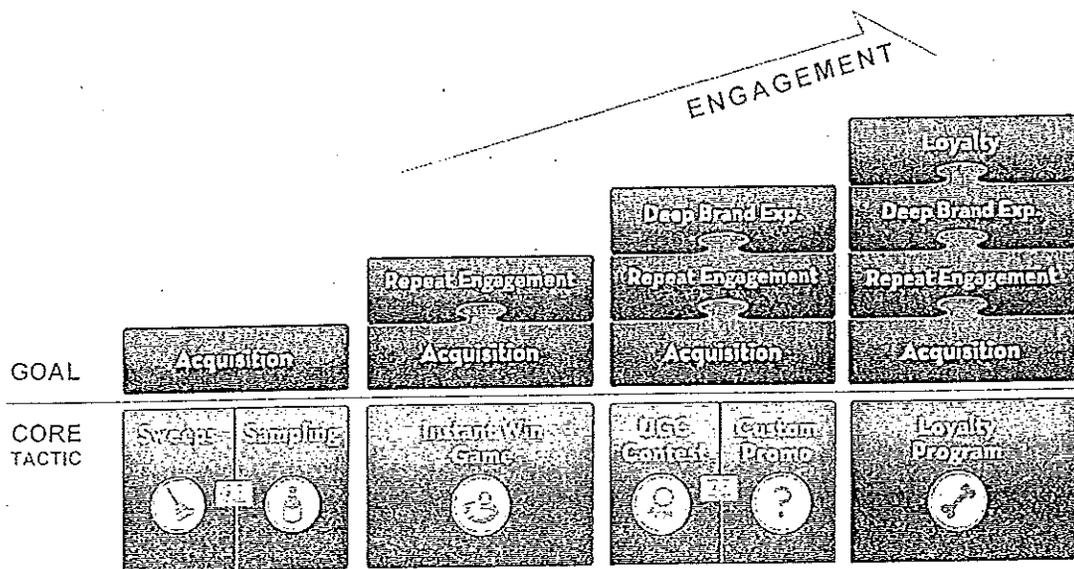
We have achieved numerous firsts at Realtime Media and they power a philosophy of consistently finding creative applications of technology and bringing them to market for our clients. Founded in 1993, Realtime Media pioneered the concept of online promotional marketing, including sweepstakes, instant-win games, and custom contests, as well as digital coupon and online loyalty programs. Since inception we have developed and implemented hundreds of interactive promotions and campaigns for our clients.

While doing this, we have developed a prestigious reputation in the promotion marketing industry, continuously leading the market with innovative ideas, creative concepts, and technologies. Some highlights include the first digital scavenger hunt, introduction of “Scratch and Win” instant games, integration of viral marketing, first syndicated instant win game, largest

online jackpot (\$20M "Beat the Street"), first Prizeboard, Collect and Win Program, implementation of Watch & Win campaigns, wireless and instant messaging integration, viral sites, collection, screening and display of user-generated content, podcasts, blogs, RSS feeds, promotional widgets, One2Many (our proprietary social media sharing functionality), real time aggregation and visual displays of data with extremely high volumes and many more.

Realtime Media is continually looking at creatively applying new and emerging technologies to aid and facilitate in data capture and lead generation. Realtime Media's technology team identifies key new technologies and creates internal prototype projects to be implemented using that technology in order to establish experience in that area and identify feasibility and provide a baseline of actual experience.

### Our Approach to Loyalty

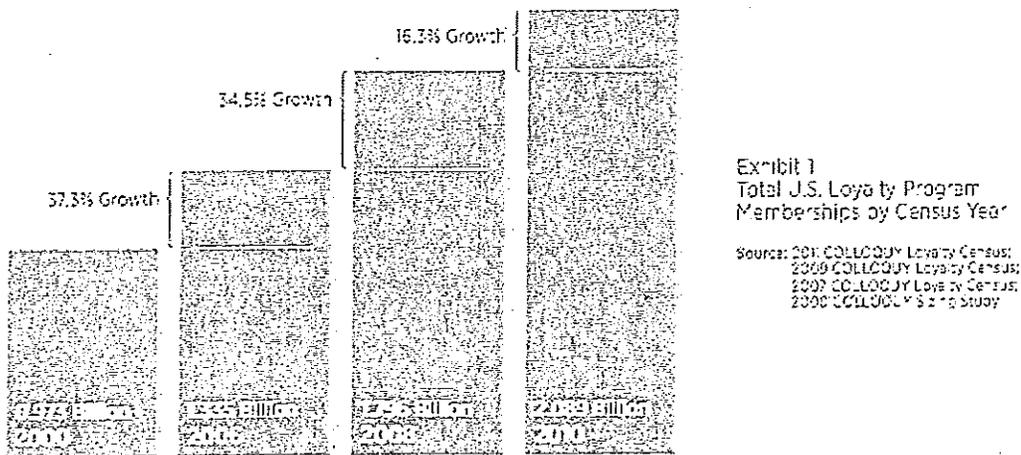


At Realtime Media, we understand that different levels of engagement require different tactics. Loyalty programs offer the highest level of engagement—a combination of acquisition, repeat engagement, deep branding and repeat purchase.

Realtime focuses on clients' needs to determine which tactic is appropriate: 18 years of experience in the field of client engagement and acquisition has given us deep insight into the proper application of technologies to achieve the desired objective. Loyalty is the most complex form of engagement – a mix of acquisition, repeat traffic, deep brand experience and ultimately higher levels of purchase.

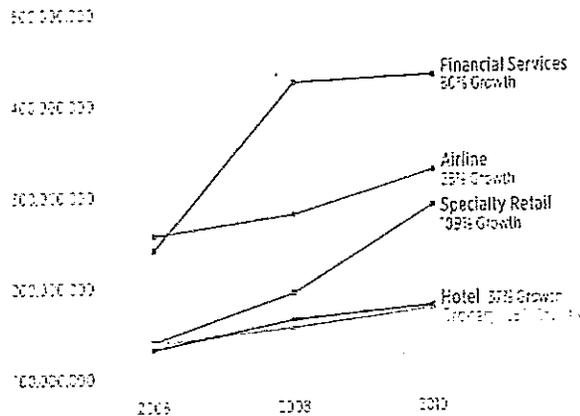
Our experience with previous loyalty and coded-purchase engagement programs for clients like Pepsi, Smirnoff and Unilever have shown the value of combining creative elements, content and rewards into a system that attracts and retains consumers in a “sticky” ecosystem – entertaining them, rewarding them for their purchases and introducing them to new products while driving them to higher levels of buying activity.

### Loyalty: Current Trends



According to the 2011 Loyalty Census by Colloquy, a loyalty industry consultancy, loyalty program memberships continue to rise in North America. The average U.S. household is

enrolled in more than 18 loyalty programs and their level of activity within those programs continues to rise.



While the overall growth trend demonstrates an increasing appreciation and understanding of loyalty programs in general, even more notable is the sector with the most growth in loyalty (2006-2010): Specialty Retail. According to Colloquy, this “suggests some savvy marketing strategies at play, as well as the nimble application of loyalty as a key market differentiator.”

Ultimately, the report concludes with three recommendations for successful implementation of loyalty programs:

- Invest in engaging the members you have
- Pursue new, innovative value propositions (rewards)
- Break down the silos (share data/learn from your VIPs to improve your marketing)

#### Best Practices

**Content & Connections:** Keep the program fresh by making it a “platform” that ties to other engagement points, offering unique and changing content options to drive consumer engagement. This engagement drives return visits and feeds consumers back into the

purchase/loyalty/purchase cycle. Successful implementation of "Content & Connections" make loyalty programs an extension of your brand, not just a P&L item.

By tying into its new digital/mobile app initiative, in-store product launches and other digital content initiatives such as free content for in-store Wifi users, the My Starbucks Rewards program has proven hugely successful. According to CEO Howard Schultz, "The My Starbucks Reward program has been an overwhelming success, driving unprecedented levels of customer engagement and loyalty as noted by both store-visit frequency and cash loaded. In fact, the rewards program is cited by core customers as the number-one reason for increased visits versus six months ago." Card reloads rose 45% in Q2 '10 YOY, more than one million new accounts were added in the program's first 18 months and more than 200,000 customers earned gold level status by visiting Starbucks 30 times in a single eight week period.

**Rewards that Matter:** For consumers, it's all about value. The program MUST offer a compelling value – one that appropriately incentivizes the added purchase and engagement desired. These rewards need to be varied, accessible and relevant.

**The Palm 837 Club** offers a unique value proposition in the restaurant industry: It offers rewards outside of meals at its restaurants. By carefully vetting a list of rewards partners, it cultivates a unique and valuable experience for its members. It currently has over 80,000 members that make up over 21% of the chain's business.

**Best Western Rewards** began offering a benefit to match Elite status for new members last year. In less than a year, that initiative brought in almost 5,000 new members and booked 37,000 room nights for \$3.4mm in new revenue. By targeting Elite members with the right reward package, they've grown a key segment of hard-core travelers. According to a Best Western representative, this segment represents "a small but mighty group" that is only 10% of the membership, but accounts for over 50% of revenue.

## Recommendation: Lottery Loyalty

The Lottery is already engaging its loyal consumers with the VIP Club but given the state of the industry, consumer expectations and success of similar programs, the time is right to take that program one step further and implement a points-based loyalty program.

While many loyalty programs will engage and reward loyal consumers, a strategically designed and implemented program can have the dual effect of driving higher levels of purchase from core consumers as well as rewarding Lottery retailers.

“Pennsylvania Rewards” the points-based loyalty program of the Lottery, will offer consumers points for purchasing lottery games, assign those points value, and offer a marketplace where lottery retailers can set reward levels to consumers. It will source all rewards in-state, from retailers that sell the Lottery. Rewards will drive traffic back to retailers and allow them to target Lottery consumers with special offers. An added benefit of this system of retailer rewards is that it shifts some cost of the prizing to retailers – while a reimbursement value would be set for points, retailers would be encouraged to make their offers as competitive as possible, thus attracting redemptions and traffic at their location over a competitor. This program can be implemented with existing coding on instant win technology and our expectation would be to expand to live drawings as well.

A limited number of “marquee” prizes will be offered in the marketplace to drive excitement – these will have high point values, change seasonally, and still be sourced in Pennsylvania.

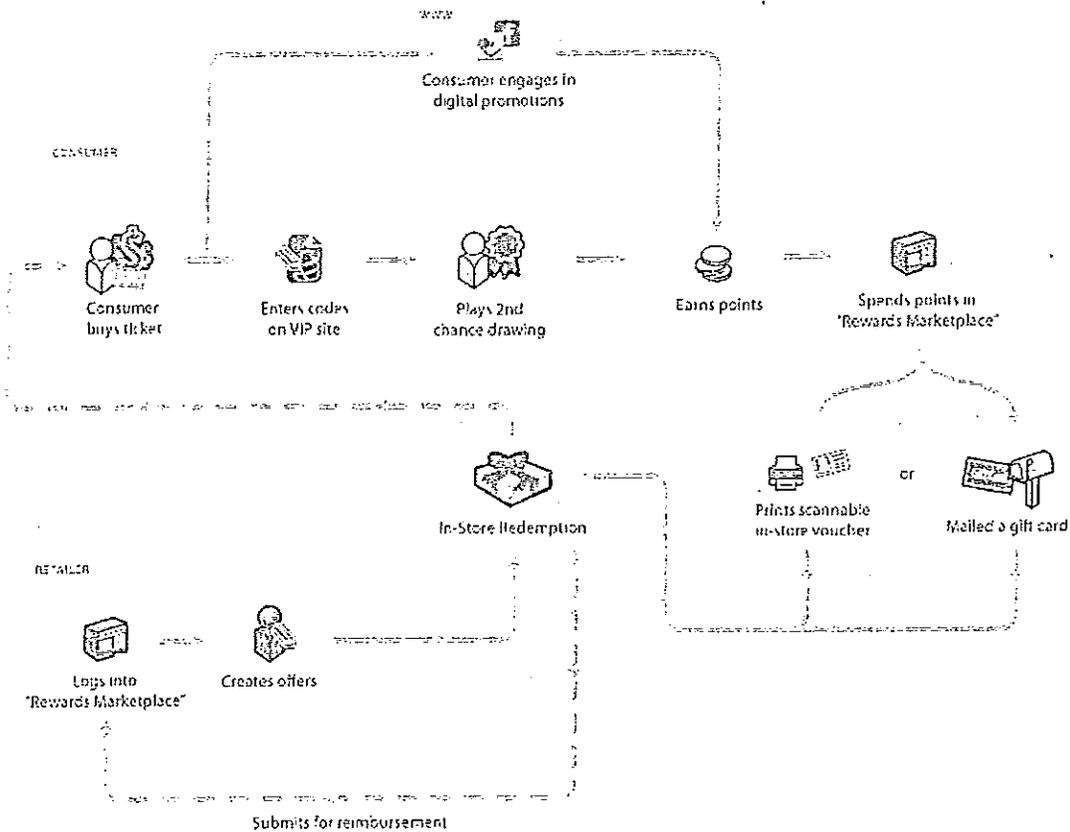
In our experience, experiential prizes work best for this kind of excitement. Examples would include sports-themed trips to tie-in with teams like the Eagles, Steelers, Phillies, etc.

Finally, this program will mesh with other digital efforts to create a network effect - consumers will be rewarded with loyalty points for participating in other digital initiatives.

While the overwhelming focus of the program is on driving purchase, a minimal point value can be attached to activities that encourage viral spread of all digital engagement programs and ultimately drive new users into the purchase/loyalty/purchase cycle. Examples would include:

- Check-ins to Foursquare
- Downloading lottery mobile apps
- Recruiting new VIP club members
- Using the Lottery Facebook “office pool” app

This encourages viral spread of all digital engagement programs and ultimately drives new users into the purchase/loyalty/purchase cycle.



Sample user experience: Frank is a loyal player of instant win games – especially Monopoly. He buys a ticket every Friday morning with his coffee at the Wawa near his home. He is also a member of the VIP Club and enjoys entering the bonus drawings online. With Pennsylvania Rewards, Frank now takes some of his tickets and enters the codes into the PA

Rewards code redemption site where he spins a virtual instant win wheel and finds out how many points they are worth. He then goes to the Rewards Marketplace and finds out that Wawa is offering a free sausage Sizzli with coffee purchase for 20 PA Rewards points. He gets a voucher for his breakfast sandwich, takes it into Wawa on his next trip, and walks away happy (along with his coffee and Monopoly tickets).

**Mobile:** A second phase of development in year two of the program could offer VIP members the opportunity to enter codes immediately as well as to see offers from merchants based on their location and preferences.

## J. ADVERTISING AGENCY AND INSTANT AND TERMINAL-BASED VENDORS

### Overview

Research in connection with the response for this task item consisted of a review of sales and income data from individual lottery websites and LaFleur's, generally considered a leading industry journal, as well as interviews with representatives of industry vendors and the Director of the New York Lottery, Gordon Medenica, and the Executive Director of the Oklahoma Lottery, Jim Scroggins. Practices appear to vary among U.S. state lotteries regarding cooperative efforts between advertising agency and instant and terminal-based vendors but instances of cooperation are plentiful. New York and Oklahoma, for example, approach the issue with successful but varying approaches; Mr. Scroggins, it should be noted, has served in four U.S. lotteries and thus has relevant perspective in relation to this question. Further, the Pennsylvania Lottery has positive practices and experiences in this regard but for purposes of this response we looked to the other 43 U.S. lotteries for best practices.

## New York Lottery Experience

We concluded that a case study involving the New York Lottery might be most relevant to Pennsylvania for these reasons:

- It's a major American lottery (#1 in overall sales) comparable to the Pennsylvania Lottery (#7 in overall sales)
- Product mix comparable to Pennsylvania
- Retailer store-type mix comparable to Pennsylvania
- Both major game service providers serve New York, including one currently serving Pennsylvania

It should be noted that New York does offer keno and VLT but we believed, looking at all factors including geographic/demographic ones, that there exists a strong comparability between the mid-Atlantic states of Pennsylvania and New York. It's also notable that, excluding keno/VLT operations which are different marketing programs compared to traditional lottery ones, the per capita sales for both lotteries are comparable. (According to LaFleur's: \$254 for Pennsylvania and \$323 for New York).

The New York Lottery is the nation's largest in sales and has been developed award-winning advertising with its agency, DDB New York, for some years. Beyond just creative development, the New York Lottery integrates its ad agency with instant g-ticket services, Scientific Games and with online game service provider, GTech Corporation in game development.

This integration is carried out in regularly scheduled meetings of Lottery/agency/service providers aimed squarely at developing features, game concepts and preliminary messaging which can result in net new sales and revenue. This process escalates into special project meetings for features or potential products that show extraordinary promise. We understand that certain goals and appropriate incentives are a part of this focus on feature/game development. Benefits of this process may be summarized as:

- Optimal contributions from key vendors
- Early, more focused and more synergistic cooperation
- Avoidable of strict sequential development which could delay launch of worthy ideas, and
- Creation of deep understanding among all vendors of the vital importance of cooperative game/feature development to the success of the Lottery
- This cooperative way of doing business appears to help all vendors focus on bottom line results for the lottery and perhaps avoid a sense that certain marketing tasks are “somebody else’s job, not mine”

This final item can be very meaningful as those of us with lottery industry experience know.

This integrated-development process was put to great use in 2010 in development of the New York Lottery’s Black Ticket instant game. The idea for a visually-distinctive black mono-chrome ticket originated with the Lottery Director who, in keeping with the process described above, enlisted the skills of DDB New York and Scientific Games to assess and develop. Ideas on game design and ticket appearance were created, changed, re-changed and unchanged but the development – in keeping with the process described above – proceeded quickly.

The end result was the launch of the Black Ticket instant game which became the most successful \$5 instant game in New York Lottery history.

#### Recommendations

Looking at how such a process may be applied in Pennsylvania, it should be first noted that cooperation in development of ideas involving games, features, promotions takes place now. We do believe that the intensity of the New York Lottery process can be applied here to significantly contribute to the primary goal of increasing net revenue beginning in 2012-13.

We recommend:

Creation of the "The Game Team" – a multi-disciplinary group consisting of appropriate senior-level individuals from the Lottery, ad agency and instant and terminal-based games service providers.

Meeting weekly to identify opportunities, present progress on ideas in development and assess need to escalate development of ideas to "Potential Launch" phase

"Launch Phase" work would prompt The Game Team members to enlist others to assist in appropriate activities such as development of final vetted prize structure, outcome scenario (i.e., projected top- and bottom-line contribution, detailed impact on current products if any) final ticket design , projected message pints for payers and retailers, etc.

We also suggest quarterly meetings of the The Game Team at which regular updates and presentations are supplemented with a review of performance of products in the year to date, with a close view of net revenue figure. Related to this latter point, we also suggest creation of the

"Net Growth Group" (may be pronounced "Engine")

Meeting monthly to review progress toward annual net revenue goal which, we suggest, may be set so as to achieve an all-time Pennsylvania record to demonstrate the ongoing successful mission of the Lottery and the fresh commitment of government stakeholders

We suggest that NGG is composed of the same The Game Team individuals plus, as appropriate, the Executive Director, additional key staff at the Lottery and the Department of Revenue especially those handling financial or other relevant functions.

We believe that this composition will facilitate the investigation of needed ideas for net revenue growth, allow a wider group to understand and address the challenges and opportunities inherent in net revenue growth and, in effect, help to vet ideas at an early stage, thus facilitating a "faster to market" plan for successful concepts involving games, features, promotions and more.

## Summary

We believe the potential to increase sales and net revenue can be increased with the addition of The Game Team and "Engine" (Net Growth Group) applying experience, senior level insights and intensity to a process that will contribute to the success of the Lottery in fulfilling its mission to help older Pennsylvanians.

## K. ADDITIONAL CONCEPTS

While a number of relevant initiatives are included throughout our proposal, two stand out, because they uniquely overlap across issues of media, game communication, retail experience, benefits and winner awareness. What's more, it has significant a opportunity to achieve the Lottery's goals. Summary—"Benefits" and "Winner Awareness."

### Background

The Lottery's network of television stations offering live or tape-delayed drawings of winning numbers provides an important service to Lottery players while also providing exposure of Lottery excitement to others – potential players, lapsed players and non-players – who tune in to view popular programs surrounding the draw show. Begun in 1977 and enhanced frequently to accommodate additional drawings, the network's air-time commercial value exceeds approaching the millions annually depending on the means used to calculate. The network of six powerful stations in each of the Commonwealth's markets delivers an enormous audience for the 7pm live drawing, reaching households across PA on weekdays and tens of millions of exposures annually. Audience fragmentation, as discussed in the II-3-B Marketing Plan, has somewhat eroded the total reach of the show in recent years, but it remains an important program – one with even more potential.

## Recommendations

We believe the 7pm drawing show has the clear potential to provide important information to improve top-of-mind awareness of the scale of benefits which the Lottery provides to players and older citizens. We propose that the show be enhanced to provide:

- Strong specific information about the dollar contribution of the Lottery to the Lottery Fund benefiting older Pennsylvanians
- Improved communication of the winnings won by players
- Enhanced visuals which players and non-players will find to be a fresh enhancement to viewing and provide often-asked-for-information on Benefits and Winnings. The stations themselves, we understand, often seek such refreshed viewer appeal. They agree to bear a large portion of the cost for production expenditures. We anticipate that set changes we propose will, then, be particularly cost efficient.

### A Powerful Opportunity to Communicate

The introduction of the on-screen "news crawl" six years ago was a step in the direction of utilizing the negotiated airtime (one word) to communicate more information. Here, we recommend a powerful highly-visible step which will synergize with the important detail in the news crawl and deliver virtually un-miss-able information vital to the understanding of citizens regarding the importance of their unique lottery. Specifically, we suggest these visual changes:

A very large display nightly of the estimated year-to-date amount provided for Lottery Benefits appear very prominently on the panel behind the drawing equipment as the show opens. This appears on the left-most backdrop panel. An optional consideration is to also show the amount provided to programs for older Pennsylvanians since the creation of the Lottery in 1972.

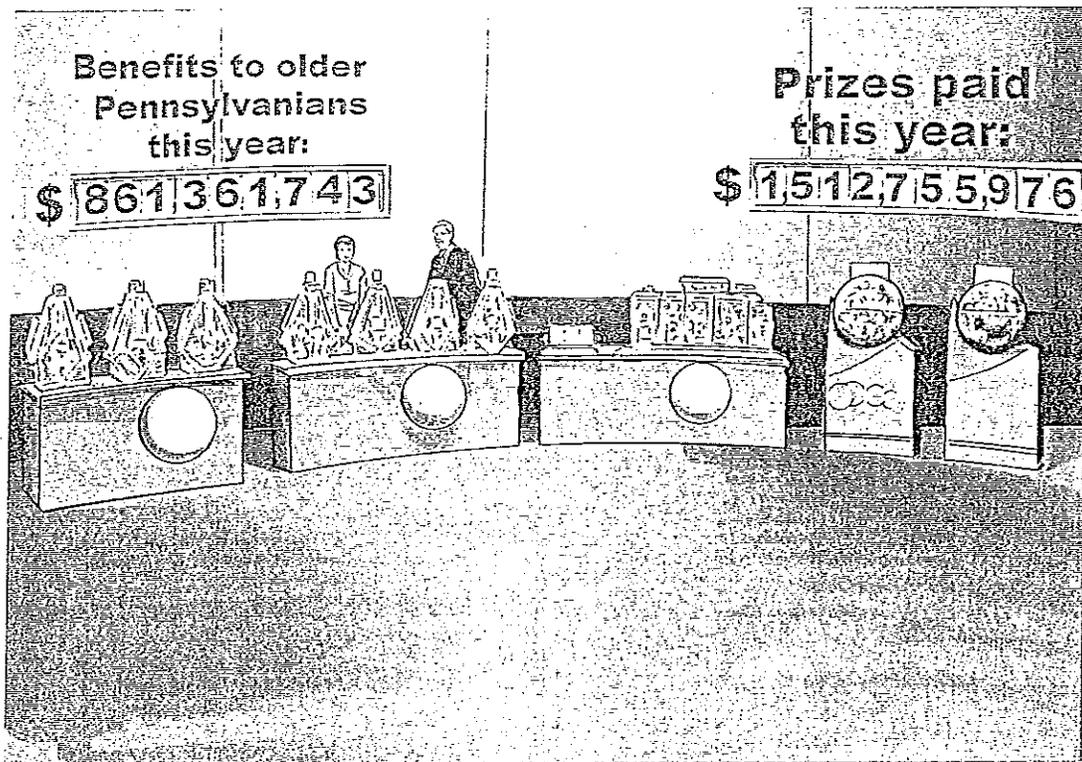
A similar very large nightly display of the winnings estimated to have been won by players in the year-to-date would appear in a backdrop panel to the right as the show opens.

The "Benefits Meter" and "Winnings Meter" would replace the current 'bouncing balls' visuals on the backdrop which have been used for some time. These meters would appear as, say,

a 10-place digit row of constantly 'roiling figures,' accurately represented in (section II-3, B) then the fact that these contributions increase constantly every day.

Between these Meters in a center panel, we suggest new visuals showing the many faces of the Pennsylvanians receiving benefits and winning prizes. The "Winners" visual may optionally be at a far-right panel.

Next, the show would open with the wide shot showing the Benefits figure and Winnings figure visible for an estimated eight seconds – and rolling and growing every second. The Benefits and Winnings Meters are again visible, depending on the draws, at the transition to additional draws following those of the daily games.



For the first month of the year (either FY or Calendar may be chosen), we might consider repeating the previous year's total for a week or more as a means of due diligent reporting and to provide understandable time for the new figure to grow.

Further, we suggest that each May – National Older Citizens Month and now perhaps Older Pennsylvanians Month – the news crawl information synergize with these figures and provide , as it does today, specific information on how to apply for certain benefits. By May of each year, the estimated Benefits figure will be approaching \$900 million and so the Meter adds considerable “break through” visibility and synergy to the May outreach – as well as providing dollar-value information to a very large audience of Pennsylvanians, likely the largest single-instance of information dissemination available to the Lottery.

We recognize the strong due diligence carried out now by the Lottery in providing ‘how to apply for benefits’ information and, building on this effort, believe that it is equally due diligent to communicate to all citizens the dollar scale of Lottery contributions to the Lottery Fund, and to players in the form of dollar winnings. Our understanding is that many Commonwealth citizens cannot accurately report these figures or cite them as being lower than they actually are. We believe the new large displays of these figures will address these inaccuracies, provide appropriate reporting of results and create an atmosphere in which Lottery play is seen as the significant contributor to the Commonwealth’s bottom line.

We understand, of course, that the Benefits and Winnings figures would be estimates. Appropriate thoroughness and care would be taken in determining these estimates. There is already precedence in calculating related estimates – e.g., daily prescriptions filled as a result of Lottery contributions, jackpot amounts, other vetted citations, etc., – and we believe that due diligence can be exercised in the transparency of reporting of these figures.

Finally, we believe that it is important to provide vetted information on specific winners and beneficiaries. Personal stories and detail regarding Winner Awareness and Benefits are vital to report. They appropriately occur now. However, we also believe that such stories could be understood more deeply as happening frequently throughout the Commonwealth in a program

that delivers information on the enormous figures provided by the Lottery night after night. These constantly growing figures will communicate the daily benefits which Lottery play can provide to our older neighbors, friends and relatives. This information, after all, is desired by the public... appropriate and required to report... and reminds every Pennsylvanian how the simple purchase of a Lottery ticket can lead to so much good.

**Point of Sale Environment: Where sales take place or not**

Brunner knows how to motivate customers on the 'Path-to-Purchase,' specializing on ways to influence the customer's decisions on the way to the store, and particularly at the shelf itself. We will continually seek to make in-store Point-of-Sale Material POS work harder. In-store POS offers us the largest opportunity to reach the broadest audience possible while in the mindset of shopping and spending money.

**Recommendation:**

To that end, Brunner recommends building strong retail rejuvenation program around two initiatives:

1. GAME
2. POS excel

1. GAME: Is an acronym for generating additional money and engagement. GAME is the new branded POS kit, and will serve to re-energize our retail partners and more effectively communicate to customers. The In-Store Marketing Institute's recent research shows that roughly 60% of all purchase decisions are made at retail so the importance of POS is critical to the increased sales and revenue of the Lottery. In-store signage serves as 'silent sales people' who speak to potential customers when the retailer associate is too busy, or too disinterested to engage the customer.

First, the GAME kit targets three groups of customers:

- Current players: increase engagement by playing one more game per purchase occasion
- Light- to-moderate players: increase sales with more frequent purchases
- Non-players: Inform and entice the uninitiated or uninformed player

#### POS Quantity and Quality:

During our retail visits, we discovered that many retailers displayed tired, old, worn-out signage. We recommend a complete rejuvenation at retail. Simply put, the Lottery needs a new, more contemporary face at retail to re-energize both customers and retail partners.

- Create new and disruptive POS to enliven the experience at retail.
- De-clutter the store somewhat “Less is more.”
- Add QR codes to all POS where appropriate. QR code can direct the user to the web for more information on VIP Club membership and enrollment, winner awareness, prizes, benefits for older Pennsylvanians and benefits specific to their home county.

In-store POS will specifically address the following objectives:

- Continue Instant Game growth
- Place more emphasis on higher profit-generating on-line games
- Re-energize and highlight Cash 5 sales
- Grow Mega Millions, with strong support of Powerball
- Explore opportunities to maintain growth for match 6 lotto
- Increase promotion of winner awareness
- Develop POS that helps to explain the differences of each game for the light user and the non-user

We recommend signage that intercepts all players of Instant Games, while they are in the act of purchasing their tickets. Specifically, this means placement of POS on the top or sides of every Instant Ticket Vending Machine (ITVM).

In addition, we recommend that certain In-store POS address LOCAL benefits. With 67 counties in Pennsylvania, there is an opportunity to show how proceeds stay LOCAL – at the county level. This builds a stronger tie to the community and helps encourage more play. Examples may include listing county-specific benefits in PACE, Rent Rebates, Transit rides, etc.

2. POS excel: is a program that:

- Establishes a more effective means for enforcement and compliance to all mandatory in-store POS, merchandising, communications, fixtures, and terminals.
- Serves as an incentive program whereby retailers who have an outstanding performance at their store will be able to participate in a program which often includes drawings for rewards: "5% Plus". The program can be built on a 'points based system' of non-cash prizes. Retailers could enter to win and select prizes from a catalog.
- Enables retailers to post photos of their store online to a dedicated site in an effort to publicize and recognize outstanding retail performances.
- Shares 'best practices' at retail.
- Is monitored by District Lottery Reps (DLRs) across each district.
- Is supported with input and evaluation by the Lottery Retailer Panel.