

**Iowa Lottery**  
***Request for Information***  
**Product Portfolio Analysis**

**# RFI 23-00**

**THIS IS A REQUEST FOR INFORMATION**

**SECTION 1. GENERAL INFORMATION**

**1.1 Background and Objectives**

Since the Iowa Lottery's start in 1985, its profits have helped make Iowa a better place to live, work and raise a family. The Lottery provides entertainment and prizes to its players while at the same time raising billions of dollars for the state programs that benefit all Iowans.

With this RFI we request information regarding your company and your services. The same information will be gathered from different companies and will be used to evaluate the information to be included with any RFP or RFQ that may be issued. The intended purpose of this RFI is to allow all interested vendors to present services that are currently available. Once the information responses have been received and the Iowa Lottery will review our business needs and may proceed with a request for proposal.

**1.2 Request for Information**

In selecting the right partner for this product portfolio analysis, the Iowa Lottery has prepared this summary Request for Information (RFI) with the intent to seek input from prospective organizations on how they would structure, staff and price such an effort. Upon receipt of this RFI, key Iowa Lottery staff will be fully available to discuss in more detail category & product background, data needs, or other information that any prospective organization might need in order to respond. Responses to this RFI are due December 21, 2022. While any formal responses to this RFI would be non-binding, it is our intent to assess the right partner so that we can move to a more formal agreement. Iowa Lottery staff will work with interested parties throughout so that any state requirements are clear to both parties. It is the goal of the Iowa Lottery to have the Product Portfolio Analysis completed by Mid-March.

This request requires any Vendor wishing to submit **information and providing an actual price** to respond to this Request for Information (RFI) by 3:00 p.m., Central Time, on December 21, 2022.

**1.3 Relevant Dates**

<b>Issue RFI</b>	<b>December 9, 2022</b>
Responses to RFI due	December 21, 2022
Prepare plan and develop RFP	To be determined

**1.4 Submission of Response**

The vendor's response may be hand-delivered or mailed to the Lottery. Responses will not be accepted over the telephone. The vendor must submit two (2) hard copies of the response documents plus one electronic copy on flashdrive or alternate media in PDF or Microsoft Word format. All written responses must be received at the Iowa Lottery located at 13001 University Avenue, Clive, Iowa 50325-8225 by 3:00 p.m., Central Time, on December 21, 2022

### 1.5 **Contact Information**

The contact at the Iowa Lottery for inquiries and comments will be:  
Terry Brown e-mail: [tdbrown@ialottery.com](mailto:tdbrown@ialottery.com)  
Iowa Lottery phone: (515) 725-7877  
13001 University Avenue fax: (515) 281-3182  
Clive, IA 50325-8225

### 1.6 **Public Records and Requests for Confidentiality**

The Lottery will treat all information submitted by a Vendor as public records unless the Vendor properly requests that specific parts of the Response be treated as confidential at the time of submitting the Response. The Lottery's release of public records is governed by *Iowa Code chapter 22*. Vendors are encouraged to familiarize themselves with Chapter 22 before submitting a Response. The Lottery will copy and produce public records as required to comply with Chapter 22 or other applicable law.

Any request for confidential treatment of specific information must be included in the transmittal letter with the Vendor's Response. In addition, the Vendor must enumerate the specific grounds in *Iowa Code Chapter 22* or other applicable law which support treatment of the material as confidential and explain why disclosure is not in the best interest of the public. Pricing information cannot be considered confidential information. The request for confidential treatment of information must also include the name, address, and telephone number of the person authorized by the Vendor to respond to any inquiries by the Lottery concerning the confidential status of the materials.

Any Response submitted which contains information for which Vendor is requesting Confidential treatment must be conspicuously marked by the Vendor on the outside as containing confidential information, and each page upon which confidential information appears must be conspicuously marked as containing confidential information. **Failure to properly identify specific information as confidential shall relieve Lottery personnel from any responsibility if confidential information is viewed by the public or a competitor, or is in any way released. If Vendor identifies its entire Response as confidential, the Lottery may reject the Response as non-responsive.**

If the Vendor designates any portion of its Response as confidential, the Vendor must submit a copy labeled as "Public Copy" from which the confidential information has been excised. This excised copy is in addition to the number of copies requested in Section 1.5 of this RFI. The confidential material must be excised in such a way as to allow the public to determine the general nature of the material removed and to retain as much of the Response as possible.

If the Lottery receives a request for information that includes information Vendor has marked as confidential, Lottery will give written notice to the Vendor at least seven calendar days prior to the release of the information to allow the Vendor to seek injunctive relief pursuant to *Section 22.8* of the *Iowa Code*. After seven calendar days, the Lottery will release the information marked confidential unless a court of competent jurisdiction determines the information is confidential under *Iowa Code Chapter 22* or other applicable law.

The Vendor's failure to request confidential treatment of material will be deemed a waiver of any right to confidentiality the Vendor may have had.

**1.7 Copyright Permission**

By submitting a Response the Vendor agrees that the Lottery may copy the response for purposes of facilitating the evaluation or to respond to requests for public records. By submitting a Response, the Vendor consents to such copying and warrants that such copying will not violate the rights of any third party.

**1.8 Restrictions on Gifts and Activities**

*Iowa Code Chapter 68B* restricts gifts which may be given or received by State employees and requires certain individuals to disclose information concerning their activities with State government. Vendors are responsible to determine the applicability of this Chapter 68B to their activities and to comply with its requirements. In addition, pursuant to *Iowa Code section 722.1*, it is a felony offense to bribe or attempt to bribe a public official.

**1.9 Content of the RFI**

This RFI is designed to provide Vendors with general information for the preparation of an appropriate Response; it is not intended to be comprehensive. Each Vendor is responsible for determining all factors necessary for submission of a comprehensive Response. The Lottery reserves the right to modify this RFI at any time. Responses should be based on the material contained in this RFI and/or any other relevant information the Vendor thinks is appropriate.

By submitting a Response each Vendor agrees that it will not bring any claim or have any cause of action against the Lottery Board, the Iowa Lottery, the State of Iowa, or any employee of the Lottery or the State, based on any misunderstanding concerning the information provided or concerning the Lottery's failure, negligent or otherwise, to provide the Vendor with pertinent information as intended by this RFI.

**1.10 Costs of Preparing the Response**

Any costs incurred by a Vendor that is related to the preparation or delivery of the response, any on-site demonstrations that may be required, or any other activities related to this RFI are the sole responsibility of the Vendor.

**1.11 Responses Property of Lottery**

All Responses and printed information used to demonstrate a Vendor's product becomes the property of the Lottery and shall not be returned to the Vendor. The contents of all Responses will be in the public domain and be available for inspection by interested parties, except for information for which Vendor properly requests confidential treatment or according to exceptions provided in *Iowa Code Chapter 22* or other applicable law. (Refer to Section 1.6 Public Records) The Lottery will have the right to use ideas or adaptations of ideas that are presented in the Responses.

**1.12 Sources of Information Used by the Lottery**

The Lottery reserves the right to contact any Vendor after the submission of Responses for the purpose of clarification and to ensure mutual understanding.

### 1.1 **Conditions and Terms For Any Future RFP**

Any Vendor interested in providing a Response and/or demonstration to this RFI with the intent of participating in any RFP that may be issued in the future would be subject to special terms and conditions as part of the resulting RFP. This information is not required as part of this RFI. A partial list of those future terms or conditions shall be:

**Financial** - The Vendor may be required to provide:

- Copies of audited financial statements for its' three (3) most recent fiscal periods.
- If audited financial statements are not available, Vendor must provide a completed W-9 containing information necessary to perform a credit check and a minimum of three (3) letters of financial reference; one of which must be a letter from the Vendor's financial institution.

**Terminations, Litigation, Debarment** - The Vendor may be required to provide the following information for the previous five (5) years:

- Has the Vendor had a contract for goods and/or services terminated for any reason? If so, provide full details regarding the termination.
- Describe any damages or penalties assessed against or dispute resolution settlements entered into by Vendor under any existing or past contracts for goods and/or services. Provide full details regarding the circumstances, including dollar amount of damages, penalties and settlement payments.
- Describe any order, judgment or decree of any Federal or State authority barring, suspending or otherwise limiting the right of the Vendor to engage in any business, practice or activity.
- A list and summary of all litigation or threatened litigation, administrative or regulatory proceedings, or similar matters to which the Vendor or its officers have been a party.
- Any irregularities discovered in any of the accounts maintained by the Vendor on behalf of others. Describe the circumstances and disposition of the irregularities.

Failure to disclose these matters may result in rejection of the Proposal or termination of any subsequent Contract. The above disclosures are a continuing requirement of the Vendor. Vendor shall provide written notification to the Lottery of any such matter commencing or occurring after submission of a Proposal, and with respect to the successful Vendor, following execution of the Contract.

**Criminal History and Background Investigation** - As with all major procurements, Vendors responding to an RFP process will be required to submit to a thorough background investigation. The Vendor shall authorize the Lottery to conduct criminal history and/or other background investigation(s) of the Vendor, its officers, directors, shareholders, partners and managerial and supervisory personnel, and any staff who will be involved in the performance of the Contract.

Because the resulting contract includes access to the Lottery IT data room and equipment, all staff to perform work as part of a contract would be required to undergo a DCI background investigation to be conducted by the Iowa Department of Public Safety, Division of Criminal Investigation (DCI) before any work may begin. The background investigation will require the submission of Class O Lottery Background and two completed fingerprint cards, by any staff that would be working on-site or may have remote

access to the Lottery system. The Lottery may refuse a Vendor's or subcontractor's employee from working or terminate the resulting contract based upon the results of these background checks and disclosures. The Vendor is advised that any person who knowingly provides false or intentionally misleading information in connection with any investigation by the Lottery may cause a subsequent contract to be canceled.

**Payment Terms** - Per Iowa Code § 8A.514 the State of Iowa is allowed sixty (60 days) to pay an invoice submitted by a Vendor.

## **SECTION 2. VENDOR INFORMATION**

The Vendor shall provide the following general background information as part of their Response:

- Company name, address, web page (if available), telephone number, fax number and the name and e-mail address of the Vendor's representative to contact regarding this RFI.
- Provide all d/b/a's or assumed names or other operating names of the Vendor and any local addresses and phone numbers.
- Form of business entity, i.e., corporation, partnership, proprietorship, limited liability company.
- State of incorporation, state of formation, or state of organization.
- The location(s) including address and telephone numbers of the offices and other facilities that relate to the Vendor's performance as presented in the RFI response.
- Number of employees
- Provide an organizational chart. Include any parent, subsidiary and affiliate companies you feel may be relevant to this presentation.
- Name, contact information and qualifications of any subcontractors who will be involved with this project the Vendor proposes to use and the nature of the goods and/or services the subcontractor would perform.
- Provide a minimum of three vendors for which Vendor has provided services similar to those described with work being completed within the past two (2) year period.

## **SECTION 3. BACKGROUND INFORMATION – STATEMENT OF NEEDS**

### **3.1 Business Need**

The Iowa Lottery is working on several fronts to grow sales with the ultimate goal to increase the proceeds that are provided to the state of Iowa. A key part of those efforts is to be able to maximize how our games (products) perform and what their true contribution (product profitability) is with regards to state proceeds. The Iowa Lottery seeks to engage the right partner to conduct a product portfolio analysis to determine how best to maximize and manage the performance of the entire product portfolio. Areas of focus would include but are not limited to category performance, product performance, prize structure and its impact on product attractiveness and price point differentiation, price point maximization, and overall mix that would then be used to prioritize sales and marketing initiatives. The Iowa Lottery will provide all Iowa sales data related to individual products, overall categories, retail partner breakout, and by sales mechanism (retail over the counter and vending machines). Review and assessment of top performing products from North American lotteries for comparative purposes would be done by the selected partner. The Iowa Lottery is able to provide assistance here based on resource needs and overall cost..

### **3.2 Product Background**

Currently, the Iowa Lottery has four primary product categories: Lotto, Scratch Tickets, InstaPlay and Pull-Tabs. A majority of these products are purchased through nearly 2,500 licensed retail sales partners across the state of Iowa. The Iowa Lottery does not sell any products online. Sales process, player experience, distribution cost and product development, and ending differ by game category. Below is a short summary of each category along with recent sales results, prize expense ratio and category overview.

- **Lotto Category:** Lotto sales in FY 2022 (ending June 30, 2022) were \$103.4M and surpassed FY 2021 by 4.0%. Individual products include Powerball, Mega Millions, Pick 3, Pick 4, Lucky for Life and Lotto America. Sales in the overall category can vary greatly due to the variance of large jackpot prizes in multi-jurisdiction games. Performance for the category has overall improved due to product enhancements and new product introductions. The prize expense ratio for products in this category ranges from 50% to 70%. (Prize expenses are what are paid out in prizes to players.) Product development and enhancements require significant programming and testing. .

- **Scratch Ticket Category:** Scratch Ticket sales in FY 2022 were \$293.1M, trailing FY 2021 by 7.5%. Over a trailing 52-week period, Iowa Lottery scratch ticket sales have generally lagged when compared to industry averages. Historically, there have been a large number of products active and available for sale. Typically, 30+ products are actively for sale at retail locations with often another 40+ that are either available for retail distribution or that are paused before returning for sale. More recently, the industry has seen the introduction of higher price points to good success, with lower price points experiencing decreases in sales.

- **InstaPlay Category:** Also commonly known as “FastPlay” in most U.S. jurisdictions. InstaPlay sales in FY 2022 were \$23.4M, falling short of FY 2021 results by 0.2%. Products in this category are often referred to as a “scratchless” scratch ticket, with the play experience being similar to a scratch ticket but the ticket is printed on a retailer terminal. Performance for this category has flattened in the past year due to its mature nature with new products being introduced in early October. The prize expense ratio for products in this category are in the low 70% range.

- **Pull-Tabs Category:** Pull-Tab sales in FY 2022 were \$12.7M and were up by 2.6% compared to FY 2021. Products in this category are sold primarily via vending machines (roughly 95% of sales) at retail locations throughout the state. Similar to scratch tickets, these products are distributed to individual retail locations by the Iowa Lottery sales force. Also similar to Scratch Tickets, sales have lagged at lower price points over the past few years. The prize expense ratio for products in this category are in the low 60% range.

### **3.3 Desired Use of Product Portfolio Analysis -**

The Iowa Lottery seeks to use the product mix and profitability model to maximize the existing product portfolio and to determine the sales and operational resources that will be applied to these offerings. This includes establishing a threshold at which point a product or even a category must perform in order to remain in the mix in order to be a viable offering to drive sales and proceeds. Included in the product portfolio analysis should include any current and future offerings or opportunities that the Iowa Lottery should consider in order to grow sales and proceeds to the State of Iowa.