

Concession or Not to Concession

The presentation focused on determining whether providing concessions is the right decision for your organization. Themes included:

- What are concessions and what is the purpose of concessions?
- The Randolph Sheppard Act and its influence on vending services.
- Why you should or should not concession?
- Writing a business plan: how to, key points, how it should relate to your mission statement.
- Marketing is worth its weight in gold.



Great Lakes Park Training Institute 2009

"To Concession or not to Concession"
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Indiana State Parks and Reservoirs

Concessions

■ What are Concessions?

Concessions are private businesses operating under contract in parks to provide products and services designed to enhance the park visitor's experience which are not provided by park employees. Some services which have traditionally been provided by park employees have also been contracted out by some systems.

Concessions

■ One park system states

"Concessions offer increased economic benefit in many smaller communities, while generating revenues to help reduce the cost of operating parks."

- The purpose of offering a concession program is to seek public/private partnerships and assistance, where appropriate, and to provide quality services, programs, and facilities that enhance the enjoyment and provide convenience and recreational experiences for the park visitors

Concessions

What types of services and products are contracted out?

- Camp Stores
- Bicycle Rentals
- Saddle Barns
- Snack Shops
- Golf Courses
- Vending
- Firewood Sales
- Ski Rental
- Marina Services
- Swimming Pools
- Reservation Services
- Gift Shops
- Interpretive Services
- Boat Rental
- Inns/Lodges

Concessions

Why do park systems concession services?

- May not have the expertise for certain services.
- May not have the budget to provide staff.
- Purchasing procedures for resale products are cumbersome.
- Compelling laws and regulations –Randolph-Sheppard Act.
- Directives from administration
- Low return on investment.

Concessions

Why do some systems run their own concessions in whole or part?

- Lack of interested/qualified parties.
- Feel that they can provide better service.
- Revenue stream goes into operating budget.
- Have always done it that way.
- Directives from administration.
- High return on investment.
- Inconsistent service from high turn over rate of operators.

Concessions

- Once many of the factors have been considered, it sometimes comes down to economics and will it pay for a park system to run the concession.
- To do this, it is recommended that a business plan be developed to ensure a success. This will also help determine if there will be a fair revenue stream to support the concession.

Concessions

- Developing a business plan
 - Parts of a business plan
 - Introduction or Executive Summary
 - Business description
 - Market Position
 - Market Analysis
 - Sales and Marketing
 - Pro Forma Financials

Business Planning

Executive Summary

The executive summary provides an overview of the business plan. It sets the stage for the business plan and prepares the reader for what to expect. The executive summary is the most important component of the business plan and is typically written last. It is a synopsis of the entire report and allows the reader to understand the proposed enterprise and expected outcomes. Many will not read beyond the executive summary, hence it must cover all pertinent information.

Business Planning

Business Description

The business description describes the reasons for the business plan. It focuses on the enterprise idea. For parks the enterprise idea purpose can be short-term or long-term. Some enterprises may focus on a short-term opportunity such as the Lincoln Bicentennial while others focus on long-term opportunities such as boat docks, concession operations, and the like.

Business Planning

The next portion of the business description explains how it will operate and why it is a good idea. American Express suggests to "think about how you are going to turn a buck. Why will your products or services be successful in the marketplace?" Some more specific questions to be asked focus on the idea and operation:

1. Is the idea practical and workable?
2. Can it be easily developed? How?
3. How long will it take to develop?
4. Does your idea compete unfairly with area private enterprises and will it cause more bad public relations than it's worth

Business Planning

Other important factors to consider relating to the appropriateness of the idea in a park setting, as well as long-term goals are:

1. What are the park goals for the next 10 years? 5 years? 2 years?
2. What are the park goals for next year?
3. Where does the idea fit into the organization's mission statement?
4. How does it fit into the park mission statement?
5. How will it ultimately fit the system's image.
6. How does this venture conform with the stewardship goals of natural, cultural or historic resources of your property or the entire system?

Business Planning

Market Position

Market position deals with how the idea fits into the competitive market place. Even if the idea appears to not have any competition, that does not guarantee success. It must be something that individuals are willing to pay for. Pricing is an effort to determine the costs associated with delivering and selling the product. Pricing too low can cause the potential purchaser to question quality. Pricing too high can result in feeling the price is unreasonable.

Business Planning

Market Analysis

Sales and marketing is the core of any entrepreneurial enterprise. No matter how good the idea, if it isn't sold to those who would purchase it, it will fail. This analysis includes how the product or service will be marketed. What specific approaches will be used? Will there be advertising in the park brochure, will it be available in campgrounds, at stores, by mail, on the web? The analysis can be short, but outlines an approach to be used. This directs the overall efforts of the enterprise and suggests specific implementation efforts. Some questions that might be considered include:

Business Planning

1. What advertising media will you use?
2. What media will be used during various seasons of the year?
3. How do you display your merchandise?
4. What special customer services do you offer?
5. What types of payment options to you offer?
6. How do you handle merchandise customer returns?
7. How do you handle customer complaints?

Business Planning

Financials

The financial portion of the report will, for many be the most important part of the report. It provides a look at whether the projected revenues and expenditures appear to be realistic and achievable. For some the financial portion of the business plan can be daunting. The financials should include, at a minimum, start-up costs, and a pro-forma income statement. Anyone who has had to prepare a budget will find that identifying the operating costs of a new enterprise to be relatively easy.

Business Planning

Financials (con't)

Identify all start-up expenses and list the items and their projected costs. The Pro-forma income statement is a projection of the business for a full year. It provides a bottom line for the enterprise and tells the story of whether it made money or lost money. You will need to project the revenues for all sales/rental items and then project all the expenses that may be incurred. Keep in mind to be conservative in your revenue projections and liberal in your expense projections.

To Concession or not to Concession

- Hopefully, we have provided some information to help your agency to determine if they wish to concession a product or service or to operate in-house.