

United States Department of the Interior

NATIONAL PARK SERVICE
1849 C Street, N.W.
Washington, D.C. 20240


IN REPLY REFER TO:

(2410)

JAN 12 2010

Memorandum

To: Regional Concession Chiefs

From: Chief, Commercial Services Program 

Subject: 2010 Convenience Store Markup Percentages & Competitive Market Declaration for Retail Merchandising

This memorandum provides updated 2010 industry statistics for use when applying the markup rate method for concessioner convenience items.

Convenience Items

In accordance with the April 2009 Concession Management Rate Administration Guide, markup is currently the preferred rate method for *convenience items*. This rate approval method uses industry gross margins by product category obtained through a nationally recognized source, the National Association of Convenience Stores (NACS). Each year, the NACS publishes a State of the Industry (SOI) Annual Report that includes gross margin percentages by product category, used to determine markup percentages for the year. The National Park Service use of this source ensures comparability with the private sector.

The 2010 NACS convenience item markup percentages are provided in Attachment 1 along with a description and example of how to apply these percentages. The park and the concessioner should agree on a reasonable implementation period to establish updated rates based on this 2010 data. The agreement should be documented in the park's concession files and a copy provided to the concessioner.

Attachment 2 to this memorandum provides the NACS 2009 Category Definitions for merchandise and foodservice. This detail is provided to assist parks in identifying the appropriate product categories for the convenience items being sold. The concessioner and park should consistently apply and document the categories used to ensure an accurate and efficient rate request and approval process. If concessioners are selling or have convenience items that do not logically fit into the identified categories/subcategories, concession specialists should contact their regional office for guidance.

Merchandise Items

The Competitive Market Declaration (CMD) rate method should be used for *merchandise items*. Markup should not be used for these products. Fuel rates should be determined based on comparability. Application of these rate methods should be in accordance with the April 2009 Concession Management Rate Administration Guide.

Standards, Evaluation and Rate Approval (SERA) Project

The Commercial Services Program is re-engaging the SERA project which will include a comprehensive review of the rate administration program. This effort may result in potential changes to the above policies and procedures.

Distribution and Questions

Please distribute this memo to concession specialists and other appropriate personnel within your region. This memo will also be posted on the Commercial Services InsideNPS website at <http://inside.nps.gov/waso/custompages.cfm?prg=1183&id=8176&lv=4&pgid=3303>.

If you have any questions regarding these convenience item and merchandise rate methods, please contact Lora Farabaugh, Concession Management Specialist, at 303/987-6903 or lora_farabaugh@nps.gov.

Attachments

ATTACHMENT 1

MARKUP METHOD (FOR CONVENIENCE ITEMS)

The widely accepted method of pricing retail convenience items is to apply a markup to product costs. This method of rate approval should be used only for retail *convenience items* and not for service-related items for which quality or amenities are factored into rates.

This rate approval method uses industry gross margins by product category obtained through a nationally recognized source, i.e., the State of the Industry (SOI) Annual Report published by the National Association of Convenience Stores (NACS). The use of this source ensures comparability with the private sector. Minor variances from the published report may be allowed under certain circumstances, which require approval by the park superintendent on a case-by-case basis.

Exhibit 1 below depicts industry gross margins by product category in the NACS State of the Industry 2009 Annual Report and the resultant markup percentages. Only these markup percents should be used by the concessioner when preparing rate requests and by the NPS when reviewing requests. Concessioners should be given copies of the updated gross margins and markup percentages quickly so they can use them to prepare their 2010 rates.

When using the Markup method to determine the maximum selling price, use the following formula:

$$\text{Total Cost} \times (1 + \text{markup percentage}) = \text{selling price}$$

For example, if the concessioners' cost for cough medicine is \$4.81, you would refer to the attached Markup table, identify that the markup percentage for health and beauty care is 100.0 percent, and use this information to identify the selling price:

$$\$4.81 \times (1 + 1.00) = \$9.62$$

Rounding is acceptable and common. The concessioner may propose to sell the cough medicine for \$9.50.

Retail Price	Round to Nearest
Below \$9.99	\$0.25
\$10 to \$49.99	\$0.50
\$50 and Over	\$1.00

Traditional consumer retail pricing techniques, which create prices ending in forty nine cents (\$0.49) and ninety-nine cents (\$0.99), whichever is closest and most appropriate, are also appropriate and permissible when using the above standard. In the example above, the cough medicine could be sold for \$9.49.

Exhibit 1 - Markup percentages to be used for 2010

Category⁽¹⁾	Gross Margin Percentage	Markup Percentage⁽³⁾
Merchandise	(2008 Stats)⁽²⁾	
Cigarettes	15.33%	18%
Other Tobacco	31.11%	45%
Packaged Beverages(non alcoholic)	40.15%	67%
Beer	20.96%	27%
Wine	28.15%	39%
Liquor	26.53%	36%
Edible Grocery	44.14%	79%
Non-edible Grocery	39.42%	65%
Perishable Grocery	37.20%	59%
Frozen Foods	41.89%	72%
Packaged Ice Cream/ Novelties	46.91%	88%
Candy	50.27%	101%
Salty Snacks	37.62%	60%
Packaged Sweet Snacks	33.91%	51%
Alternative Snacks	42.94%	75%
Fluid Milk Product	28.20%	39%
Other Dairy and Deli	38.44%	62%
Packaged Bread	36.13%	57%
Health & Beauty Care	49.94%	100%
General Merchandise	39.31%	65%
Automotive Products	38.98%	64%
Publications	22.64%	29%
Ice	62.12%	164%
Food Service		
Food Prepared On-Site	47.92%	92%
Commissary/ Packaged Sandwiches	35.25%	54%
Hot Dispensed Beverages	64.94%	185%
Cold Dispensed Beverages	46.53%	87%
Frozen Dispensed Beverages	46.90%	88%

Source: 2009 NACS State of the Industry Report Convenience & Petroleum Retailing Totals, Trends and Analysis of 2008 Industry Data

⁽¹⁾ A list of items under each category is provided in Attachment 2

⁽²⁾ Gross Margin percentage is the percentage of the selling price that is profit

⁽³⁾ Markup Percentage is the percentage of total cost that is profit

ATTACHMENT 2

NACS Category Definitions and Numbering Guide – Version 6.0

*Source: 2009 NACS State of the Industry Report Convenience & Petroleum
Retailing Totals, Trends and Analysis of 2008 Industry Data*

Listed below are the mainline categories and sub-category descriptions. These categories should be used to pinpoint the appropriate category to be used by the concessioner when preparing rate requests for convenience items.

The National Association of Convenience Stores (NACS) Standard Category Numbering identified below utilizes a six position numeric field organized into three groups of two digits. The first two digits represent the major category identifier; the second two digits represent the sub-category identifier, and the last two digits do not figure into the NPS categories.

Parks and concessioners are not required to use the numbering system, but should document the specific category/sub-category used when selecting the markup percentage as part of the concessioner's rate request and as part of the NPS approval for future reference and consistency.

Number Category Sub-category Descriptors

02-00-00 Cigarettes

- 02-01-00 Premium
- 02-02-00 Branded Discount
- 02-03-00 Sub-generic/Private Label
- 02-04-00 Imports
- 02-05-00 Fourth Tier

03-00-00 Other Tobacco

- 03-01-00 Smokeless (Includes: chew, dip, snuff, moist)
- 03-02-00 Cigars
- 03-03-00 Papers
- 03-04-00 Pipes
- 03-05-00 Pipe/Cigarette Tobacco
- 03-06-00 Other Tobacco Products (Includes: scrap)

04-00-00 Beer

- 04-01-00 Super Premium (Includes: specialty beers)
- 04-02-00 Premium
- 04-03-00 Popular
- 04-04-00 Budget
- 04-05-00 Imports
- 04-06-00 Microbrews/Craft (Includes: regional breweries)
- 04-07-00 Malt Liquor
- 04-08-00 Non-alcoholic
- 04-09-00 Flavored Malt (Includes: hard cider, hard lemonade, malt-based coolers)

05-00-00 Wine

05-01-00 Table/Varietal Wine
05-02-00 Champagne/Sparkling Wine
05-03-00 Coolers/Wine Cocktails
05-04-00 Fortified Wine (Includes: high alcohol content wine)

06-00-00 Liquor

06-01-00 Distilled Spirits
06-02-00 Prepared Cocktails
06-03-00 Cordials/Brandy/Cognac

07-00-00 Packaged Beverages (Non-alcoholic-Bottle deposits should be attributed to the category)

07-01-00 Carbonated Soft Drinks (Includes: Club soda, tonic water, mixes)
07-02-00 Iced Tea (Ready-to-drink)
07-03-00 Sports Drinks
07-04-00 Juice/Juice Drinks (Includes: 100% juice, 100% fruit juice drinks, vegetable drinks, canned/juice box beverages)
07-05-00 Bottled Water (Includes: flavored, carbonated, still, fortified waters, aquaceutical)
07-06-00 Other Packaged Beverages (Non-alcoholic) (Includes: chocolate drinks, coffee drinks, diet supplements)
07-07-00 Alternative (Includes: energy, nutraceuticals)

08-00-00 Candy

08-01-00 Gum
08-02-00 Candy Rolls, Mints, Drops
08-03-00 Chocolate Bars/Packs
08-04-00 Non-chocolate Bars/Packs
08-05-00 Bagged or Repacked Peg Candy
08-06-00 Novelties/Seasonal (Includes: Valentine's Day, Halloween candy, packaged candy w/toy)
08-07-00 Change Makers/Penny Counter Goods
08-08-00 Bulk Candy

09-00-00 Fluid Milk Products Each sub-category contains single-serve and take-home SKUs

09-01-00 Whole Milk
09-02-00 2% Milk
09-03-00 1% Milk
09-04-00 Skim/Non Fat Milk (Includes: 1/2% milk)
09-05-00 Flavored Milk
09-06-00 Cream/Creamer Products
09-07-00 Other Ready-to-drink Fluid Milk Products (Includes: aseptic milk, lactose-free milk, soy-based products)

10-00-00 Other Dairy & Deli Products

10-01-00 Packaged Cheese
10-02-00 Eggs
10-03-00 Butter/Margarine
10-04-00 Cottage/Cream Cheese/Sour Cream
10-05-00 Yogurt
10-06-00 Other Dairy (Includes: refrigerated dips, pudding, gelatin, cheese spreads)
10-07-00 Packaged Luncheon Meat (Includes: sandwich meats, e.g., bologna, ham, turkey)

10-08-00 Other Packaged Meats (Includes: hot dogs, bacon, and sausage)
10-09-00 Lunch Packs are boxed lunches containing single servings of luncheon meat, cheese, bread/crackers, etc.

11-00-00 Commissary & Other Packaged Products

11-01-00 Sandwiches (Includes: Pre-packaged sandwiches/wraps)
11-05-00 Salads & Sides (Includes: packaged salads, pickles)
11-06-00 Thaw, Heat & Eat (Includes: burritos, pizza)
11-07-00 Meals Ready-to-Eat (Includes: soups, home meal replacement)

12-00-00 Packaged Ice Cream/Novelties

12-01-00 Premium Ice Cream
12-02-00 Ice Cream
12-03-00 Frozen Yogurt/Sherbet/Sorbet
12-04-00 Frozen Novelties

13-00-00 Frozen Foods

13-01-00 Frozen Dinners/Entrees/Meals
13-02-00 Frozen Pizza
13-03-00 Other Frozen Foods

14-00-00 Packaged Bread Packaged Bread (Includes: bread, buns, rolls, English muffins, bagels)

15-00-00 Salty Snacks

15-01-00 Potato Chips (Includes: DSD and warehouse potato chips/potato crisp products packaged in bags, boxes or canisters)
15-02-00 Tortilla/Corn Chips
15-03-00 Pretzels
15-04-00 Nuts/Seeds
15-05-00 Packaged Ready-to-eat Popcorn (Includes: flavored popcorn, caramel corn)
15-06-00 Crackers
15-07-00 Other Salty Snacks (Includes: pork rinds)

16-00-00 Packaged Sweet Snacks Packaged Sweet Snacks (Includes: DSD baked items)

16-01-00 Snack Cakes/Pastries/Desserts (Includes: candied apples)
16-02-00 Muffins/Donuts
16-03-00 Cookies

17-00-00 Alternative Snacks

17-01-00 Meat Snacks
17-02-00 Granola/Fruit Snacks
17-03-00 Health/Energy Bars (Include: meal replacement, health, diet, energy, cereal, nutritional bars)
17-04-00 Other Alternative Snacks (Includes: rice cakes, trail mix, yogurt raisins, and chocolate/yogurt pretzels)

18-00-00 Perishable Grocery Perishable Groceries are bulk or random weight

18-01-00 Fruits
18-02-00 Vegetables
18-03-00 Service Deli Meats

18-04-00 Service Deli Cheese
18-05-00 Service Deli Salads
18-06-00 Other Service Deli

19-00-00 Edible Grocery

19-01-00 Packaged Coffee/Tea (Includes: coffee whitener)
19-02-00 Breakfast Cereal (Includes: single-serve items)
19-03-00 Condiments
19-04-00 Other Edible Grocery (Includes: canned/dry soup, canned fruit/vegetables, pasta, other boxed food items, non-refrigerated dips, DOES NOT INCLUDE CANNED/ASEPTIC JUICE)

20-00-00 Non-edible Grocery

20-01-00 Laundry Care (Includes: laundry detergent, fabric softener, dryer sheets)
20-02-00 Dish Care (Includes: dish soap, automatic dishwashing detergent, dishwasher additives)
20-03-00 Household Care (Includes: cleaners, freshener, insecticides)
20-04-00 Paper/Plastic/Foil Products (Includes: paper towels, napkins, facial tissue, paper plates/cups, plastic cutlery, plastic bags/wraps)
20-05-00 Pet Care (Includes: pet food, pet accessories)
20-06-00 Other Non-edible Grocery

21-00-00 Health & Beauty Care

21-01-00 Analgesics
21-02-00 Cough & Cold Remedies (Includes: cough drops)
21-03-00 Stomach Remedies (Include: antacids)
21-04-00 Vitamins/Supplements (Includes: herbal remedies)
21-05-00 Other Internal OTC Medications (Includes: sleeping aids, stimulants)
21-06-00 Grooming Aids (Includes: shampoo/hair care, oral care, deodorants, personal soap, shaving needs)
21-07-00 Feminine Hygiene (Includes: tampons, pads)
21-08-00 Family Planning (Includes: contraceptives, pregnancy kits)
21-09-00 Baby Care (Includes: baby food/formula, diapers, wipes, ointments, etc.)
21-10-00 Skin Care/Lotions/External Care (Includes: eye care, lip care, first aid, skin care)
21-11-00 Cosmetics
21-12-00 Other HBC

22-00-00 General Merchandise

22-02-00 Batteries
22-03-00 Film/Photo
22-04-00 School/Office Supplies
22-05-00 Greeting/Gift/Novelties/Toys/ Recreational Equipment (Includes: Frisbees, tennis balls, fishing tackle)
22-06-00 Trading Cards
22-07-00 Wearables/Apparel (Includes: hosiery, gloves, caps, sunglasses)
22-08-00 Smoking Accessories (Includes: pipe cleaners, lighters, lighter fluid, flints)
22-09-00 Video/Audio Tapes
22-10-00 Hardware/Tools/Housewares
22-11-00 Floral
22-12-00 Seasonal (Includes: softener salt, charcoal/logs, lawn & garden, ice chest)
22-13-00 Other GM

22-14-00 Telecommunications Hardware (Includes: cell phones, beepers, accessories)
22-15-00 Propane Exchanges

23-00-00 Publications

23-01-00 Newspapers
23-02-00 Magazines/Tabloids
23-03-00 Adult Magazines
23-04-00 Paperbacks/Books
23-05-00 Comics
23-06-00 Traders
23-07-00 Maps
23-08-00 Other Publications (Includes: crossword puzzle publications, horoscope products, calorie counters, etc.)

24-00-00 Automotive Products

24-01-00 Motor Oil
24-02-00 Anti-freeze/Coolants/Window Solvents
24-03-00 Transmission/Brake Fluids
24-04-00 Car Care (Includes: wax, cleaners, air fresheners, ice scrapers)
24-05-00 Other Additives (Includes: engine treatments, gas treatments)

26-00-00 Store Services (Other Income — Fee-based only) Not a merchandise category.

26-01-00 Pay Phones
26-02-00 Video Rental
26-03-00 Money Orders/Money Grams
26-04-00 Check Cashing
26-05-00 ATM
26-06-00 Copy/Fax
26-07-00 Postal/UPS
26-08-00 Vending
26-09-00 Tickets
26-10-00 Home Delivery
26-11-00 Amusements (Includes: video games, pinball)
26-12-00 Licenses (Includes: hunting/fishing licenses)
26-13-00 Other Store Services (Includes: showers)
26-14-00 Pre-paid Cards (Fee-based only, based on a percentage or fixed fee. May not be recorded as a sale)

27-00-00 Lottery/Gaming (Commissions/Fee Income Only)

27-01-00 Lotto
27-02-00 Scratch Tickets
27-03-00 Video Gaming Revenue
27-04-00 Slot Machine Revenue

28-00-00 Ice

29-00-00 Foodservice Prepared On-site

29-01-00 Chicken 29-01-01, 29-01-02, 29-01-03
29-02-00 Mexican 29-02-01, 29-02-02, 29-02-03

29-03-00 Pizza 29-03-01, 29-03-02, 29-03-03
29-04-00 Seafood 29-04-01, 29-04-02, 29-04-03
29-05-00 Hot Dogs/Roller Grill Products 29-05-01, 29-05-02, 29-05-03
29-06-00 Hamburgers 29-06-01, 29-06-02, 29-06-03
29-07-00 Sandwiches/Wraps 29-07-01, 29-07-02, 29-07-03
29-08-00 Frozen Treats 29-08-01, 29-08-02, 29-08-03
29-09-00 Bakery 29-09-01, 29-09-02, 29-09-03
29-10-00 Soup and Salad 29-10-01, 29-10-02, 29-10-03
29-11-00 Other Cuisine 29-11-01, 29-11-02, 29-11-03

30-00-00 Hot Dispensed Beverages

30-01-00 Coffee
30-02-00 Hot Tea
30-03-00 Hot Chocolate
30-04-00 Cappuccino/Specialty Coffee Drinks (Includes: Latte, DOES NOT INCLUDE ICED COFFEE)
30-05-00 Refills
30-06-00 Coffee Club Mugs (Includes: reusable hot beverage mugs/containers sold with hot beverage)
30-07-00 Other Hot Dispensed Beverages (Includes: hot cider, etc.)

31-00-00 Cold Dispensed Beverages

31-01-00 Fountain–Carbonated
31-02-00 Fountain–Non-carbonated (Includes: tea, lemonade, cold cider)
31-03-00 Fountain–Sports Drinks
31-04-00 Refills
31-05-00 Fountain Club Mugs (Includes: reusable value-added cups sold with cold beverage)
31-06-00 Other Cold Dispensed Beverages (Includes: iced coffee/iced cappuccino/iced latte)

32-00-00 Frozen Dispensed Beverages

32-01-00 Frozen Carbonated Beverages
32-02-00 Frozen Non-Carbonated (Includes: slush, frozen cappuccino)