



# United States Department of the Interior

NATIONAL PARK SERVICE  
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Washington, D.C. 20240

IN REPLY REFER TO:

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(2410)

## Memorandum

To: Regional Concession Chiefs

From: Chief, Commercial Services Program *Galinsky*

Subject: Clarifications on Use of Mark-on, Markup and Competitive Market Declaration

The WASO Commercial Services Program has recently received several inquiries regarding the use of mark-on as an authorized rate method. Questions have also been raised regarding the use of markup versus comparability or competitive market declaration (CMD) for convenience items.

The following provides clarification on the procedures defined in the April 2009 Concession Management Rate Administration Guide (Rate Guide). There are no new policies or policy changes associated with this memorandum.

### **Mark-on for Convenience Items**

Mark-on is no longer a viable rate administration method and should not be used within the Commercial Services Program. Mark-on is an old term and is not currently employed in the industry. Industry guides to calculate such prices using this method are no longer published and available to the National Park Service (NPS). Some grocery stores continue to use what is an equivalent method to set prices using internally derived "gross margin" data but there are no publicly available guidelines for using such a method at this time. All reference to mark-on will be removed from the Rate Guide in its next revision.

### **Rate Approval Methods for Grocery Items**

Grocery items are considered convenience items. The current preferred method for determining rates for convenience items is **markup**. The markup method utilizes National Association of Convenience Store (NACS) data, which can be found at <http://inside.nps.gov/waso/custompages.cfm?prg=1183&id=8176&lv=4&pgid=3303>. (Note that the calendar year 2010 NACS data is now posted on this site.) Most grocery item categories sold in concessioner grocery stores are covered in the NACS guidance. Park staff should review the categories with the concessioner to determine which categories will be used. Categories used should be documented in the Administrative Record to aid future rate requests and approvals.

In the event that NACS data is not available for a grocery item, the recommended alternative method is CMD. If it is unclear to the park concession specialist on what rate method to use, they should contact their regional office for guidance.

#### **Markup versus Comparability or CMD for Convenience Items**

If a local market price for a convenience item appears out of sync with the markup percentage the concessioner may request a markup waiver for a particular item and that comparability or CMD be used to set the item price. The decision to use the alternative method must be justified by the concessioner with an appropriate level of research and documentation. If CMD is the requested method, the associated CMD criteria described in the Rate Guide must be met (i.e., the concessioner operates in a competitive market, the concessioner derives no competitive advantage from its location on park land, or prices are routinely negotiated between the buyer and seller). The use of these two alternative rate methods must be approved in advance, by the Park superintendent.

#### **Rate Methods for the Sale of Mixed Product Categories**

Markup is the current preferred rate method for convenience items and CMD is the preferred rate method for merchandise. In situations where there are mixed product sales including items in each of these retail categories, the preferred rate method should be used for each product category. The use of the appropriate rate method outweighs any interest in having a consistent rate method storewide.

#### **Standards, Evaluation and Rate Approval (SERA) Project**

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

#### **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 web site at <http://inside.nps.gov/waso/custompages.cfm?prg=1183&id=8176&lv=4&pgid=3303>.

If you have any additional regarding these merchandise rate methods, you may also contact Lora Farabaugh, Concession Management Specialist, at 303/987-6903.