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TECHNICAL BULLETIN

To: Regional Concession Chiefs

From: Chief, NPS Commercial Services Program

Subject: Technical Bulletin: 2018 Convenience Item and Fuel Markup Percentages

The National Association of Convenience Stores published a markup percentage of 24% for the “perishable grocery” category. Given the unexplained large drop from previous years and the scale of this category, we are treating this percentage as an anomaly and allowing concessioners to use the previous markup- 69%. Other categories that experienced percentage swings (either up or down) will not be adjusted. The park may approve rates for particular items using comparability rather than the markup percentage if justified by the market and documented.

This memorandum provides updated industry statistics for use when applying the markup rate method for concessioner convenience items that do not have an MSRP. These percentages supersede previous years’ markup percentages. This memorandum also provides a markup method for approving automotive fuel rates.

Convenience Item Categories and Definitions

In accordance with the Concession Management Rate Administration Guide, the markup is the preferred rate method for *convenience items* that do not have an MSRP. 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 that is then used to determine the mark-up percentages for 2018. The use of this source ensures comparability with the private sector. Concessioners and NPS staff should agree on a reasonable implementation period to establish updated rates based on this data.

NACS Category Definitions for merchandise and foodservice are available here: [NACS Category Definitions.pdf](#). This is provided to assist parks in identifying the appropriate product category for the convenience items being sold. The concessioner and park should document the categories used to ensure a consistent, accurate and efficient rate request and approval process. If concessioners are selling convenience items that do not logically fit into the identified categories/subcategories, concession specialists should contact their regional office for guidance.

Some concessioners sell pre-packaged food items (e.g., sandwiches and yogurt) in food and beverage facilities such as cafeterias and grab-and-go outlets. When the products are purchased wholesale from a vendor and are not packaged by the concessioner, they are to be considered convenience items and rates for these products should be approved using the Markup Method or Manufacturer's Suggested Retail Price (MSRP).

Markup should not be used to price merchandise items. Competitive Market Declaration (CMD) is the preferred rate method for pricing all *merchandise items* that do not have a MSRP.

Markup Method for Convenience Items

Exhibit 1 depicts markup percentages by product category calculated from the NACS SOI Annual Report.

Exhibit 1 - Markup percentages to be used for 2018

Category	Markup Percentage
Cigarettes	18%
Other Tobacco	41%
Packaged Beverages (non-alcoholic)	71%
Beer	24%
Wine	33%
Liquor	35%
Edible Grocery	63%
Non-edible Grocery	62%
Perishable Grocery	69%
Frozen Foods	50%
Packaged Ice Cream/ Novelties	80%
Candy	96%
Salty Snacks	60%
Packaged Sweet Snacks	64%
Alternative Snacks	86%
Fluid Milk Product	39%
Other Dairy and Deli	73%
Packaged Bread	41%
Health & Beauty Care	111%
General Merchandise	59%
Automotive Products	108%
Publications	17%
Ice	170%
Commissary/ Packaged Sandwiches	55%
Hot Dispensed Beverages	158%
Cold Dispensed Beverages	101%
Frozen Dispensed Beverages	183%

When using the Markup method to determine the maximum selling price, the following formula should be used:

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

For example, if the concessioner's cost for cough medicine is \$4.25, you would refer to the markup table, identify that the markup percentage for health and beauty care is 111%, and use these numbers to identify the selling price:

$$\$4.25 \times (1 + 1.11) = \$8.97$$

Rounding is acceptable and common. The concessioner may propose to sell the cough medicine for \$9.00.

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

If the concessioner chooses to round, rounding must be applied consistently across all products. The concessioner may not choose to only round on products where rounding is upward and yields a higher price.

Note that the common store pricing strategy of lowering prices so they end in a price of perceived better value (e.g., \$.99 or \$.49 rather \$.00 or \$.50, respectively) is permitted as long as prices are lower rather than the approved amount. In the example above, the concessioner could choose to sell the cough medicine for \$8.99.

Markup Method for Fuel

The preferred method for setting fuel prices is comparability. However, the comparability method is sometimes not practical because fuel prices are constantly changing and it becomes difficult for park staff to monitor and approve rates for concessioners in a timely manner. Comparability can also be inappropriate for parks to use because comparables can sometimes charge lower fuel prices due to lower transportation costs, higher volume of sales, contract discounts with refiners, and other factors not available to concessioners. If comparability for fuel pricing is not appropriate at a park for any of these reasons, they may choose to approve fuel prices based on the markup method.

According to the NACS 2016 Retail Fuels Report, despite extreme day-to-day volatility, retail margins for fuel are fairly consistent on an annual basis. The annual NACS SOI Factbook reported an average annual mark-up of 11.2% for gasoline. This 11.2% margin includes the retailer's profit and costs to sell fuel, including credit card fees, utilities, rent, and equipment. It

should be noted, this is the same source the NPS uses to establish the markup for convenience items annually.

Approved Fuel Markup for 2018	11.2%
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Based on the NACS SOI Factbook data, the concessioner is allowed to add an 11.2% markup on to the wholesale cost of automotive fuel (including taxes) and transportation costs for 2018. The following example outlines how the fuel markup percentage should be applied. The fuel invoice that the concessioner receives should show the base price of the fuel (per gallon), as well as any federal, state and local taxes (per gallon). Here is an example of an invoice:

Cust #	Smn	Cust	P.O.	Date	Ref #	Hauler Truck	From	Terms
2605				3/19/15	87384	BOL# 000000	0 PIANT	NET 15 DAYS RM
C1	Item	Description		Qty	Price	Amount		
R 1	2000	1471 GALLONS	3, FLAMMABLE LIQUID UN	1203, PG II	1.96220	2,886.40		
			PLUS 91 OCTANE	1,471 GAL				
			NON-ETHO GAS					
UNBLENDED GASOLINE MAY BE SOLD ONLY FOR THE PURPOSES AUTHORIZED UNDER S 526.203 (3) STATUTES								
** NET TOTAL							2,886.40	
		FEDERAL EXCISE-GASOLINE		1471.00	.18400EA	270.66		
		FEDERAL RECOVERY FEE		1471.00	.00190EA	2.79		
		FL EXCISE GASOLINE		1471.00	.16600EA	244.19		
		FL ENVIRON . FEES - GAS		1471.00	.02193EA	32.26		
		LOCAL OPTION DADE COUNTY		1471.00	.16900EA	248.60		
INVOICE AMOUNT							\$3,684.90	

Markup calculation for this sample invoice:

- The base rate per gallon including taxes for this invoice is calculated as \$2.50503/gallon (1.96220 + .18400 + .00190 + .16600 + .02193 + .16900).
- Any transportation fees are calculated as a per gallon rate. For example, assume the concessioner was charged a transportation fee of \$100 for this shipment of fuel. The cost of the transportation fee per gallon is \$100/1471 gallons = 6.8 cents per gallon (.068).
- The transportation charge per gallon (if any) is added to the base rate. In this example, the total including transportation is \$2.57303 (2.50503 + .068) per gallon.
- After adding the taxes and any applicable transportation fee, the 11.2% markup is applied to determine the final approved rate. This is calculated the same way as the markup for convenience items:
 - Total Cost x (1 + markup percentage) = selling price
 - \$2.57303 x (1.112) = \$2.86121
- The rate is then rounded. The total of \$2.86121 for this example can be rounded to \$2.86 per gallon.

The price for fuel will fluctuate whenever a concessioner receives a new delivery of fuel. When performing a rate check, the concession specialist should use the most recent invoice to calculate the allowed rate. As with our other rate methods, this is the maximum approved rate that can be charged. The concessioner may always charge less than this approved rate in order to be competitive.

Distribution and Questions

Please distribute this memo to concession specialists and other appropriate personnel within your region.

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