



An Evaluation of the Southeast Michigan Discount Card Program Pilot Project

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Executive Summary

During the Fall of 2003, the Recreational Boating and Fishing Foundation (RBFF) invited a variety of agencies, organizations and businesses in Southeast Michigan to participate in a partnership effort to address declining fishing and boating participation and develop a broad-based marketing program to recruit and retain anglers and boaters. These partners formed the Southeast Michigan Working Group to develop and implement a plan to increase participation in boating, fishing and aquatic stewardship activities within six counties around the Detroit Metropolitan area.

The success of two angler recruitment and retention events in the Spring of 2004 led to the interest in exploring the use of retail sales incentives to stimulate fishing license purchases among lapsed anglers in the Southeast Michigan region. Retaining and recruiting anglers has become a concern as fishing license sales by the Michigan Department of Natural Resources (DNR) declined by over 66,000 or 6.5% between 2000 and 2004.

The Discount Card Program was conceived as a partnership among the RBFF, Michigan DNR, and the fishing and boating industry. The objective was to pilot test an incentive program, similar to those used by retailers, to increase license sales among license buyers from 2000 to 2003 but lapsing in 2004. The program had two-stages. During the first stage, selected lapsed anglers received a letter explaining the program and a temporary card offering a 10% discount at area Gander Mountain stores for 30 days. The second stage offered an extension of the discount through the end of the license year (March 2006) if lapsed anglers bought a resident license during the 30-day window. A total of 41,000 lapsed anglers in the six-county Southeast Michigan region were selected as a Target Sample to test the Discount Card program. A similar group of lapsed anglers in the same area did not receive the Discount Card and were used as a Control Sample to assess program impacts.

License purchasers in 2005 were matched to the Control and Target lapsed angler samples to determine the purchase rates for each group. The Target Sample had a renewal rate seven percentage points higher than the Control Sample (23.9% and 16.9%, respectively). The renewal rate for the Target Sample was statistically higher than the Control Sample. As a result of the Pilot Discount Card Program test, 2,881 additional lapsed anglers bought a resident fishing license than would have been expected without the program.

Gander Mountain fishing department retail sales of products in the three tracking classes during 2005 increased significantly over the comparable quarter in 2004. Participating stores in Southeast Michigan showed a comparable store increase of 15% over the past year for the Rod & Reel Combination class. Non-participating stores, used as a control measure, showed a comparable decrease of 14%. This equates to a 29-point swing for participating stores. The Tackle Box class showed a comparable increase of 19%, while non-participating stores showed a comparable decrease of 13%, a 32-point swing. The Line Winding class at participating stores showed an average 37% increase in sales over the previous year. Non-participating stores showed an average increase of 10% for an average swing of 27%.

The upshot of the Discount Card program was very positive. From the license sales standpoint, the additional 2,881 licenses sold would be valued at \$60,501. Each of these licenses also would generate an additional \$7.35 in matching Sport Fish Restoration funds, or \$21,175. Thus, the value of this Discount Card pilot project to the Michigan Department of Natural Resources exceeded \$80,000.

There are many advantages to partnering with local retailers in marketing programs. The benefits to the agency are obvious. Retailers receive the benefit of directly communicating with their primary customers, generating store traffic and additional sales, and assisting the agency in accomplishing some of its strategic objectives. The pilot project had a very clear impact on Gander Mountain sales and is a strong example of how a partnership program can work to the benefit of all involved.

Table of Contents

	Page
Background	1
Historical Fishing License Sales	1
The 2005 Discount Card Program	3
Evaluation Methods and Procedures	3
License Sales Impact	4
Timing of License Purchases	5
Retail Sales Impact	6
Conclusions	7

List of Tables and Figures

	Page
Table 1: Year-to-year consistency of license purchases from 2000 to 2004	2
Table 2: Percentage of anglers buying a license in 2004 based on previous four-year buying patterns	2
Table 3: Distribution of Target and Control Samples across lapsed angler categories	4
Table 4: 2005 resident fishing license renewal rates for Target and Control Samples	4
Table 5: 2005 licenses bought by lapsed anglers for Target and Control Samples	5
Figure 1: Number of unique Michigan resident fishing license buyers by year	1
Figure 2: Timing of License Purchase	6

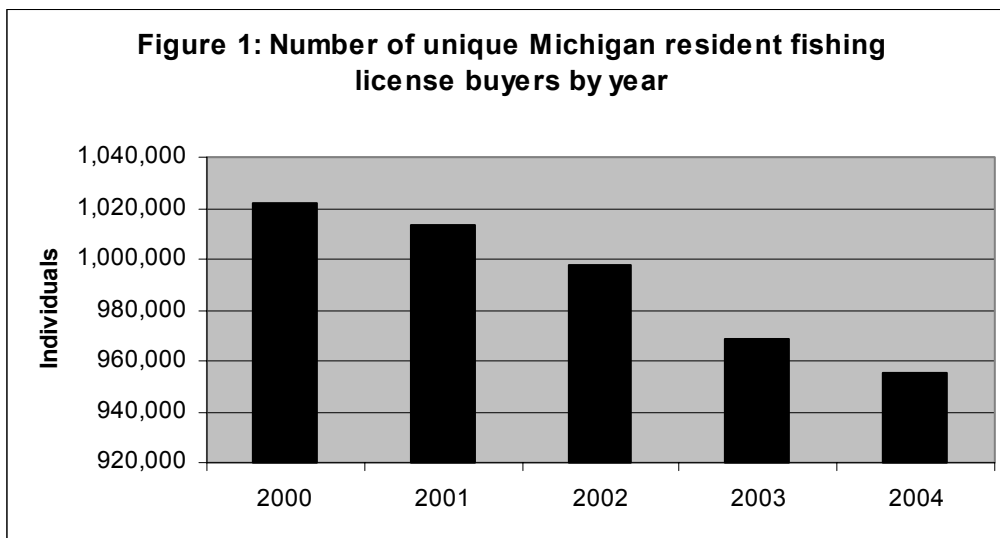
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Background

During the Fall of 2003, the Recreational Boating and Fishing Foundation (RBFF) invited a variety of agencies, organizations and businesses in Southeast Michigan to participate in a partnership effort to address declining fishing and boating participation and develop a broad-based marketing program to recruit and retain anglers and boaters. These partners formed the Southeast Michigan Working Group to develop and implement a plan to increase participation in boating, fishing and aquatic stewardship activities within six counties around the Detroit Metropolitan area.

Historical Fishing License Sales

During the spring of 2004, the Working Group used two existing events as focal points to invite area lapsed anglers and boaters to learn more about fishing and boating in the region and engage in on-water fishing and boating opportunities. The success of these events led to the interest in exploring the use of retail sales incentives to stimulate fishing license purchases among lapsed anglers in the Southeast Michigan region. Retaining and recruiting anglers and boaters has become a concern as fishing license sales by the Michigan Department of Natural Resources (DNR) have been in decline for several years (Figure 1). Resident license buyers declined by over 66,000 or 6.5% between 2000 and 2004.



The total number of license buyers in a given year is comprised of three components: 1) the number of renewals from the prior year; 2) the number of lapsed anglers buying a license; and 3) the number of new recruits who had not previously purchased a license. The degree to which current license holders renew their licenses, lapsed anglers return to buy a license, and new folks buy a license for the first time determines whether total sales from year-to-year or increase or decrease.

Table 1 shows the percentage of license buyers in each of five years who bought a license the following year. For example, about two-thirds of license buyers in any one year will renew their license in the following year. That percentage declines by four to five percent for each succeeding year, such that about half of the license buyers in 2000 purchased a license in 2004.

Table 1: Year-to-year consistency of license purchases from 2000 to 2004

Year of First Purchase	Percent Buying			
	2001	2002	2003	2004
2000	67.3	61.9	57.1	53.6
2001	--	67.2	61.1	56.8
2002	--	--	66.9	61.2
2003	--	--	--	67.2

The anglers not renewing their licenses from year-to-year are called lapsed anglers. Lapsed anglers fish intermittently or may stop for one or more years. There are a myriad of purchasing patterns over several years as shown in Table 2. The 15 combinations of license purchases from 2000 to 2003 shown in the table are typical of license buyers in other states. Several interesting relationships can be observed from the table. First, it is apparent the more frequently and recently an individual buys a license, the greater the probability of renewing in succeeding years. For example, buying during only two of the three years between 2000 and 2002, but buying in 2003, results in a renewal rate ranging from 57% to 69%, well below the 85% rate of anglers buying licenses in each of the years from 2000 to 2003. Second, even the most active anglers are subject to lapsing at a comparatively modest rate. Third, when anglers bought licenses three years in a row and then skip a year (e.g. 2000, 2001, 2002, not 2003), over 60% did not buy a license in 2004. Finally, if anglers skipped buying a license during 2003, then the probability of them buying a license in 2004 fell below 40 percent.

Table 2: Percentage of anglers buying a license in 2004 based on previous four-year buying patterns

Years of License Purchase	Bought License in 2004		
	Percent No	Percent Yes	Total Number
2000, 2001, 2002, 2003	14.7	85.3	448,999
2001, 2002, 2003	30.6	69.4	84,714
2000, 2002, 2003	34.1	65.9	48,439
2002, 2003	42.1	57.9	85,702
2000, 2001, 2003	42.3	57.7	49,980
2001, 2003	54.2	45.8	35,920
2000, 2001, 2002	61.6	38.4	92,405
2003	63.2	36.8	178,271
2000, 2002	71.7	28.3	42,638
2001, 2002	72.3	27.7	55,555
2000, 2001	80.7	19.3	96,338
2002	82.7	17.3	139,408
2001	87.4	12.6	149,764
2000	89.8	10.2	206,517
Total	54.5	45.5	1,714,650

New recruits in this study are defined as those individuals who had not previously purchased a Michigan resident fishing license from 1999 through 2004 (the years when electronic sales data were available). In 2004, new recruits comprised about 16.7% of the 995,508 license buyers. There are not enough years in the license database to accurately establish a trend in annual recruits due to only five years of data. A better idea of the annual recruitment rate should emerge over the next two or three years when the renewal effects of license buyers prior to 2000 will be minimal.

The purpose of the preceding section was to present a picture of license sales trends over the past five years and the various purchasing patterns of buyers during the period. Very clearly, the percentage of anglers lapsing each year is exceeding both renewals and recruits resulting in a net loss of resident license buyers during each of the past four years. It is this situation which prompted the Working Group to identify a program to increase the renewal rate of lapsed anglers for their 2005 marketing program.

The 2005 Discount Card Program

The Discount Card program was conceived as a partnership among the RBFF, Michigan DNR, and the fishing and boating industry. The objective was to pilot test an incentive program, similar to those used by retailers, to increase license sales among license buyers lapsing in 2004. The program had two-stages. During the first stage, selected lapsed anglers received a letter explaining the program and a temporary card offering a 10% discount at area Gander Mountain stores for 30 days. The second stage offered an extension of the discount through the end of the license year (March 2006) if the lapsed anglers bought a resident license during the 30-day window. A total of 41,000 lapsed anglers in the six-county Southeast Michigan region were selected to test the Discount Card program.

Evaluation Methods and Procedures

The Southeast Michigan region used for the pilot program consisted of six counties: Clinton, Macomb, Monroe, Oakland, Saint Clair, and Washtenaw. These counties were selected because of their proximity to the Gander Mountain retail stores partnering in the project. Using the Michigan DNR's electronic license database, license buyers in the region were classified into "Active Buyers" and "Lapsed Anglers". Active Buyers could purchase a license during any year from 2000 to 2003 but must have purchased a license in 2004. Lapsed buyers could have purchased a license during any year from 2000 to 2003 but must not have bought a license during 2004. This latter group was the focus of the Discount Card program.

The target group for this project was male lapsed anglers aged 25 to 54 in the six-county region. The target group was further defined as having purchased a license during specific combinations of years from 2001 to 2003 Shown in Table 3. These buyers were among the most likely to buy a license according to information in Table 2. The target group was comprised of 85,562 lapsed license buyers. Each target group member was randomly assigned a number between 1 and 85,562. Target group members with numbers from 1 to 41,000 were assigned to the treatment or Target Sample group, while those with numbers ranging from 41,001 to 85,562 were assigned to the Control Sample. The distribution of Target and Control Samples across the lapsed buyer categories is shown in Table 3. As would be expected, the proportion of Target and Control Samples were similarly distributed across the lapsed categories.

Table 3: Distribution of Target and Control Samples across lapsed angler categories

Years of License Purchases	Target		Control	
	Number	Percent	Number	Percent
2003 only	15,401	37.6	17,513	39.3
2001, 2002, & 2003	9,164	22.4	9,937	22.3
2002 & 2003 only	6,002	14.6	6,016	13.5
2001 & 2002 only	5,716	13.9	6,328	14.2
2001 and 2003 only	4,717	11.5	4,768	10.7
Total	41,000	100.0	44,562	100.0

Each member of the Target Sample was sent a letter outlining the Discount Card program and a temporary discount card on May 21, 2005. Recipients could use the card for up to 30 days at area Gander Mountain retail stores. Recipients buying a resident fishing license during the 30-day period were identified from DNR license records and sent a new letter and permanent discount card usable at Gander Mountain through the end of the license year (March 2006).

Response to the program was evaluated by comparing Target Sample renewal rates to those of the Control Sample. Retail response to the program was measured by comparing sales in specific categories of fishing gear at Gander Mountain stores in the region to similar stores within Michigan but outside the Southeast Michigan region.

License Sales Impact

License purchasers in 2005 were matched to the Control and Target lapsed angler samples to determine the purchase rates for each group. As shown in Table 4, the Target Sample had a renewal rate seven percentage points higher than the Control Sample (23.9% and 16.9%, respectively). The renewal rate for the Target Sample was statistically higher ($X^2=342.96$, $p<.001$) than the Control Sample. As a result of the Discount Card program test, 2,881 additional lapsed anglers bought a resident fishing license than would be expected without the program. This number was calculated by multiplying the Target Sample size (41,000) by the expected renewal rate from the Control Sample (16.9%) and subtracting the product (6,929) from the number of renewals in the Target Sample (9,810) which results in a net increase in sales of 2,881 license buyers.

Table 4: 2005 resident fishing license renewal rates for Target and Control Samples

Years of License Purchases	Total Sample Number	Did Not Buy in 2005		Bought in 2005	
		Number	Percent	Number	Percent
Target Sample	41,000	31,190	76.1	9,810	23.9
Control Sample	44,562	37,036	83.1	7,526	16.9
Total	85,562	68,226	79.7	17,336	20.3

Table 5: 2005 licenses bought by lapsed anglers for Target and Control Samples

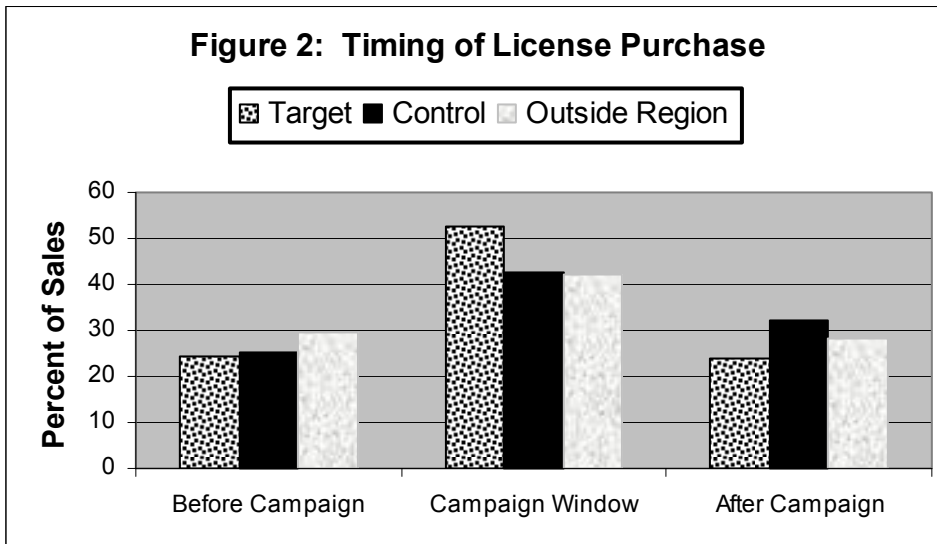
Years of License Purchases	Sample Number	2005 Sales	Percent
Target Sample			
2001, 2002, & 2003	9,164	3,429	37.4
2002 & 2003 only	4,717	1,235	26.2
2001 & 2003 only	6,002	1,524	25.4
2001 & 2002 only	5,716	1,208	21.1
2003 only	15,401	2,414	15.7
Total	41,000	9,810	23.9
Control Sample			
2001, 2002, & 2003	6,016	1,822	30.3
2002 & 2003 only	6,328	1,225	19.4
2001 & 2002 only	4,768	985	20.7
2001 & 2003 only	9,937	1,587	16.0
2003 only	17,513	1,907	10.9
Total	44,562	7,526	16.9

The effect of 2005 license sales across the five lapsed angler groups is shown in Table 5. License sales for each sub-group of anglers in the Target Sample were consistently higher than the corresponding Control Sample sub-groups. For example, the most consistent license buyers (2001, 2002, & 2003) in the Target Sample purchased licenses at a rate of 37.4 percent. The similar group in the Control Sample bought at a 30.3% rate, or 7.1 percentage points lower than the Target Sample. Differences between Target and Control Samples sub-groups ranged from 4.7% to 7.1%. The highest renewal rates were among the most recent and most frequent anglers. Anglers that bought a license only during 2003 had the lowest renewal rate of all groups. However, the 2005 renewal rate for the Target Sample for this lapsed group was still higher than the Control Sample of 2003 only buyers.

Timing of License Purchases

A second indicator that the Discount Card program had an impact on license sales is if the percentage of sales during the campaign window was higher for the Target Sample versus the Control Sample. Three time frames were established. The time period running from March 1 through May 20 was designated as “Before Campaign”, May 21 through June 30 was the “Campaign Window”, and July 1 and later was referred to as “After Campaign”.

As shown in Figure 2, the percentage of renewals for Target and Control samples before the campaign were virtually identical. However, for the Target Sample, 10% more of the license sales during the March through September period was concentrated during the Campaign Window of May 21 to June 30. A greater proportion of the sales for the Control Sample occurred during the July to September period following the promotion.



A similar group of lapsed anglers outside the Southeast Michigan region had purchasing characteristics like the Control Sample (Figure 2). This group, comprised of lapsed anglers throughout Michigan but outside the Southeast Region, purchased virtually the same percentage of licenses during the promotional window as the Control Sample (42.1% versus 42.8%, respectively). The outside group of lapsed anglers did purchase about four percent more of their licenses prior to the promotional period than either Target or Control samples.

Retail Sales Impact

Purchases made by lapsed anglers receiving the temporary Discount Card were tracked by Gander Mountain to assess the number and amount of purchases made by recipients. Gander Mountain established unique UPC and promotion codes in their Point-of-Sale (POS) systems to accurately track all sales generated by the Discount Card program. The types of sales data that could be reported by Gander Mountain were limited to POS reporting capabilities and Security and Exchange Commission limitations.

Results showed that the Discount Card redemption was focused primarily within the Southeast Michigan region. Limited additional sales were generated at two Gander Mountain store locations outside the Southeast Region. Store managers reported that the Discount Card program did not impact cashier transaction times. The use of scanable UPC’s, training, and accurate ringing instructions reduced the potential for delays at check-out. The flexibility of the program gave store managers the ability to promote higher margin product categories, while also offering further incentives to existing clearance markdowns. In effect, store managers used the discount to direct traffic within their stores.

For the first 30-days of the Discount Card program, Gander Mountain established three department product classes which isolated specific purchases at participating stores. The three department classes were:

1. Rod and reel combos (non-clearance)
2. Tackle boxes
3. Line winding

The classes were not supported by any other promotional programs and were not featured on end caps, front-of-store, or bulk-out promotional areas.

On average, Gander Mountain fishing department retail sales during the first two quarters of 2005 were negative compared to the same quarters in 2004. However, sales of products in the three tracking classes increased significantly over the comparable quarter. Participating stores in Southeast Michigan showed a comparable store increase of 15% over the past year for the Rod & Reel Combination class. Non-participating stores, used as a control measure, showed a comparable decrease of 14%. This equates to a 29-point swing for participating stores.

The Tackle Box class showed a comparable increase of 19%, while non-participating stores showed a comparable decrease of 13%, a 32-point swing. Participating stores sold 8,669 units compared to sales of 7,830 the previous year.

Line Winding at participating stores showed an average 37% increase in sales over the previous year. Non-participating stores showed an average increase of 10%. The average swing was 27%.

Another tracking measure used with the Discount Card program was the average transaction associated with the license purchase. The average purchase increased proportionately with type of license bought. For example, a Michigan Restricted Fishing License costs \$15.00 and an All Species License is \$28.00. In many cases, when the temporary Discount Card was utilized in conjunction with the license purchase, the average transaction reflected 10% discount tied to the card. That is, the individual spent about \$150 with the Restricted License purchase or \$280 with the All Species License which, in essence, resulted in the license being viewed as “free.”

Conclusions

The upshot of the Discount Card program was very positive. From the license sales standpoint, an additional 2,881 licenses were sold over what would be expected from Control Sample data. Based on the average price of a license purchased by all anglers in the Target Sample (a blend of Restricted and All Species licenses equaling \$21.00), these additional licenses would be valued at **\$60,501**. Each of these licenses also would generate an additional \$7.35 in Sport Fish Restoration funds, or \$21,175. Thus, the value of this Discount Card pilot project to the Michigan Department of Natural Resources exceeded \$80,000.

There are many advantages to partnering with local retailers in marketing programs. The benefits to the agency are obvious from the above. Retailers receive the benefit of directly communicating with their primary customers, generating store traffic and additional sales, and assisting the agency in accomplishing some of its strategic objectives. The pilot project had a very clear impact on Gander Mountain sales and is a strong example of how a partnership program can work to the benefit of all involved.