OVERALL OBJECTIVE

Prepare “Business Plan” that would feed into next PFBC Strategic Plan
• Multiple presentations
• On-going discussion and advice
• Culminating with 86 page report
1. AGENCY OVERVIEW
Observations

• Overall well-managed organization

• Trends are generally against the Agency
• Need to increase Revenues   (but constrained)

• Necessary to cut expenses   (but constrained)

(Low-hanging expense fruit has been harvested)
Observations

• **Internal factors** like mandated and fixed expenses constrain the ability to significantly cut costs

• **External forces** constrain PFBC’s ability to go after larger cost-reduction strategies
Observations

Programmatic cutbacks are a Reality
Reserve Fund has merits but is in danger

Fish & Boat Funds - Uncommitted Reserve Fund Balance

- $60,000,000
- $40,000,000
- $20,000,000
- $0
- $20,000,000
- $40,000,000
- $60,000,000
- $80,000,000

“Change” is critical, but currently difficult due to Constraints
2. EXPENSE REDUCTION
1. Cutting back on fish production appears to be possible and warranted

2. Reduce number of hatcheries
860,000

vs.

1,200,000
476,000 vs. 760,000
476,000
(58%)
VS.
760,000
(71%)
How many fish are really needed to satisfy customers?

- Cost-Benefit Analysis
3. Outsourcing of various functions

4. Improved production planning related to fish production and stocking
Law Enforcement

5. Number of WCO’s needed?

Does Agency have Too Many or Not Enough?

A: Conduct Workflow Analysis
3. INCREASE REVENUES
Increase License Prices

(Historical Revenue Increases)

<table>
<thead>
<tr>
<th>Year of Increase</th>
<th>Price Increase</th>
<th>Expected Sales without Increase</th>
<th>Actual Licenses Sold</th>
<th>Estimated Lost Sales</th>
<th>Percent Anglers Lost</th>
<th>License Revenue Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>29%</td>
<td>879,137</td>
<td>810,788</td>
<td>68,349</td>
<td>-7.8%</td>
<td>+$3,287,826</td>
</tr>
<tr>
<td>1996</td>
<td>35%</td>
<td>1,046,324</td>
<td>962,614</td>
<td>83,710</td>
<td>-8.0%</td>
<td>+$2,868,752</td>
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<tr>
<td>1983</td>
<td>33%</td>
<td>1,142,808</td>
<td>1,035,649</td>
<td>107,159</td>
<td>-9.4%</td>
<td>+$2,519,100</td>
</tr>
</tbody>
</table>
Revenue projections for various license price increases

<table>
<thead>
<tr>
<th>Percent Price Increase</th>
<th>New Price</th>
<th>Change in Participation</th>
<th>License Revenue</th>
<th>Federal Excise Tax Revenue</th>
<th>Total Fishing Revenue</th>
<th>Additional Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.00%</td>
<td>$21.00</td>
<td>0.00%</td>
<td>$17,330,755</td>
<td>$4,126,370</td>
<td>$21,457,126</td>
<td>$-</td>
</tr>
<tr>
<td>10.00%</td>
<td>$23.10</td>
<td>-2.57%</td>
<td>$18,574,462</td>
<td>$4,020,446</td>
<td>$22,594,908</td>
<td>$1,137,782</td>
</tr>
<tr>
<td>20.00%</td>
<td>$25.20</td>
<td>-5.13%</td>
<td>$19,729,192</td>
<td>$3,914,522</td>
<td>$23,643,714</td>
<td>$2,186,588</td>
</tr>
<tr>
<td>30.00%</td>
<td>$27.30</td>
<td>-7.70%</td>
<td>$20,794,946</td>
<td>$3,808,598</td>
<td>$24,603,544</td>
<td>$3,146,418</td>
</tr>
<tr>
<td>50.00%</td>
<td>$31.50</td>
<td>-12.84%</td>
<td>$22,659,525</td>
<td>$3,596,750</td>
<td>$26,256,274</td>
<td>$4,799,149</td>
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<tr>
<td>75.00%</td>
<td>$36.75</td>
<td>-19.25%</td>
<td>$24,489,757</td>
<td>$3,331,940</td>
<td>$27,821,697</td>
<td>$6,364,571</td>
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<tr>
<td>100.00%</td>
<td>$42.00</td>
<td>-25.67%</td>
<td>$25,763,888</td>
<td>$3,067,130</td>
<td>$28,831,017</td>
<td>$7,373,892</td>
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<tr>
<td>132.87%</td>
<td>$48.90</td>
<td>-34.11%</td>
<td>$26,592,920</td>
<td>$2,718,906</td>
<td>$29,311,825</td>
<td>$7,854,700</td>
</tr>
</tbody>
</table>
Other Opportunities

Increase Revenues
New and Revised Licensing Options

• Musky breeding program = $1 million
  – Small number of anglers
  – Create Musky stamp?

• Wild Trout Stamps?
• Senior Lifetime Trout permit?
• Roll trout permit into regular license?

Increase Revenues
YES!

- unlicensed anglers and boaters
- consumptive water use fee
- receive percentage of state sales tax

MAYBE...

- mandatory unpowered boat licenses
Reimbursement for Services Provided to other Gov’t Bodies

- DCNR
- PEMA
- PA National Guard
- Townships
4. MARKETING FUNCTION
$53,197,608
Market Segmentation

Target Key Markets
Where are we missing out??

2016 State Revenue by Gender and Age

Angler Age in 2017

- Women
- Men
Women and Youth

• Women
  = ~50% of population but 18% of license holders

• Churn rate for Women is high

☞ Female R3 Workgroup
Per Capita Density of Angler Population
Where’s the PA population growth (2017-22)??
(2016 fishing license sales by zip code)
A comprehensive email marketing campaign aimed at the Southeast region could have immediate revenue impacts.

RBFF and Georgia reactivated 5% of lapsed anglers they emailed:

- Baseline Revenue in SE: 5,250,000
- Revenue Lift: $276,000

Projected Revenue From Reactivation Campaign:

- 5%: $276,000
- 10%: $553,000
- 15%: $829,000
- 20%: $1,111,000
- 25%: $1,382,000

$1,382,000
“First Catch Center”
Pilot Program
eCommerce Strategies
Examples

• Digital licenses that can be emailed to anglers
• Obtain more emails from customers
• Improve cross-selling with the on-line platform
• Use search engine optimization techniques to create “buzz” around PA fishing and boating
• Social Media Strategy
Selling fishing license direct to anglers increases information quality

Measure – The objective is to
1) Drive incremental visits to site
2) Increase engagement with site content
3) Convert visits to license sales.

Monitor – Test outreach methods on small samples before rolling out across the broader market (A/B Testing). Regularly check the impact of outreach efforts to gauge individual campaign effectiveness and track trends over time.

Manage – Routinize marketing efforts, and systematize reporting to ensure accurate benchmarking and delivery on strategy.
PFBC Messaging & Image
PFBC Imaging and Messaging Focuses on the (BIG) Fish as the Product

Underlying Message To Anglers

PA is full of BIG FISH?

Catching a BIG FISH is Key to Fun?

Marketing Function
Imaging Should Connect Angler to Underlying Reason to Fish

Reasons For Anglers to Go Fishing

- >35% For Sport / Recreation / Fun
- 35% For Relaxation / To Get Away
- 20% To Be with Family & Friends

FISHING TIME = FAMILY TIME

Celebrate National Fishing & Boating Week
TAKEMEISHING.org
One Image?
Build the BRAND!
Perception Map of Pennsylvania State Agencies

- **Quadrant 1**: Low Contributions to Conservation and Low Contributions to Recreation
  - DEP

- **Quadrant 2**: Low Contributions to Conservation and High Contributions to Recreation
  - PFBC

- **Quadrant 3**: High Contributions to Conservation and Low Contributions to Recreation
  - PennVest

- **Quadrant 4**: High Contributions to Conservation and High Contributions to Recreation
  - DCNR

**Brand Migration** from Quadrant 1 to Quadrant 2.
5. GENERAL SUGGESTIONS
Engage Retailers as Partners
## License Agent Pre-Tax Income

<table>
<thead>
<tr>
<th>License Type</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Resident Annual</td>
<td>$0.54</td>
<td>$0.44</td>
<td>$0.42</td>
<td>$0.41</td>
<td>$0.39</td>
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<tr>
<td>Nonresident Annual</td>
<td>$(0.06)</td>
<td>$(0.31)</td>
<td>$(0.35)</td>
<td>$(0.39)</td>
<td>$(0.43)</td>
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<tr>
<td>Senior Resident Annual</td>
<td>$0.76</td>
<td>$0.71</td>
<td>$0.70</td>
<td>$0.70</td>
<td>$0.69</td>
</tr>
<tr>
<td>Senior Resident Lifetime</td>
<td>$(0.04)</td>
<td>$(1.04)</td>
<td>$(1.10)</td>
<td>$(1.16)</td>
<td>$(1.22)</td>
</tr>
<tr>
<td>3-Day Tourist</td>
<td>$0.46</td>
<td>$0.34</td>
<td>$0.32</td>
<td>$0.30</td>
<td>$0.28</td>
</tr>
<tr>
<td>7-Day Tourist</td>
<td>$0.30</td>
<td>$0.14</td>
<td>$0.11</td>
<td>$0.09</td>
<td>$0.06</td>
</tr>
<tr>
<td>1-Day Resident</td>
<td>$0.76</td>
<td>$0.71</td>
<td>$0.70</td>
<td>$0.70</td>
<td>$0.69</td>
</tr>
<tr>
<td>1-Day Tourist</td>
<td>$0.46</td>
<td>$0.34</td>
<td>$0.32</td>
<td>$0.30</td>
<td>$0.28</td>
</tr>
<tr>
<td>Trout/Salmon Permit</td>
<td>$0.80</td>
<td>$0.68</td>
<td>$0.67</td>
<td>$0.66</td>
<td>$0.66</td>
</tr>
<tr>
<td>Combination Trout/Salmon/Lake Erie</td>
<td>$0.68</td>
<td>$0.56</td>
<td>$0.55</td>
<td>$0.54</td>
<td>$0.54</td>
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<tr>
<td><strong>Multi-Year</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3-Year Resident</td>
<td>$(0.30)</td>
<td>$(0.68)</td>
<td>$(0.73)</td>
<td>$(1.23)</td>
<td>$(1.89)</td>
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<tr>
<td>3-Year Non-Resident</td>
<td>$(2.10)</td>
<td>$(3.02)</td>
<td>$(3.14)</td>
<td>$(4.36)</td>
<td>$(5.96)</td>
</tr>
<tr>
<td>3-Year Senior Resident</td>
<td>$0.36</td>
<td>$0.18</td>
<td>$0.16</td>
<td>$(0.08)</td>
<td>$(0.40)</td>
</tr>
<tr>
<td>3-Year Trout-Salmon Permit</td>
<td>$0.48</td>
<td>$0.34</td>
<td>$0.32</td>
<td>$0.13</td>
<td>$(0.12)</td>
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<tr>
<td>3-Year Lake Erie Permit</td>
<td>$0.48</td>
<td>$0.34</td>
<td>$0.32</td>
<td>$0.13</td>
<td>$(0.12)</td>
</tr>
<tr>
<td>3-Year Combo Trout-Salmon/Lake Erie</td>
<td>$0.12</td>
<td>$(0.13)</td>
<td>$(0.16)</td>
<td>$(0.50)</td>
<td>$(0.94)</td>
</tr>
<tr>
<td>5-Year Resident</td>
<td>$(1.14)</td>
<td>$(1.77)</td>
<td>$(1.85)</td>
<td>$(2.69)</td>
<td>$(3.79)</td>
</tr>
<tr>
<td>5-Year Non-Resident</td>
<td>$(4.14)</td>
<td>$(5.67)</td>
<td>$(5.87)</td>
<td>$(7.92)</td>
<td>$(10.58)</td>
</tr>
<tr>
<td>5-Year Senior Resident</td>
<td>$(0.04)</td>
<td>$(0.34)</td>
<td>$(0.38)</td>
<td>$(0.78)</td>
<td>$(1.30)</td>
</tr>
<tr>
<td>5-Year Trout-Salmon Permit</td>
<td>$0.16</td>
<td>$(0.08)</td>
<td>$(0.11)</td>
<td>$(0.43)</td>
<td>$(0.85)</td>
</tr>
<tr>
<td>5-Year Lake Erie Permit</td>
<td>$0.16</td>
<td>$(0.08)</td>
<td>$(0.11)</td>
<td>$(0.43)</td>
<td>$(0.85)</td>
</tr>
<tr>
<td>5-Year Combo Trout-Salmon/Lake Erie</td>
<td>$(0.44)</td>
<td>$(0.86)</td>
<td>$(0.91)</td>
<td>$(1.47)</td>
<td>$(2.21)</td>
</tr>
</tbody>
</table>

### Consumer Trends:
90% of all transactions are credit/debit

### Based on 2% Credit Card Processing Fee

### Key Findings:
- At 2% CC fee, Agents breakeven at **$48.10** per license (excludes agent & processing fees)
- By 2020, license fee increases will decrease Licensing Agent revenue by 49-106%
License Sales Value Chain Must Be Balanced

PFBC

Resident Annual License
$21 license fee + $5 federal excise tax
+ $26.00

5-Year Resident License
$105 license fee + $25 federal
Decrease Churn
+ $125.00

Retailer & Licensing Agent

+ $0.54
Annual Customer Visit

Angler

Access to Fishing

+ $7.60 in savings
+ $0.70 in savings if license is lost

Agents currently sell roughly 90% of Fishing Licenses
Other Areas

General Suggestions
New Product Management

Complete Stage-Gate® Process

Gate 1: Idea Screening
Gate 2: Second Screen
Gate 3: Go to Develop
Gate 4: Go to Testing
Gate 5: Go to Launch

Stage 1: Scoping
Stage 2: Business Case
Stage 3: Develop
Stage 4: Testing & Validation
Stage 5: Full Launch

Post Launch Review

General Suggestions
• Simplify fishing regulations and communicate those to customers

• Improve data analysis capabilities, especially as it relates to knowledge about the customer
• Manage stakeholder influence on the agency

• Improve management of the organization with specific emphasis on business-related functions

• Clarify roles of the Commissioners and educate them about their governance functions
6. SUMMARY THOUGHTS
Many Opportunities and Benefits provided to Commonwealth

How many are not paid for or reimbursed?
Current Business Model is at Risk

Agency must make hard decisions
Funding Reality

“Revenues are insufficient to support the Commission’s current levels of programs and services and meet increasing fixed, variable, and mandatory personnel costs.”
Availability of Report

www.FishandBoat.com
Questions?

Judd Michael
JH-Michael @ psu.edu