



## **Options and Costs Associated with Assessing States' License Sales Trends, Prices and New License Alternatives December 2021**

Having the right licenses and prices is essential for optimizing license revenues and maintaining long term participation. Southwick Associates can help states 1) better understand their customers and boost R3 success, 2) identify optimal license prices, 3) design new licenses that boost revenues, and 4) understand if lifetime licenses are over- or underpriced. For each option, a price range is provided. Final price depends on the level of detail ultimately requested.

Southwick Associates has conducted license assessments at some level for over 40 states over the past 25 years. Samples can be provided on request. Given constant social changes, license pricing and assessments generally hold for roughly five to seven years.

### **I. Profiling Current License Customers and Long-Term Participation Trends**

Southwick Associates can provide comprehensive license assessments for each state. Ten years of license data are necessary. The following would be reported:

- 1) Participation trends: we report:
  - a. Sales growth/shrinkage rates.
  - b. Annual churn rates and churn trends over time.
  - c. Percent of most recent year's license buyers who are new.
  - d. Basic demographics by age, urban/rural, gender and more as data permit.Results can be provided for specific types of licenses, at a county or other sub-level, by age and gender and other divisions as state license data allow.
- 2) Lifestyle profiles: Each state's license customers can be segmented based on lifestyles (versus motivations to fish or hunt, which can be a separate effort). Detailed descriptions for each segment will be provided, along with the proportion of license buyers within each segment. Maps will be developed showing where the top growing and shrinking segments live. We will identify the churn rates and growth rates for each segment, too.

Price: \$40,000 - \$80,000 depending on the number of records to append with lifestyle data and the desired details (fresh vs saltwater breakouts, for example).

### **II. Determining Optimal Prices for Current Licenses**

Southwick Associates can help states determine if current licenses are over-priced or underpriced and the expected units and revenues expected at proposed price points. This process acknowledges that changes in license revenues will not match their price



hikes. A 10% price hike, for example, will not provide 10% revenue growth. This process uses regression modeling techniques and existing data. Results explain:

- a. Which licenses can or cannot withstand price hikes. Sometimes price cuts can boost in revenue, especially common for non-resident licenses.
- b. The net revenues expected at specific new price points, including impacts to state's excise tax receipts, and
- c. The number of customers to be gained or lost at various new price points.

Besides a report, we provide an interactive spreadsheet allowing the state to evaluate the unit and revenue impacts of various proposed prices.

Price: \$15,000 to \$25,000 depending on the number of licensed to be modeled. We recommend modeling all licenses that generate 5% or more of the agency's revenue.

### **III. Identifying New Types of Licenses to Increase Revenues:**

Customers' acceptance of proposed new licenses can be tested to determine their revenue potential and if their presence would jeopardize sales of higher-priced licenses. Recognizing past license sales data cannot predict how people will react to new license concepts, we employ a "conjoint" survey method to develop these insights. Conjoint surveys identify which packages of new and existing privileges would generate the greatest revenues. We can test combo, lifetime, multi-year, auto-renewal and any other type of licenses and tags, plus test customer preferences for changes to sales platform features and more.

Price: \$40,000 - \$90,000, depending on if mail or email approaches are used, the range of options to test, if input is to be gathered from key stakeholders, etc.

### **IV. Setting Lifetime Licenses:**

Recent license research shows that most anglers and hunters do not purchase a license every year. License renewal rates can vary by age, location, and other factors. To accurately quantify the expected license revenue per sportsmen over his or her lifetime depends on knowing how many years that person will likely buy a license. Using customers' expected lifetime participation rates as observed in state's data, current license prices, current government interest rates and present valuation techniques, Southwick Associates will identify optimal lifetime license prices. Prices can be established for fishing, hunting and combination licenses plus for specific age groups such as 0-6 years, 6-15 years, and older. We provide a spreadsheet allowing the state to test the unit and revenue impacts of various proposed prices.

Price: \$15,000 to \$35,000, depending on if the assessment is conducted in tandem with other license assessments above and the number of license variations to be explored.

For more information, contact Rob Southwick (Rob@SouthwickAssociates.com)