Public Interest Management Group

BUSINESS PLANNING AND STRATEGY FOR NONPROFITS

December 29, 2015

To: Melissa Williams, Feiro Marine Life Center

From: Scott Schaffer

Re: Business Model Development Recommendations

Executive Summary

Over the past two months Public Interest Management Group has reviewed internal Feiro Marine Life Center documents and data, interviewed directors of four peer organizations in the U.S. and Canada, and reviewed financial data of these and other nonprofit science centers (summarized in Appendix 3). The objective of this analysis was to better understand Feiro's business model parameters with a new facility.

I. Sustainability in Present Form

Feiro operates at a smaller scale than all of the comparable organizations we interviewed. Operation of a program of this type requires a minimum core staffing level that is challenging to achieve with a small revenue base. This presents potential ongoing challenges filling positions, limits backup support options and limits attention to specialized functions. Specialization of staff positions in the program, operations, fund raising, communications and/or sales positions, and the ability of the chief executive position to focus on development of strategic relationships, allows effective nonprofits to optimize their quality of services and develop new programs, while growing revenues over time. Feiro presently lacks economies of scale in these areas, creating a potentially chronic stress point in staffing. Independent of the facility issue, this puts the organization at risk of future service disruptions and other negative consequences.

II. Public Sector Partnerships

Another prominent theme in our research is the prevalence of deep partnerships between marine science nonprofits and government agencies. A key feature of these partnerships is substantial public funding of facilities. Three of four interviewees have received both long-term rent-free property and large-scale state/provincial, federal and local funding of facility development projects. (The lone exception is a zoo program located in a wealthy community that provides a deep base of individual donors.) The typical marine science education centers we reviewed are positioned as public amenities and major tourist attractions, with benefits to their regional quality of life and local economies.

III. Market Position

The organizations we examined are located in small metropolitan areas. Their primary markets for admissions are families with young children (parents or grandparents with children under the age of 10) living in the home region, residing within a one-hour drive of the facility. Secondary markets are tourists, generally visiting the area for other reasons, and families with young children also account for a majority of visitors in this group. Interviewed organizations did not have consistent data on customer demographics and origin (Feiro's market data in this area is well above average, by comparison), but reported clarity that the relative proportion of tourist admissions rises sharply between Memorial Day and Labor Day weekends.

Clallam County's population base (72,000) is substantially lower than most regions we examined. This is a significant limitation for Feiro. On the other hand, Port Angeles receives above average tourist traffic relative to the regions in our review, due to its position as a gateway to Olympic National Park and a major ferry terminal. This presents an opportunity for Feiro.

In order to grow revenues in the future, Feiro may need both a new facility and a revised market position that enables it to compete effectively for a larger tourist audience. The organization's current position as a local community education provider is programmatically consistent with several facilities we looked at, but has a limited upside in revenue development due to the small regional population. A position as a regional attraction focusing on the Olympic Coast ecosystem may offer greater potential for building tourism admissions to compensate for this weakness. Re-branding is therefore a strategy Feiro should consider. An Olympic Coast ecosystem focus can play to potential competitive advantages.

IV. Business Model Parameters

Key parameters in a future Feiro business model include:

- Number of admissions
- Proportional breakdown between local and tourism markets
- Growth in individual donors/members, as well as foundation and corporate support
- Growth in government and school contract revenues
- Establishment of supplemental revenue sources, such as rental and/or business activity
- Staff FTE, and related ability to specialize in program, fund raising, communications and operational functions.

A sustainable business model requires balanced revenues from sources that will be consistent and renewable, with growth capacity over time. It should allow ongoing investment in revenue development and evolution of program content and exhibits. It should also be adequate to ensure the organization can offer competitive compensation for staff positions.

As noted above, scale of operations is a key business model assumption, and a new facility is essential to building a revenue base and scale.

Appendix 3

Organizational Comparison Chart						
Name	**Primary Market/ Population Base**	**Operating Budget**	**Program Fee % of Revenues**	**Staff Count**	**Est. Annual Admissions**	**Facility Age**
ECHO, Leahy Center for Lake Champlain	Burlington, VT 215,000	$2,925,000	22%	78	150,000	12 years
Squam Lakes Natural Science Center	Concord, NH 147,000	$1,941,000	43%	53	50,000	2 years (updated)
Shaw Ocean Discovery Centre	Victoria, BC 359,000	$950,000	85%	19	80,000	6 years
Seacoast Science Center	Portsmouth, NH 75,000	$1,550,000	50%	86	77,500	9 years
Port Townsend Marine Science Center*	Jefferson Co, WA 30,000	$650,000	21%	13	22,000	14 years (updated)
Great Lakes Aquarium*	Duluth, MN 280,000	$1,817,000	63%	33	125,000	15 years
Discovery Center of Idaho*	Boise, ID 664,000	$978,000	43%	29	100,000	15 years
* Organization not interviewed as part of this project – data derived from public sources.						