

Campground Market Analysis

Developing a business plan for an existing business or conducting a feasibility study for a new venture requires a thorough analysis of market conditions. Market conditions have a significant impact on your campground's profitability. The strength of local tourism activity affects how many sites you can sell and the rates that you can charge. This guidebook will help you analyze your market so that you can gauge your operation's potential and make more informed operating and investment decisions.

The following pages include a series of checklists to help you collect and analyze information as part of your campground market analysis. The checklists, tailored to the campground industry, will help you understand the many market factors that impact upon profitability. Information collected in your analysis is then used to predict future occupancy levels and rates.

Types of Questions Answered

A market analysis will help you answer questions such as:

- What trends are occurring in the campground industry?
- How strong is local tourism activity?
- Who are my competitors and are they successful?
- What are the strengths and weaknesses of my location?
- What occupancy percentage and rates could I realistically achieve?

Applications

This guidebook is designed to provide you with an industry-specific market analysis format that can be used in a feasibility study, business plan or marketing plan. It can also be used to analyze the market potential of an existing campground, an expansion or a new development.

Existing operators can use a market analysis to identify opportunities to improve sales. The analysis can provide valuable information on market conditions to help in forecasting and budgeting. It also provides a foundation for an effective marketing plan.

Prospective operators can utilize a market analysis to project sales volume for a campground. Through a careful market analysis, the campground operator is provided with essential information required by a business plan or feasibility study, and alerted to investment risks associated with a lodging operation.

Using your market analysis findings, you can estimate the financial potential of your venture by creating financial projections. Guidebooks and software for developing campground financial projections are available through University of Wisconsin-Cooperative Extension.

Conducting Your Analysis

The sections that follow include data collection checklists and worksheets. While the section on projecting sales should be the final step, the other sections can be completed in any order. Remember that your efforts in studying the market will provide you with information to make better and more informed decisions.

Market Analysis Components

- Industry Trends
- Location and Facility
- Area Characteristics
- Competition
- Knowing Your Customer
- Projecting Sales

Many of the ideas in this publication originated from Campground Management: How to Establish and Operate Your Campground, by Rollin B. Cooper. Copies of this book are available from Sagamore Publishing, Inc.

I. Industry Trends

Studying national and regional camping trends will help you identify opportunities and threats that may affect your operations profitability. Trend information will provide you with a basic understanding of issues impacting short and long term demand for campground facilities.

Trend Information Sources

- State Department of Natural Resources and U.S. Forest Service
- National Association of RV Parks and Campgrounds
- Colleges and universities that offer an outdoor recreation program
- Industry Publications such as Woodall's Campground Management

The industry trends checklist provides a sample of topics you might want to study as part of your market analysis.

Sample Industry Trends to Research:

What camper segments are growing (tent vs. RV users, overnight vs. extended stay....)?
How are family travel preferences changing?
What factors motivate a person to select a particular campground?
What types of campground recreational facilities are most important today?

II. Location

Location is a critical factor because it affects your ability to draw campers. Your campground location should be accessible, attractive and convenient for visitors. Such location factors as area aesthetics, noise safety and other factors contribute to the customer's decision to visit and stay at your campground.

A location with visibility from a heavily traveled Interstate highway will attract transient or overnight campers. These campers typically stop for one night of rest and continue traveling the next day. Few amenities or recreation activities are needed for this type of visitor.

Other leisure travelers view a campground as their "destination" and stay for a longer period of time. A more remote location is desired by campers who dislike the noise or sight of traffic. Access and visibility, while important, are secondary to the campground's quality and cleanliness, amenities, recreation opportunities, and nearby attractions.

Analyze your location using the factors listed on the following checklist. You may want to highlight on a map the location of relevant landmarks, visitor services, area attractions and competition. Use the following checklist to complete this part of your market analysis.

Description of immediate area

- ÿ Adjacent land uses
- ÿ Availability of nearby services (food, fuel, shopping, ..)
- ÿ Proximity to nearby attractions

Nature Features

- ÿ Topography
- ÿ Drainage
- ÿ Aesthetic value

- ÿ Wildlife presence
- ÿ Soil suitability
- ÿ Tree coverage
- ÿ Quiet

Unique and scenic features

- ÿ Water Features
- ÿ Amount of water frontage
- ÿ Swimming, boating, skiing and fishing suitability

Visibility / Accessibility

- ÿ Highway access
- ÿ ADA compliance
- ÿ Sign effectiveness
- ÿ Landscaping attractiveness

III. Local Area Characteristics

Campgrounds in resort areas may rely on local attractions to attract guests. Attractions can include both natural and man-made places of interest. Attraction operators may be able to provide you with their estimates of attendance and data describing seasonality trends and place of customer origin. This information can help you gain an idea of how much tourism and recreation activity occurs in the area. Use the following checklist to complete this part of your market analysis.

- ÿ Parks
- ÿ Museums
- ÿ Golf Courses
- ÿ Antique Shops
- ÿ Amusement Parks
- ÿ Shopping Centers
- ÿ Casinos
- ÿ Festivals and Events
- ÿ Attractions
- ÿ Bicycling and Hiking Trails
- ÿ Snowmobile Trail
- ÿ Boating, Canoeing, Rafting
- ÿ Hunting and Fishing
- ÿ Colleges, Hospitals and Other Institutions

An analysis of the roads serving the market area is also important. Existing highways and proposed highway improvements should be identified. Distances to feeder markets (where the guests originate) may be particularly important for destination campgrounds. Generally, campers travel from within a 25 - 150 mile radius from home.

IV. Competition

Probably the most important part of a campground market analysis is examining current and proposed competition. It is sometimes helpful to conduct interviews with the management of other campgrounds to learn about their operating characteristics and performance. In addition, you should learn about their business volume and customer origin. Supplemental information can also be obtained from campgrounds directories, state and local parks public records and discussions with local hotel and motel operators.

An important part of this analysis is estimating your primary competitor's monthly and annual operating performance. One key measure of performance is the monthly or annual occupancy percent.

$$\text{Occupancy Percent} = \text{Number of overnight Sites Sold} / \text{Overnight Sites Available}$$

In addition to occupancy percentage, each competitive operation facility should be carefully studied to determine its strengths, weaknesses and market position. Existing area campgrounds may also be an asset to your venture; it is often easier to capture a share of an existing market than it is to create a new market.

You should also investigate the area to determine if there are any plans for new campgrounds. While a high concentration of campground sites can define a camping destination, too many sites can lead to depressed occupancy levels. The local Chamber of Commerce and community planners may be aware of such developments. Use the following checklist to complete this part of your market analysis.

Location

- ÿ Proximity to area attractions and services
- ÿ Accessibility and visibility
- ÿ Surrounding area, attractiveness, scenery and seclusion

Facilities/Grounds

- ÿ Noise control and privacy
- ÿ Landscaping and shady sites
- ÿ Utility hookups
- ÿ Cleanliness
- ÿ Campground facilities (hot showers, flush toilets, laundry, store, snack bar ...)

Recreational Facilities

- ÿ Swimming
- ÿ Fishing
- ÿ Nature and hiking trails
- ÿ Picnic areas
- ÿ Bicycling
- ÿ Canoeing and boating
- ÿ Miniature golf
- ÿ Playground, game-room

Operating Information

- ÿ Months open
- ÿ Number of campground sites available (overnight and seasonal)
- ÿ Occupancy percentage (from overnight rentals)
- ÿ Number of seasonal rentals
- ÿ Overnight and seasonal rates
- ÿ Major demand sources
- ÿ Plans for expansion or improvements
- ÿ Amenities offered (firewood, day care, fishing licenses)

General Information

- ÿ Franchise affiliation
- ÿ Ratings in campground guides
- ÿ Local reputation
- ÿ Security
- ÿ Friendliness

V. Identifying Your Customers

Once you have analyzed your competition and their customers, you should determine the type of customer your campground will attract. For instance, can your campground sites accommodate RV or tent campers? You will also need to determine if your recreational activities will cater to families, groups or other leisure travelers. Another consideration is whether your campground should target travelers passing through the area are those staying in the area for a longer period of time. Each of these considerations will affect the facilities, amenities, and recreational programs you offer.

Based on other area campgrounds users, consider the recreation and leisure preferences of nearby city residents. Profile your potential customers as follows.

What type of equipment do campers visiting your area use?
Where are they from (see below)?
What are their recreational interests?
How often do they camp?
How many people do they camp with?
How long are their average camping trips?
What are their demographic characteristics?

After answering these questions, you will be better equipped to develop facilities, amenities, and recreational opportunities that will best serve their needs.

You may also want to categorize campground customers by the type of equipment they use such as:

Tents
Pop Up/Pull Up Campers
Trailers
Pickup Trucks
RV's
Motorcycles

Analyzing Visitor's Place of Origin

Analyzing visitor origin can be a complicated process. As these visitors may be traveling great distances, it can be more difficult to acquire customer information than with a traditional analysis of local residents. Nonetheless, understanding these customers requires obtaining information about their places of origin, as well as data about their demographics and lifestyles.

A technology called geographic information systems (GIS) can be used to solve these problems. Combining GIS with your customer address lists or chamber of commerce inquiry records, gives you the ability to profile tourism customers both geographically and demographically. Furthermore, GIS technology can use this information to search (prospect) for new potential customers in other communities that match your geographic or demographic criteria.

For more information, see: <http://www.uwex.edu/ces/cced/flypp.doc>

VI. Project Refinement

One of the most important considerations in refining your campground plans is estimating the optimal number of campsites. The proper site size is dependent on a number of variables including:

- Market area demand as measured by monthly and annual occupancy rates achieved by the competition
- Financial resources available for campground development
- Number of sites necessary to be profitable

In Wisconsin, the average campground has 65 sites. In recent years, many smaller campgrounds have either expanded or gone out of business. As campground size is often a financial decision, it is recommended that you prepare various cash flow scenarios using a variety of campground size and occupancy assumptions. From a financial perspective, the ideal number of sites will provide you with the highest cash flow (after debt service) per site.

Today's value-conscious consumer will choose your campground over your competitor if you offer a better, more unique camping experience. Use the product refinement worksheet below to identify your targeted customers and the campground characteristics they will value most.

Overnight Market Segments that will be served:

Passing Through	_____%
Extended Stay	_____%
Other	_____%
Total	100%

Couples	_____%
Family	_____%
Group	_____%
Other	_____%
Total	100 %

Tents	_____%
Popup/Pull-up	_____%
Trailers	_____%
Pickup Trucks	_____%
R.V.s	_____%
Motor Cycle	_____%
Total:	100 %

Facilities to be provided to serve key segments (list):

-
-
-
-

Recreation to be offered to serve key segments (list):

-
-
-
-

VII. Projecting Your Sales Potential

At this point in your market analysis, you have completed your data collection. You have analyzed industry trends, your location and facility characteristics, market area visitation activity, local competition

and potential market segments. You are now ready to estimate your sales potential based on these factors.

Campground site rental revenue is a function of your overnight occupancy percent and your average overnight rate as defined earlier. Other sources of income may include seasonal site rentals, store sales, boat rentals, etc.

A key indicator of future performance is past occupancy and overnight rates. Existing campground operators can rely on their historical records for this information, while prospective operators must look to comparable campgrounds for data on their past performance.

The steps that follow will help you estimate your overnight occupancy, rates and sales potential.

1. Assess Your Competitive Strengths and Weaknesses

There are no magic formulas to predict your occupancy level. However, by analyzing your campground’s competitive strengths and weaknesses relative to others in the area, you can estimate if you will achieve a higher or lower occupancy rate than these other operations. Compare your operation with competitive campgrounds using the criteria below. Be sure to keep in mind the types of campers that make up your targeted market segments.

	Competitive Strength	< -----	-----	-----	> Weakness
Your Location	*	*	*	*	*
Your Facilities/Grounds	*	*	*	*	*
Your Recreation Facilities	*	*	*	*	*
Your Management Skills	*	*	*	*	*

2. Project Your Occupancy

Use the monthly occupancy worksheet below to estimate how many sites you could sell on an annual basis. To do this, analyze the seasonality of tent campers and code each month as Peak-Season (P), Middle-Season (M) or Off-Season (O). Do the same for the other market segments.

Based on these demand patterns, the performance of other campgrounds in the area that serve these segments, and your strengths and weaknesses relative to those campgrounds, estimate your monthly occupancy levels. Complete the multiplication in the following worksheet and sum the monthly “Sites Sold” to arrive at your annual totals. Your annual occupancy percent is equal to your annual Sites Sold divided by your annual Sites Available. Compare your annual occupancy projection with local competition and state and national averages to make sure it is realistic.

Monthly Occupancy projection Worksheet													
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Total</u>
Indicate Peak Season (P), Middle-Season (M) or Off-Season (O)													
Tent													
Pop-up/Pull-up													
Trailers													
Pickup Trucks													
RV's													
Motorcycles													
Occupancy Projection													
Days Open													
X Sites													
Sites Available =													
X Occupancy %													
Sites Sold =													
Example:													
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Total</u>
Indicate Peak Season (P), Middle-Season (M) or Off-Season (O)													
Tent	O	O	O	M	M	P	P	P	M	M	O	O	
Pop-up/Pull-up	O	O	O	M	M	M	P	P	P	M	O	O	
Trailers	M	M	M	M	M	M	P	P	M	M	M	O	
Pickup Trucks	O	O	O	M	M	M	M	P	M	M	M	O	
RV's	M	M	M	M	P	P	P	P	P	P	M	M	
Motorcycles	O	O	O	M	P	P	P	P	M	O	O	O	
Occupancy Projection													
Days Open	31	28	31	30	31	30	31	31	30	31	30	31	
X Sites	75	75	75	75	75	75	75	75	75	75	75	75	
Sites Available =	2,325	2,100	2,325	2,250	2,325	2,250	2,325	2,325	2,250	2,325	2,250	2,325	27,375
X Occupancy %	10%	10%	10%	25%	50%	70%	80%	90%	60%	25%	15%	5%	38%
Sites Sold =	233	210	233	563	1,163	1,575	1,860	2,093	1,350	581	338	116	10,313

3. Project Your Rates

In the camping industry effective pricing is critical; rate increases or decreases have considerable impact on your ability to attract customers while still retaining a desired profit level. Setting prices to maximize profits is an important process that requires consideration of the rates charged by competitors and the price sensitivity of travelers to the area. Three methods are available:

- According to Rates of Others - Analyze the rates charged by your competitors. Project your average site rate by considering the rates and quality levels of your competitors. Compare your expected price/quality level and appeal with that of your competitors.
- According to Demand - Consider your targeted market segment to help determine maximum rates people will pay. Analyze your expected market segments. Estimate price sensitivity and potential for lost business if rates are increased.

- According to Costs - Determine your projected expenses and your profit goal. Given your projected occupancy level, what rates must you charge to break-even?

4. Project Your Sales

After you have developed occupancy and site rate projections, you will be able to calculate your projected overnight site revenue (excluding seasonal rental revenue) as follows:

Projected Annual Occupancy	_____
X Number of Sites at Your Campground	_____
X Days Open	_____
X Average Site Rate	_____
= Projected Annual Site Revenue	\$ _____

The Next Step: Developing Financial Projections

Once you complete your market analysis, you will be able to develop income and cash flow projections for your campground. If you are an existing operator, these projections can serve as a financial plan or budget. If you are a prospective operator, they will help determine the financial feasibility of your venture. To help you, guidebooks and spreadsheet software templates are available through the University of Wisconsin-Extension Center for Community Economic Development.

This guidebook was updated in 2003 by Bill Ryan and Michael Chrisler of the University of Wisconsin-Extension Center for Community Economic Development and the Wisconsin Small Business Development Center. Assistance provided by Hannah Kirking. This publication was originally written in 1994 with assistance from Ana Maria Tolentino, Rolf Sovre, and David Bornstein; project assistants.