

Small Resort 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 small resort's profitability. The strength of local tourism activity impacts how many units you can sell and the rates that you can charge. This guidebook will help you analyze your market so that you can measure the sales potential of your operation and make more informed operating and investment decisions.

Because of the local and individualized nature of each resort establishment, it is important for you to conduct a thorough market analysis of the community in which you plan to operate. To assist in your collection and analysis of information, a series of checklists are provided in this guidebook. Tailored specifically to small resorts, the checklists will serve as a learning tool to help you understand the many market factors that can influence your 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 resort industry?
- What are my property's strengths and weaknesses?
- Who are my key competitors?
- What are the potential market segments available to small resorts in the area?
- What occupancy levels and average unit rates could I 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 or new operation.

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

Prospective resort owners can use a market analysis to project sales volume for an existing or new lodging venture. The analysis can provide essential information required in a business plan or feasibility study, and can lessen the risk of a business investment.

Market Analysis Components

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

Using your market analysis findings, you can estimate the financial potential of your venture by creating financial projections. Software for developing financial projections for small resorts are available through the University of Wisconsin-Extension Center for Community Economic Development.

Conducting Your Analysis

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

I. Industry Trends

Industry trends are important because they signal a change in customer needs and behaviors. Studying these trends will help you identify opportunities and threats that may influence your operations profitability. Sources of trends include:

- Other resort operators
- State lodging and resort associations
- Industry Periodicals such as Resort Management, Hotel & Motel Management and Lodging (AHMA)
- Travel Periodicals such as Midwest Living and Country Inns Magazine
- Research reports produced by the U.S. Travel Data Center
- Local Extension and State Tourism Offices

The industry trend checklist provides a sample of topics you might want to study as part of your market analysis. Use the following checklist to complete this part of your market analysis.

- ÿ What factors motivate a guest's selection of small resorts?
- ÿ How are seasonal travel patterns changing?
- ÿ What types of guests are attracted during different seasons?
- ÿ How long do guest want to stay?
- ÿ What are the different market segments available to a small resort operation?
- ÿ What services and amenities are most important to guests?
- ÿ What types of recreational activities are most important to guests?
- ÿ What other types of lodging operations compete with small resorts?
- ÿ Is the number of small resort operations in the region increasing or decreasing? Why?
- ÿ What types of small resorts are growing (i.e. rustic cabins vs. luxurious vacation homes)?
- ÿ Will financing opportunities decrease or increase the supply of resort accommodations?
- ÿ How do resorts establish a unique and appealing atmosphere?
- ÿ What pricing practices are most profitable (European, Full American or Modified American Plan)?
- ÿ Who else competes for leisure time and dollars?
- ÿ What are the trends in timesharing and condominium sales?
- ÿ How is tourism activity in the region performing relative to other tourist destinations?

II. Location and Facilities

The location and facilities of your small resort are critical considerations because they affect your ability to draw customers. It is important that your location be attractive, accessible and offer unspoiled natural features including lakes, streams, forest, etc. Surrounding land uses that affect area aesthetics, noise, safety and accessibility to local attractions and businesses are important factors as well. You may want to highlight on a map other lodging accommodations as well as relevant landmarks to better judge the surrounding area. Facilities will greatly influence the market image of your resort and the amount visitors are willing to pay for accommodation and services. Some important facility aspects are charm, appearance, condition, age and types of units.

Local tourism leaders can help you evaluate your resort's location and facilities. Consider speaking to the local chamber of commerce or visitor's bureau representatives, real estate dealers and bankers, tourist attraction operators and existing resort operators in the area. Use the following checklist to complete this part of your market analysis.

Description of Location

- ÿ Lake quality (water quality, fishing reputation, aesthetic and size of lake)
- ÿ Weather conditions (rainfall, temperatures and snow conditions)
- ÿ Aesthetics of property (trees, privacy, grass, water front)
- ÿ Adjacent land uses
- ÿ Proposed developments in area
- ÿ Services available nearby (food, fuel, shopping)
- ÿ Tourist attractions (museums, historical sites, recreation...)
- ÿ Zoning restrictions
- ÿ Local events (sports tournaments, festivals, conventions...)
- ÿ Accessibility of resort
- ÿ Quality of roads leading to the resort

Description of facilities

- ÿ Age of facilities
- ÿ Charm and character of facilities
- ÿ Exterior appearance and condition
- ÿ Interior appearance and condition
- ÿ Types of units
- ÿ Cleanliness
- ÿ ADA requirements

Services/Amenities Offered

- ÿ Swimming pools/beach
- ÿ Quality of service and hospitality
- ÿ Other recreational amenities (i.e. fitness room)
- ÿ Food and beverage service
- ÿ Boat and motor rental
- ÿ Groceries, gasoline and oil, bait and fishing equipment sale
- ÿ Recreational activities, programs and equipments
- ÿ Nature programs and outdoor skills teaching
- ÿ Children's programs and childcare
- ÿ Evening entertainment
- ÿ Game rooms/video arcade

General Information

- ÿ Ratings in travel guides
- ÿ Local reputation

III. Local Area Characteristics

Local attractions provide experiences, entertainment and services for your guests, enhancing their stay. 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.

Local economic and demographic trends are also important. Information such as local population size and growth will help you identify potential demand from local residents and their friends and families who

come to visit the area and need a place to stay. Local sales tax collection can also help you understand business trends in the area. Use the following checklist to complete this part of your market analysis.

Area Tourism and Recreational Activities

- ÿ Park visitation
- ÿ Museum visitation
- ÿ Amusement and attraction visitation
- ÿ Casino visitation
- ÿ Festivals and events visitation
- ÿ Snowmobile trail usage (weather forecasts)
- ÿ Boating activity
- ÿ Hunting and fishing activity
- ÿ Golf course usage
- ÿ Biking/biking trail usage
- ÿ Antique shop patronage
- ÿ Shopping activities
- ÿ Restaurants in the area

Local Economic and Demographic Characteristics

- ÿ Local sales tax collections
- ÿ Room tax collections
- ÿ Local population
- ÿ Household income distribution

IV. Competition

Probably the most important part of a lodging market analysis is the study of current and proposed competitors. It is sometimes helpful to conduct interviews with the operators of other small resorts to learn about their operations and performance. Visiting a resort as a vacationer is also very helpful to view a property from a guest's perspective.

Competitors are divided primarily into two categories, depending on the degree to which they affect your operation:

- *Primary competitors* are other small resorts or other lodging operations that may also target your clientele.
- *Secondary competitors* are other operations that provide overnight accommodation but generally do not attract your clientele. Examples of this group might be campgrounds, hotels and motels.

When studying other operations, pay close attention to your primary competitors. It is important to keep in mind that there are both advantages and disadvantages resulting from competition. While it is possible that you might lose some customers to your competitors, there are numerous advantages such as:

- Referrals
- More lodging alternatives for tourists that result in a stronger destination area image and greater market exposure
- Networking, ideas and advice from fellow resort operators

Essentially, the more you know about your competitors, the better are your chances of success. Try to obtain their occupancy percent (number of units sold divided by number of units available) and weekly and daily unit rate, by month if possible. Also, analyze services they offer and the general condition of their resort. This information can help you learn from their strengths and weaknesses. Use the following checklist to complete this part of your market analysis.

Description of Competitive Locations

- ÿ Lake quality (water quality, fishing reputation, aesthetic and size of lake)
- ÿ Aesthetics of property (trees, grass, privacy and water front)
- ÿ Adjacent land uses
- ÿ Proposed developments in area
- ÿ Services available nearby (food, fuel, shopping)
- ÿ Tourist attractions nearby (museums, historical sites, recreation...)
- ÿ Local events (sports tournaments, festivals conventions...)
- ÿ Accessibility of resort

Description of Competitive Facilities

- ÿ Age of facilities
- ÿ Charm and character of facilities
- ÿ Exterior appearance and condition
- ÿ Interior appearance and condition
- ÿ Types of units
- ÿ Cleanliness
- ÿ ADA requirements

Services/Amenities offered by Competition

- ÿ Quality of service and hospitality
- ÿ Swimming pools/beaches
- ÿ Food and beverage service
- ÿ Boat and motor rental
- ÿ Groceries, gasoline and oil, bait and fishing equipment sale
- ÿ Recreational activities, programs and equipments
- ÿ Nature programs and outdoor skills teaching
- ÿ Children programs
- ÿ Evening entertainment
- ÿ Game rooms/video arcade

Information from Competitive Resort Operators

- ÿ Monthly occupancy levels
- ÿ Average unit rate per month (after any discounts)
- ÿ Major sources of demand (guest origin)
- ÿ Percent of repeat business

General Information on Competition

- ÿ Number of units
- ÿ Months open
- ÿ Published rates
- ÿ Ratings in travel guides
- ÿ Local reputation
- ÿ Owner operated

V. Knowing Your Customer

Your resort's image, size, location, prices, services and amenities should be tailored to fit the type of customer you want to attract. It is important to analyze the type of travelers that frequent your area and how you might serve these visitors.

Leisure travelers are by far the largest segment of visitors to small resorts. Leisure traveler demand is often seasonal. Some resorts are winterized and can provide service year round. It is important to recognize that different seasons tend to draw different customers.

To learn about the significance of leisure demand in your market area, interview representatives of the local visitor bureau, Chamber of Commerce and local event and attraction operators. Also, study variations in room rates by the week and time of year. Higher rates usually indicate periods of higher occupancy. Finally, inspect other local lodging facilities to determine if they have been designed to serve leisure travelers.

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, allow you to profile tourism customers both geographically and demographically. Furthermore, GIS technology can use this information to search for new potential customers in other communities that match your geographic or demographic prospecting criteria.

VI. 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.

For most resort establishments, sales potential is based primarily on the projected number of unit rentals. Other income sources may include grocery, food and beverage sales, boat and motor rental, campsites, bait and fishing equipment sales and other services such as rental of the resorts common areas or grounds for special occasions.

Unit sales for a resort establishment are a function of the number of units, your occupancy percent and your unit rate as defined in section IV (Competition). A good starting point for projecting future performance is past occupancy and room rates.

1. Project Your Property's Annual Occupancy

There is no magical formula to predict your occupancy level. However, by analyzing your resorts competitive strengths and weaknesses relative to other resorts in the area, you can estimate if there is potential to achieve a higher or lower occupancy rate. Compare your operation with other resorts in your market area using the criteria below. Be sure to keep in mind the types of travelers that make up local lodging demand.

	Competitive <-----> Competitive				
	Strength		Weakness		
Your Location	*	*	*	*	*
Your Facilities	*	*	*	*	*
Your Services and Amenities	*	*	*	*	*
Your Management Skills	*	*	*	*	*

2. Project Your Occupancy

Use the monthly occupancy worksheet below to estimate how many units you could sell on an annual basis. To do this, analyze the seasonality of your business and code each month as Peak-Season (P), Middle-Season (M) or Off-Season (O).

Based on this demand pattern, the actual performance of comparable resorts in the area, and your strengths and weaknesses relative to those resorts, estimate your monthly occupancy potential (units sold divided by units available). Complete the multiplication on the worksheet and sum the number of units available and sold to arrive at annual totals. Your annual occupancy level is equal to your annual units sold divided by annual units available.

Note: If you rent your units on a weekly basis, count each rental as six or seven units sold depending on whether the unit will be occupied six or seven days.

Monthly Occupancy Projection Worksheet													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Seasonality	Indicate Peak Season (P), Middle-Season (M) or Off-Season (O)												
Occupancy Projection													
Days Open													
X Units													
Units Available =													
X Occupancy %													
Units Sold =													
Example:													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Seasonality	O	O	O	M	M	P	P	P	M	M	O	O	
Occupancy Projection													
Days Open	31	28	31	30	31	30	31	31	30	31	30	31	
X Units	10	10	10	10	10	10	10	10	10	10	10	10	
Units Available =	310	280	310	300	310	300	310	310	300	310	300	310	3650
X Occupancy %	10%	10%	10%	25%	50%	70%	80%	90%	60%	25%	15%	5%	38%
Units Sold =	31	28	31	75	155	210	248	279	180	78	45	16	1375

Compare your annual occupancy projection with local, state and national averages to make sure it is realistic. Remember that your performance will probably be different due to your resort's relative strengths and weaknesses.

3. Project Your Rates

When setting your room rates, you need to take into account two major factors:

- 1) The price that the target market is willing to pay for your product.
- 2) The price offered by the competition.

Effective pricing is critical for small resorts, since pricing will have a major impact on the bottom line. High prices may maximize profits in the short run, but is likely to hinder repeat business in the long run. Setting prices to maximize profit in the short and long run is an important process that requires consideration of rates charged by competitors, the quality of your resort and the price sensitivity of travelers in the area.

4. Project Your Sales

After you have developed occupancy and unit rate projections, you will be able to calculate your projected room revenue as follows:

Projected Annual Occupancy (during open periods) _____ %
X Number of units at your property _____
X Days Open _____
X Average Daily Rate _____
= Projected Annual Revenue \$ _____

The Next Step: Developing Financial Projections

Once you have completed your market analysis, you will be able to develop income and cash flow projections for your resort. 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 you determine the financial feasibility of your venture. To help you develop financial projections, spreadsheet software templates are available through the University of Wisconsin-Extension Center for Community Economic Development.

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So You Want to Buy a Resort. Larren Wood. Woodstock North Press, 1993

A Study Of The Markets and Opportunities For Smaller Northern Wisconsin Resorts. University of Wisconsin-Parkside, Aug 1990