

Go Figure

I've started to notice a pattern recently in my interaction with various operators that I believe needs a closer look. I cringe at the outset because numbers are not my favorite topic - I'm neither an accountant nor a banker by profession, but I am a businessperson who understands the necessity of understanding this "code".

Ah, you've already noticed the slant on where this may lead - I've used the word "code", so it could be fun. Numbers are your friend or your enemy - there's no middle ground. So what I would suggest is use them to your advantage. Where do numbers crop up in your operation? Everywhere from sites availability, site types, site nights available, occupancy rates, price structure, hits on your web site, etc. How many times do you want to yell out and say, "enough is enough", but more importantly, the number of times you say, "WOW, this is a fantastic business to be in?"

Ok, here's my advice. Take a hard look at what you've got in your inventory. Sites that is. How many good ones have you got? How many really good ones do you have? What's the price difference between the two? I just came back from a site visit at a park, where the price difference between waterfront sites and sites in the back forty were only four-hundred dollars for the season. That means that those folks lucky enough to have one of the twenty-five sites along the water had to pay an extra \$2 a day for this premium. That's half-a-cup of Starbucks coffee!

Now I confess. I was looking for a way to have this gentleman fund a study that I had submitted a proposal for. He balked at the cost until we started to look at some numbers. He had just spent \$89,000 on new docks. He had just spent \$30,000 on a new playground. When I asked him how much revenue these two purchases brought in, he had to admit not much - perhaps \$5,000. Again, I repeat, I am not an accountant or a banker, but these kinds on investments don't add up in my mind. I suggested that we review the price points of the 25 waterfront sites. The market for one week of waterfront accommodation at other venues was the same amount as what he was charging for an entire season! Hmm. Seems that a slight price adjustment could bring in some revenue to fund the expertise designed to bring in even more revenue.

I can hear you already. The client will balk at the price increase and leave. You're probably right. They're leaving so that they can find a similar bargain somewhere else. If they find it - good for them. However, if you know the marketplace, you'll probably realize that all that left was the problem camper you wanted to leave anyway. So now you've got a waterfront site, ready to be occupied. How much are you going to charge? More than before, right? Now's your chance

Ok, now that I'm warmed up to this argument, what about occupancy rates? I was on the telephone with another RV park operator - a very successful one at that, who was concerned about the cost of undertaking a marketing strategy. The gentleman was not convinced that his park needed any more marketing, as his occupancy rates were good this year, and the return on the investment would be minimal. When we started to look at the reasoning behind the reluctance, two things stood out. The American domestic market is staying closer to home this year - its an election year, the dollar is decreasing in value against foreign currency, and there is still the threat of terrorism. Best to stay closer to home. So business should be good this year. But what will happen next year, or the year after when the macro environmental factors may change. Implementing a marketing strategy after a drop in business is never a great idea. Keep the gas pedal to the medal. Keep up the marketing. Don't let up. In fact you can afford it, with the improved cash flow.

The other factor that needs to be considered is the true cost. Let's break down a \$5,000 marketing investment. How many site nights do you need to recoup the cost? For example, if you charge \$40/night, and you're operating for 8 months, it works out that you only need to four (4) sites occupied by a paying customer - whether it's a new customer, or the stay is extended by a night. Only 4 per week to pay for that \$5,000 investment! Let's try it another way. How much more could you charge next year to recoup the cost? If you raised your rates by \$1, it would only take a total of 50 site nights to recoup the fee assuming you had 100 sites.

Surely, these types of investments will pay off in years to come, well past the short amortization period. Sometimes we see the big number, and say, no way, I can't afford to pay that. As another park operator said, "I work hard for that money". And there's the key - you do work hard for your money, so leverage your investment to make it work for you!

And what about that high occupancy rate our esteemed operator mentioned? While it's great to be nearly full, it also could be a sign that you're not charging enough. The top price per night during peak season in that particular market location is very reasonable. In fact too reasonable. He could easily charge an additional 40% without losing many customers. Allow the market to determine what the top price will be. Compare your offering with the hotel industry. Where are you in comparison? If you're a 3-star, what does that translate in their industry? If you're the best in our industry based on the ratings, how does your price compare to a 5 star accommodation in the bed and breakfast industry or the hotel industry? You've probably got room to move.

Let's stop being conservative here for a second. Let's get past the \$5,000 mark. Let me share with you my recent experience in Australia, where the "cabins" that I was shown in some of the better caravan parks are incredible. I was very impressed with the level of quality and choice offered to the holidayer. The cabins are generally pre-fab, and come in all sorts of shapes and sizes. The trend however is upscale. Rates for a one-week stay in peak season in one park were as high as \$3,425 / week. And I have trouble convincing some operators to charge that much for a season! One operator in another park has just invested over \$200,000 on one unit - and he has 5 of them, located strategically in the park. Now that may-be over capitalized in some minds, but he has the attention of the industry, and the marketplace. He keeps adding these higher end models. I have no doubt that others will take note and follow.

Determine what's an appropriate rate, have the faith to ask for it, and reinvest your hard-earned dollars back into effective marketing, operational analysis, etc. You'd be surprised at how much you actually afford! I'd even say you can't afford NOT to do it.