

WHAT CAN I DO TO INCREASE MY PROFITS IN THE CAMPGROUND BUSINESS?

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PREFACE

This publication is being issued in this form after some years of use as an unnumbered mimeographed report. Requests for copies have continued at a steady pace and it is believed that even though the data is now some five years old the principles identified are still valid.

The original field work for this study was done by Donald Tobey -- at that time an undergraduate in the Department of Conservation. Mr. Tobey is now completing the requirements for the Ph.D. at the University of Wisconsin. A number of other people made contributions and suggestions not the least of which were Harlan B. Brumsted and Bruce T. Wilkins. However, all errors of fact and judgment must remain with the author.

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In The Campground Business?

by

David J. Allee, Resource Economist

A review based upon the experience of 36 campground operators in the 1963 season. This is in part a summary of what the more successful operators did, and in part an analysis of those things that made them successful.

Evaluating The Present Business

Some Basic Characteristics

	28 Campgrounds	Yours
Number of sites	64	_____
Total Cash Receipts	\$4940	_____
Total Operating Expenses	\$3700	_____
Operating Income*	\$1240	_____
Site Rental Receipts	\$2667	_____
Rental Receipts per Campsite	\$41.67	_____
Other Receipts per Campsite	\$35.51	_____
Average charge per night per site	\$ 2.16	_____
Number of rentals per site	19.3	_____

* This does not reflect a charge for your labor and that of your family or for interest on your investment.

Do you make full use of your present capacity?

	34 Campgrounds	Yours
During the week	23%	_____
Non-holiday weekends	60%	_____

Table 1. Operating Incomes for 28 Campgrounds with Over and Under 25 Percent Capacity Used During the Week, by Size of Campground

Number of Sites	<u>Over 25%</u> Operating Income \$	<u>25% or Less</u> Operating Income \$
Under 30	233	-438
30 to 50	859	140
Over 50	1,411	4,627
Average	795	1,520

Table 2. Operating Incomes for 28 Campgrounds with Over and Under 50 Percent Capacity Used During the Non-holiday Weekends

Number of Sites	<u>Over 50%</u> Operating Income \$	<u>50% or Less</u> Operating Income \$
Under 30	233	-438
30 to 50	377	911
Over 50	3,945	4,465
Average	1,376	1,094

Conclusion: Smaller campgrounds must make better than average use of their capacity in order to do better than meet current expenses. Expanding the number of campsites means a greater reliance on weekend business, and in particular means being able to take better advantage of the big holiday weekends. Having a small number of campsites full all the time is not as profitable as having a large number of campsites available when people want them.

Is your campground located where it can take advantage of other activities?

Are you located where there are other campgrounds?

	36 Campgrounds	Yours
Number of sites available in your area	200	_____

Do you benefit from the spill-over from public campgrounds?

35 Campgrounds	Yours
Yes - 23	Yes
No - 12	No

Table 3. Operating Incomes for 28 Campgrounds which Either Do or Do Not Benefit from Spill-over from Public Campgrounds, by Size of Campground.

Number of Sites	<u>Do Benefit</u> Operating Income \$	<u>Do Not Benefit</u> Operating Income \$
Under 30	-103	-438
30 to 50	265	2,329
Over 50	5,984	3,441
Average	851	2,147

Conclusion: Spill-over is helpful especially for the very small campground but is clearly not essential to a profitable operation.

Are you located where there are other recreation activities available?

	30 Campgrounds-	Yours
Number of activities available in your area	3.1	_____

Table 4. Operating Incomes for 28 Campgrounds which Reported Other Commercial Recreation Enterprises within 10 miles, by Size of Campground.

Number of Sites	None, One Don't Know Operating Income	Three or More Operating Income
	\$	\$
Under 30	-256	-275
30 to 50	872	401
Over 50	1,350	5,295
Average	727	1,475

Table 5. Operating Incomes for 28 Campgrounds which Reported Other Commercial Recreation Enterprises over 10 miles, by Size of Campground.

Number of Sites	None Don't Know Operating Income	Two or More Operating Income
	\$	\$
Under 30	200	-338
30 to 50	610	559
Over 50	5,256	1,448
Average	2,512	278

Table 6. Operating Incomes for 28 Campgrounds which Promote Activities Away from the Campground and which Do not, by Size of Campground.

Number of Sites	Don't Promote Operating Income \$	Do Promote Operating Income \$
Under 30	-173	-329
30 to 50	1,112	-266
Over 50	5,676	398
Average	2,297	-181

Conclusion: Being within 10 miles of other recreation activities appears to be helpful, and it may be that in particular other commercial activities are effective. However, there is only limited evidence that these are actually used by campers. And there is strong evidence that promoting such activities among campers is not essential to higher returns.

Making Changes to Improve Returns

Are you big enough?

Operating Income Related to Number of Sites for 28 Campgrounds

Number of Sites	Number of Campgrounds	Average Number of Sites	Average Operating Income
Less than 30	8	20	-270
30 to 50	13	41	582
Over 50	7	157	4168
Total	28	64	1240

Conclusion: This is a most important factor in explaining differences in returns. But if you haven't had enough business to meet current expenses with a smaller campground you may have to do more than simply increase the number of developed sites in order to increase returns. Especially if you regularly have empty sites on the weekends you should evaluate what you need to do to attract more campers and keep them longer. And especially consider what you need to do to bring them back again with their friends.

Do you provide enough facilities at the site (or too many)?

Tables, fireplaces, water outlets, toilets, electric outlets, garbage cans, etc. provided near the sites.

28 Campgrounds	Yours
2.7 items per site	_____ per site

Table 8. Number of Items Provided at the Site Related to Number of Sites and Operating Income

Number of Sites	Under 2	2 to 3.1	Over 3.1
	Operating Income \$	Operating Income \$	Operating Income \$
Less than 30	-275	37	-725
30 to 50	56	2848	236
Over 50	6703	3818	495
Totals	1422	2342	10

Conclusion: More successful operators provide around the average number of items per site in each size class except the largest. The most successful large operations provided a bare minimum for the sites that were used the least, but tended to have most of their sites equipped in the average range. Equipping over the average does not appear to be reflected in increased returns.

Do you pay too much for the items you provide?

Estimates of Out-of-Pocket Expense for Selected Campground Facilities and the Number Provided per Site

Item	Number of	Number of Item	Average Unit Cost	Your Cost
	Campgrounds Reporting	Reported per Site For Those Reporting		
Picnic Tables	35	1.1	\$ 14.50	_____
Fireplaces	24	0.6	5.70	_____
Garbage Cans	33	0.7	2.00	_____
Water Outlets	26	0.1	200.00	_____
Electrical Outlets	26	0.2	36.00	_____
Trailer Hookups	6	0.5	105.00	_____

Conclusion: Many operators were very successful in cutting their out-of-pocket costs by building their own tables, fireplaces, etc. and by finding used materials, etc. This is not reflected in operating income directly in the way we compute it but rather shows up by reducing the drain on income to finance your investment.

Do you offer the facilities of a store, pavilion or a recreation hall?

	36 Campgrounds	Yours	
Store	2/3rds. did	Yes	No
Pavilion	1/3rd. did	Yes	No
Recreation Hall	1/3rd. did	Yes	No

Table 9. Operating Income for 28 Campgrounds With and Without a Store, Pavilion or Recreation Hall

Number of Sites	Store	No Store	Pavilion	No Pavilion	Recreation	No Recreation
	Operating Income \$	Operating Income \$	Operating Income \$	Operating Income \$	Hall \$	Hall \$
Under 30	-416	-183	-697	-128	-133	-316
30 to 50	88	1157	-757	826	1220	183
Over 50	4167	--	6265	1370	4724	3750
Total	1712	599	2769	621	2054	809

Conclusion: A store is not worth the effort for most small and medium operators. But large operators find one essential both to satisfy their customers and as an important source of revenue. It often makes fuller use of office personnel.

Returns are clearly in favor of those who have a recreation hall for rainy days and teen-age activities, but an open pavilion was found to be advantageous only by larger operators as a rule. Of all three facilities the recreation hall is most firmly associated with higher returns.

Do you provide water for recreation?

	35 Campgrounds	Yours
Fishing	3/4ths. did	Yes No
Swimming	3/4ths. did	Yes No

Table 10. Operating Incomes for 28 Campgrounds With and Without Swimming, by Size of Campground.

Number of Sites	<u>Swimming</u> Operating Income \$	<u>Without Swimming</u> Operating Income \$
Under 30	-229	-339
30 to 50	736	68
Over 50	4,679	1,100
Total	1,633	41

Conclusion: Clearly the more successful operators find water based activities are essential.

Do you provide enough activities at the Campground?

Activities that Campers Could Pursue at the Campground, 35 Private Campgrounds, New York State 1963.

Activity	Percent of Campgrounds	Yours
Outdoor Games	89	_____
Fishing	74	_____
Swimming	71	_____
Camp fires	40	_____
Indoor Games	34	_____
Boating	31	_____
Nature Walks	31	_____
Dances	23	_____
Other	11	_____
Riding Horses	9	_____

Table 11. Operating Incomes for 27 Campgrounds by Number of Activities Available and by Size of Campgrounds

Number of Sites	Number of Activities	
	0 to 4 Operating Income	5 to 9 Operating Income
Under 30	-221	-420
30 to 50	421	617
Over 50	1100	4679
Total	177	2329

Conclusion: Medium and large campgrounds are more successful when they offer more activities. There is some doubt that they pay for small operators.

Do you have enough space available to the campers?

	36 Campgrounds	Yours
Acres per site of developed area	.3 acres	_____
Acres per site available to campers	.9 acres	_____

Table 12. Operating Incomes for 28 Campgrounds by Amount of Land Developed per Site by Size of Campground

Number of Sites	Acres of land developed per Site	
	Less than .3 acres Operating Income	Over .3 acres Operating Income
Under 30	-165	-376
30 to 50	676	375
Over 50	953	5453
Total	488	2097

Conclusion: Larger operators apparently find more space per site desirable. Small and medium campgrounds, by not having so many sites to begin with, do not face the same problems in order to avoid a sense of being crowded.

Do you spend enough (or too much) on advertising?

	28 Campgrounds	Yours
Total Advertising Expenses	\$180	_____
Per Camp Site	\$2.81	_____

Table 13. Advertising Expense by Size of Campground

Number of Sites	Average	Advertising Expense	
	Number of Sites Per Group	Per Campground \$	Per Campsite \$
Under 30	20	123.50	6.29
30 to 50	41	116.85	2.82
Over 50	157	361.29	2.30
Total	64	179.86	2.81

Table 14. Operating Incomes for 28 Campgrounds by Those Who Spend Under and Over \$75 per Year by Size of Campground

Number of Sites	Advertising Expense	
	Under \$75 Operating Income \$	Over \$75 Operating Income \$
Under 30	-61	-620
30 to 50	266	855
Over 50	---	4168
Total	113	1959

Conclusion: The more successful small operators spent less than \$75 per year. While it is not clear what is the best amount to spend, large operators certainly have an advantage here in being able to spread a cost item over more sites.

Are your rates too low (or too high)?

Table 15. Operating Incomes for 28 Campgrounds for Those Who Charge Over and Under \$2.00 per night, by Size of Campground

Number of Sites	<u>\$2.00 per night or less</u>	<u>Over \$2.00 per night</u>
	<u>Operating Income</u> \$	<u>Operating Income</u> \$
Under 30	497	411
30 to 50	392	889
Over 50	4394	3998
Total	784	1932

Conclusion: The more successful small and medium operators charge over \$2.00 per night, but large operators are equally successful charging over \$2.00 as under \$2.00.

Do You Budget Changes in Your Business to
Make Sure That They Make Sense?

Putting the facts down on paper in a systematic way to analyze differences can help you make up your mind. It should help you make money and not mistakes.

A few points to consider. Put all costs on an annual basis so they are comparable. Only consider factors that will change with the decision and value your resources at what you really have to give up to use them for this change.

For example, interest on your investment is the annual cost and what you could make on your own money in a savings bank may be the best rate. But you may want to use a higher rate than that because you will have your money frozen and you may want to earn it back at a faster rate. If you are going to use more land don't figure in the value of it as investment unless you actually plan to buy it just for this purpose. A teen-ager's labor may have no other ready use than your project and you may want to count its use as a benefit instead of cost.

If you can't predict what some of the effects will be on your business, at least try to figure what they will have to be to make the change pay. This will help you decide if its reasonable to take the chance on things turning out alright. For example, if you have an opportunity to advertise your campground for a cost of \$20, how many nights rental will this have to secure to break even? If you can figure to clear \$2.00 per nights rental, is it likely to allow you to at least break even? Or do you have something better to do with that \$20?

The following is an example of what a budget might look like.

The change: Remodel the small barn for a recreation hall.

Key Information:

- 1) If the campers who left early when it rains were to stay an extra night this might give 200 rentals.
- 2) A minimum remodeling job would cost \$1500 but we would want to put another \$500 in for plumbing if it worked out.
- 3) It would take 100 hours of my labor plus some of George's and Tom's.
- 4) Tom is old enough to look after the Rec Hall.

Added Costs

My labor at \$2/hour for weekends (Interest \$10, Depreciation \$20)	\$30
Interest \$60, Depreciation \$150	210
Light and Supplies \$50, Added Insurance \$30	80
Maintenance	50

Reduced Returns

Have to park the truck some place else	<u> ?</u>
Total Costs	\$370 plus?

Added Returns

If we got 200 more rentals (\$2.50 fee less 50 cents costs for each rental including hot water, lights, etc.)	\$400
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Reduced Costs

Gives Tom something to do	<u> ?</u>
Total Returns	\$400 plus?

Also consider: It would take 185 rentals to break even.

If we raised our fee 25 cents and if it didn't loose us any business (because we now had the Rec Hall to offer) this would bring in \$300.

If we get into it, that plumbing is going to require \$105 (Interest \$20, Depreciation \$75, Other \$10) or over 50 more rentals a year to break even.