

# RV Parks

## *Industry Snapshot*

*May 2011*



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## Industry Data

The RV park industry was hit hard by the recent recession, seeing revenue decline 4.8% in 2009 from reduced travel and declining RV sales. Yet, demand is expected to increase over the next several years, largely because of the maturing baby boomer population. Over the next 5 years, industry revenue is forecasted to increase at an average annualized rate of 2.3%. Other forecasted performance indicators can be seen in the table below (IBIS World, 2011).

Year	Revenue (\$m)	% Change in Revenue	Establishments	Employment	Average Employee Wage	Revenue Per Employee
2009	4,404	-4.8	12,804	41,865	\$25,788	\$102,970
2010	4,434	0.7	12,676	41,321	\$25,820	\$102,140
2011	4,501	1.5	13,031	42,478	\$25,992	\$102,930
2012	4,587	1.9	13,409	43,498	\$26,013	\$103,220
2013	4,711	2.7	13,543	44,150	\$26,094	\$104,450
2014	4,838	2.7	13,678	44,901	\$26,197	\$105,470
2015	4,974	2.8	13,828	45,710	N/A	N/A

\*Data in the table is for NAICS code 72121, which includes both RV Parks and Campgrounds

## Success Factors

Key success factors for this industry include, (IBISWorld, 2010):

- Climate conditions- RV use is most popular during moderate to warm weather, and many RV parks close during cold winter months. It is ideal to have a park that can be operated year round, therefore owners should take into consideration their geographic location and climate.
- Access to multi-skilled and flexible workforce- Having access to employees with a varied skill set to aid in maintenance, managerial duties, and various other tasks is necessary in this industry.
- Membership to an industry organization- Some businesses find it helpful to be a member of an industry organization or chain to help with promotional efforts. Membership to an organization can also give businesses access to online booking and reservation systems.
- Ability to quickly adopt new technology- RV parks should continue to upgrade to new technology in order to improve their operational efficiency, as well as provide new services to their guests. Having conveniences such as wireless internet is becoming a common place at RV parks.

## Risks and Challenges

Revenues for RV parks are greatly dependent on consumer income and gas prices. RV ownership is considered to be a luxury purchase and with a reduction in discretionary income, consumers will postpone buying RVs. The latest economic recession was very difficult for the RV industry, which saw sales decline by 65% from previous years. Additionally, RVs have poor fuel economy, generally getting six to ten miles to the gallon. With rising

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gasoline prices, RV owners may decide to take fewer or shorter trips. Other challenges facing the industry include (First Research, 2011):

- Restrictions on National Parks Access - Some of the most popular destinations for RV owners are national parks; therefore many RV parks are located close to them. Overcrowding in some national parks during peak seasons has led to proposals to restrict vehicle traffic. Industry associations are currently working with government agencies to continue to allow RVs access to national parks.
- Pressure to Reduce Gas Consumption - Environmental concerns in the U.S. has led many environmental groups as well as the federal government to call for a reduction in the amount of gas consumed by Americans. The U.S. Government's energy policy has set a goal to reduce greenhouse gas emissions 28 percent by 2020. Driving larger vehicles that are not as fuel efficient could become "politically incorrect" among certain segments of the U.S. population.
- Rising Land Prices - The price of land has been increasing in many parts of the U.S., especially close to popular tourist destinations. Higher land prices makes it more challenging to open a new RV park. Additionally, higher property values increase property taxes for RV parks currently in operation. As property becomes more valuable, some park owners may choose to sell their land to developers.

## Opportunities

There are a number of opportunities that businesses can implement to attract more customers (First Research, 2011).

- Increased Amenities - To attract new customers RV parks are now offering more amenities such as wireless internet, landscaping, and 24-hour security. High-end facilities are also including recreational facilities like spas and gyms. At a minimum, customers now expect electricity, water, and sewer hook-ups.
- Recreational Park Trailers - Some RV parks are adding "park models" to their campgrounds, which are similar to a fully equipped cottage. Most park models rent for about \$100 a night, which is typically less than a hotel stay, and can be rented out year round.
- Catering to Pets - Nearly half of all RV users travel with their pets, so RV parks are attempting to accommodate by adding dog runs, dog baths, pet sitting services, and dog watching areas. Many parks also install "potty disposal units".
- Frequent Camper Programs - Some national companies have instituted customer loyalty programs to encourage multiple visits and increase loyalty. Customers can receive discounts on visits or merchandise.

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## Trends

The future of the RV park industry is forecasted to improve over the next five years, so RV park owners should be aware of the following trends in order to stay competitive, (First Research, 2011):

Emergence of Membership Campgrounds - Some RV campgrounds are catering to niche markets and creating destination resorts for members. The membership parks focus on particular activities such as golf, water recreation, or tennis. Members pay an annual fee for free nights at the park or buy access similar to timeshares. They often include a clubhouse or a restaurant.

Favorable Demographics - The baby boomer generation is getting older, and with it comes an increase in the number of people likely to buy RVs and visit RV parks. A recent study found that 25 percent of baby boomers intend to buy an RV in the future.

Increasing Environmental Awareness - The U.S. is becoming more environmentally conscious, and RV owners are trying to minimize their negative impacts on the environment. Recycling is common at many RV parks, and more attention is being focused on the care of waste, garbage, and sewage disposal.

Accommodating Bigger Rigs - The “big rig” segment of RV manufacturing is one of the fastest growing segments, and RV parks have to accommodate for their larger size. Big rigs have “pop out” sections that require wider camping spaces. Additionally, roads may need to be widened as the larger RVs require a wider turning radius.

## Demographics

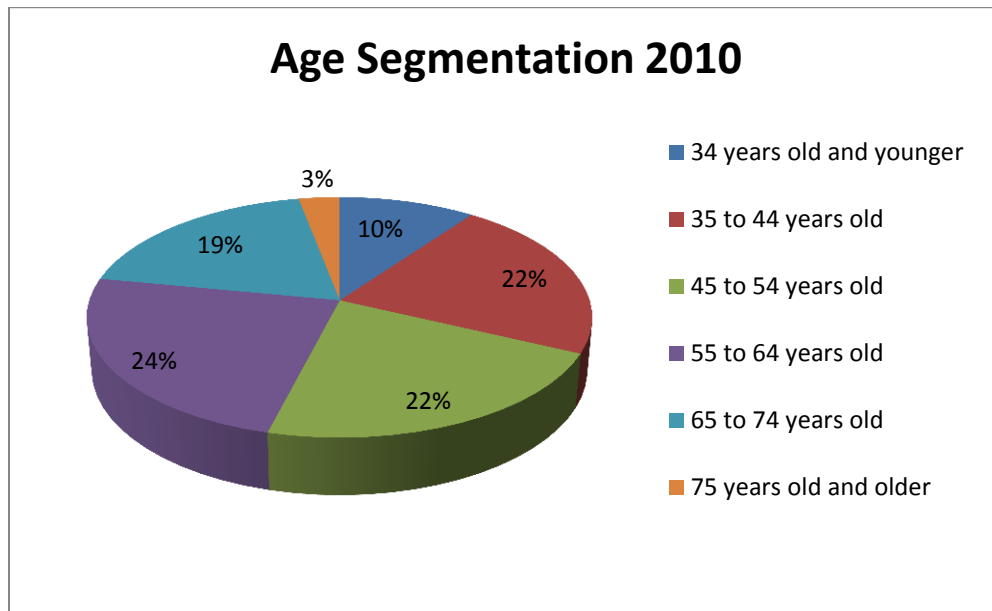
The number of RVs in use is on the rise in the United States, with 8% of all vehicle-owning households owning an RV. This equates to approximately 9 million RVs on the road, which the Recreation Vehicle Industry Association expects to grow to 10.4 million in the next ten years. This large increase in ownership is largely contributed to the maturing baby boomer population.

Ten percent of RV owners use the vehicle as their primary residence, while the other 90% maintain a fixed residence. Camping is the most common activity for using an RV, involving 56% of user activity (Powers, 2010).

The vast majority of RV ownership is by married couples at 84%, making it the most prevalent demographic for the industry (Powers, 2010). Age segmentation of those that use RV parks can be seen in the chart below (IBIS, 2010).

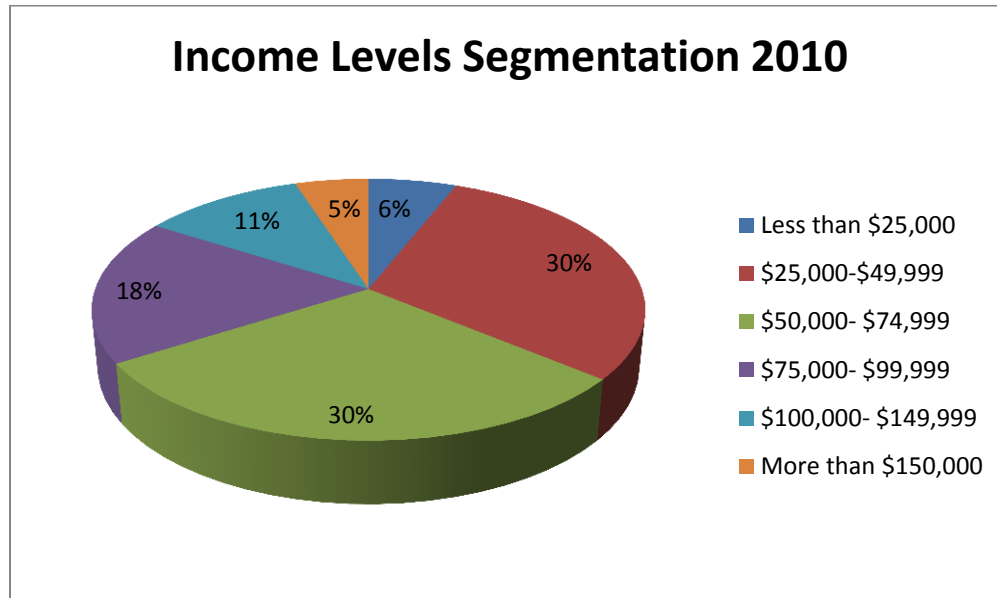
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\*Graph above is represents customers of both RV parks and campgrounds

Additionally, those with income levels between \$25,000 and \$75,000 per year are the most likely to use RV parks, with average consumer income at \$69,000. Households that make more than \$150,000 per year are the least likely to use RVs parks, constituting 5% of total customers (IBIS, 2010).



\*Graph above is represents customers of both RV parks and campgrounds

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## Financial Information

Profit margins for this industry are relatively high; however they are very sensitive to demand. Fixed cost such as employee wages and maintenance are the same, even when there are few customers staying at the park. Additionally, it is difficult to pass along increases in utilities costs (energy, water, and sewage disposal) to customers due to the competitive nature of the industry.

Industry Cost Structure	
Rent	3.7%
Utilities	5.2%
Depreciation	2.5%
Purchases	5.2%
Wages	22.9%
Other*	30.5%
Profit	30.0%

\*Other cost include maintenance and repairs, insurance, and advertising.

\*\* The table above is represents customers of both RV parks and campgrounds

## Resources

1. Powers Tomasso, Linda, "A Study of Sustainability at RV Parks," *Harvard University Extension School*, December 13, 2010. [http://www.eplerwood.com/beta/images//Tomasso%20Grad%20Project\\_RV%20park%20sustainability\\_2010\\_XII.pdf](http://www.eplerwood.com/beta/images//Tomasso%20Grad%20Project_RV%20park%20sustainability_2010_XII.pdf)
2. First Research, Inc. 2007, "Recreational Vehicle Parks." Austin, TX: First Research. February 14, 2011. <http://www.firstresearch.com>.
3. IBISWorld Pty Ltd., "RV Parks and Campgrounds." New York: IBISWorld. June 2010. <http://www.ibisworld.com>.

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