

COLORADO CAMPGROUND & LODGING OWNERS ASSOCIATION

Annual Fall Convention October 26-29, 2005
Holiday Inn Express - Montrose, Colorado

The Cost of Doing Business - Moderator, Joe Amorelli

(Introduction: Much of the following information is found in the book titled *CAMPGROUND MANAGEMENT - How To Establish and Operate Your Campground* by Rollin B. Cooper)

I) Four practical approaches to determine your rates:

- 1) Market - what others charge
- 2) Demand - what your guest wants
- 3) Costs - what you pay
- 4) Combination of the above - the best approach

II) How to compute cost based rates - Divide your business into two parts: daily/weekly rentals called "short term business" and monthly/seasonal rentals called "long term business"

1) **Short term business - EXPENSES:** Using your last year's profit and loss income statement, add up and write down your estimated total operating expenses for the coming year, including your cost of goods sold. Enter your estimated total operating expenses for the coming year here

- | | |
|--|----------|
| | \$ _____ |
| a) Do not include depreciation, non-reoccurring or extraordinary expenses subtract | \$ _____ |
| b) Add to your total expenses: debt service payments (principal & interest) | \$ _____ |
| owners income | \$ _____ |
| c) This will give you your Adjusted Operating Expenses | \$ _____ |

2) **Income, other than short term business:** write down all other income such as from store, laundry, seasonal rentals, etc.

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|---|----------|
| a) Do not include non-reoccurring or extraordinary income (ie; one time club event/reunion) | \$ _____ |
| b) This is your total NON short term business income. | \$ _____ |

3) **"Overhead nut"** Subtract item #2 b from #1 c. This represents how much money you need to bring in from short term business to pay your operating costs, including owner income.
\$ _____

4) **Site or cabin nights, short term:** determine your total number of nights rented to estimate your projected years count. Enter that projected number here # _____

- | | |
|---|---------|
| a) do not include nights from long term business (subtract) | # _____ |
| b) this becomes your adjusted short term count | # _____ |

5) **Nightly rate to break even:** Divide your "overhead nut" (#3) by your adjusted site/cabin night (4b). This will be the rate you need to charge just to break even. This rate should be what you NET after giving any discounts such as AARP, GoodSam, etc. Avg. nightly rate \$ _____ (Ideally, you would keep track of discounts given by charging them to a separate bookkeeping account. You will then see what this marketing expense amounts to. If you include it in with your operating expenses, then the rate you compute will be before you subtract discounts.)

6) **Profit:** Would you like to make a profit over and above what you take out of the business? If so, write that amount here \$ _____

7) **Profitable Rate:** Divide #6 by #4 b. This is the average nightly PROFITABLE rate you need to charge per night if you want to pay your expenses and earn this profit. Remember, this should be what you net after giving any discounts. Write that number here \$ _____

8) **To determine nightly rate:** add #5 to #7 Write that number here \$ _____

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