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# Managing Small Resorts for Profit

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**MANAGING SMALL RESORTS FOR PROFIT**

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## INTRODUCTION

Resorts have been an important part of Minnesota's tourism industry since around the turn of the century. There have always been peaks and valleys in the number of resorts and their profitability. There have been great changes in resort products, markets, and the competitive environment in which small resorts operate, as well as vast changes in society generally. As we move through the 1980s, these changes are occurring at an accelerated pace. Operating a small resort profitably has become more difficult and complex.

Increasingly, the successful resort manager is the one who has good marketing and financial management skills. The purpose of this manual is to help managers sharpen those skills. Because the individuals who manage resorts come from all walks of life, their expertise is as diverse as they are. Some have years of training and successful experience marketing and managing resorts as well as more complex enterprises. Others, many of whom are new to the resort business, are well equipped to handle some aspects of running a resort but lack the training or experience to avoid serious mistakes in other areas. Accordingly, this manual will be more appropriate for some managers than for others. It is written for that majority of small resorters who fall between the extremes of highly skilled "professional manager" and total novice.

Much of the material in this publication was developed and tested in workshops conducted by the Agricultural Extension Service during the past 20 years. The authors extend their thanks to all the resorters who contributed ideas and feedback. The authors welcome comments that might improve future editions of this manual, which will cover other aspects of resort management such as physical site development. The three-ring binder format permits you to file additional ideas and information.

The eight articles in this edition of the manual center around marketing and financial management. The first, "Marketing Planning for Small Resorts," presents a marketing planning process tailored specifically to the needs and capabilities of small resorts. It includes several worksheets and many results from research conducted at small resorts.

Each of the next four articles covers a specific aspect of resort marketing. "Planning Tourism Brochures" provides guidelines and tips on developing resort brochures with maximum sales appeal. "Advertising That Sells" outlines the keys to developing effective resort advertising. The art and science of positioning your resort are presented in "Develop a Positioning Strategy for Effective Marketing." The nuts and bolts of packaging your resort are given in "Package Tours and Resorts." Together, these four articles will be valuable in developing and implementing your resort marketing program.

The next two articles focus on financial management. "Financial Management and Analysis" presents ways of organizing financial records in a simple but useful way, along with techniques of financial analysis that will help you make management decisions. A tried and true technique for cottage rental pricing, a key element in both marketing and financial management, is presented in "Pricing Strategies for Small Resorts."

The final article, "So You Want to Run a Resort," is designed especially for those who are considering the first-time purchase of a small resort. Included are guidelines for locating a resort, establishing goals; evaluating the physical plant, type, and scale of resort; and marketing and financial performance requirements.

The appendix includes reprints of articles that are referred to throughout the manual.

**MARKETING**

**FINANCIAL MANAGEMENT**

**GROUPS MANAGEMENT**

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## **MARKETING**

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## MARKETING PLANNING FOR SMALL RESORTS

Gary Ballman\*

### Introduction

This article focuses on developing an effective marketing program. It recognizes that marketing program options for small resorts are much more limited than they are for larger ones. So marketing investments by small resorts must work harder by working smarter. Good marketing planning is a key to working smarter.

The approach to marketing planning taken here is grounded in the marketing concept itself as generally applied by service marketers today. Marketing can be defined simply as human activity directed at satisfying customer needs and wants through exchange activity. This definition suggests that the main task of a resort owner is to determine the needs and wants of a target market and then gear the entire resort operation to satisfying those needs and wants better than the competition and at a price that produces a profit for the resort.

Many approaches have been taken to marketing planning. Each person probably has a somewhat different approach, and there is no one right way to do it. But most marketers agree that there are five essential parts to the marketing planning process that are common to almost every successful approach. These five parts are discussed below. Although presented here in a sequence, they all are occurring to some extent all the time.

Doing a situation analysis is the starting point. What you do is take an honest look at the major features of the situation facing your resort, including an assessment of your products and services, markets, competition, strengths, weaknesses, problems, opportunities, and so on.

Selecting target markets involves describing your existing and potential markets, identifying market segments within this total market, evaluating each segment as a potential target, and then selecting one or more segments to focus on in developing and promoting your resort products and services.

Setting marketing objectives means developing concise statements about what you expect your marketing program to accomplish. Developing meaningful marketing objectives that are useful in guiding and focusing a marketing program requires careful thought and some work. But you'll find that the effort will be well worth it.

Determining a marketing mix is the strategy phase of your marketing plan. It entails formulating a workable marketing strategy that reflects the results

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of analyzing your situation, selecting target markets, and setting marketing objectives. Marketers of manufactured goods usually see the marketing mix as having four parts (the four P's): product, promotion, price, and place.

Because of the many differences between manufactured goods and services, the four P approach does not accurately reflect the reality of marketing services like resort vacations. For this reason, marketers are developing new ways to conceptualize marketing mix strategies for services. The one used here was developed specifically for hospitality firms.<sup>1/</sup> It involves three major submixes:

1. The product/service mix: the combination of products and services that you make available to satisfy the vacation needs of your target market.
2. The presentation mix: all those elements under your direction that are used to increase the tangibility of the product/service mix in the eyes of the target market at the right place at the right time.
3. The communication mix: all communications of any kind between your resort and the target market that increase the tangibility of the product/service mix, set or monitor consumer expectations, or persuade consumers to purchase.

The primary task in determining your marketing mix is shaping these three submixes into a coordinated marketing program that effectively meets your marketing objectives.

Designing a marketing program evaluation mechanism is the last step in the marketing planning process. It is extremely important that evaluation be considered a central part of planning because good evaluations that can measure the results of a marketing program usually require that you keep records as you plan and implement the program. Thinking about evaluation after implementing a marketing program increases the likelihood that you won't be able to determine how well it worked or why.

The five parts that follow include worksheets or exercises that will help you apply the marketing planning process to your resort. A form set up for assembling your own written marketing plan is provided at the end of this article. Complete it as you proceed through the following five parts. The result will be an individualized written marketing plan that can serve as a valuable tool in managing your resort. Generally speaking, the more time and effort you put into developing it, the more useful it will be.

### Doing a Situation Analysis

Marketing planning starts with a situation analysis, an honest assessment of the major features of the situation facing your resort. This assessment attempts to answer key questions about your resort operation and the direction you would

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<sup>1/</sup>This marketing mix strategy is taken from "The New Marketing Mix: Marketing Strategy Development for the Hospitality Industry" by Leo M. Renaghan. In The Practice of Hospitality Management, edited by A. Pizam, R. C. Lewis, and P. Manning, AVI Publishing Co., Inc., Westport, Conn. 1981.

like to take it. Conducting a useful situation analysis takes time and effort, but the payoff can be great. To establish marketing objectives, strategies, and actions, you will have to do some market and industry research, some analysis of your own records, some pipe dreaming, and some rethinking of things you already have thought through.

Here are 10 key questions you probably should address in your situation analysis:

1. Are your personal/lifestyle objectives in tune with your business objectives?
2. Who are you selling to; what's your market?
3. What are you selling?
4. What is unique about your resort product/service mix?
5. What is your market position?
6. Who/what is your competition?
7. What are your major strengths and weaknesses?
8. What are your major problems and opportunities?
9. What promotional methods have you used, and how well have they worked?
10. What roles do your local, regional, or state tourism promotion organizations play in your marketing strategy?

Your answers to these questions will form the basis of the rest of your marketing planning process. You'll find that your answers will evolve and be refined as you proceed with planning, implementing, and evaluating your marketing program.

Each of these 10 questions is discussed below. Worksheets are provided to assist you in answering them. After working through these worksheets and doing any additional analysis you think is important, summarize in writing the major features of your situation in the situation analysis section of the marketing plan outline at the end of this article.

### **Are Your Personal/Lifestyle Objectives in Tune With Your Business Objectives?**

Most resort owners say they are in the business because they enjoy it. They like the woods, the water, the customers, raising the kids away from large urban areas, being their own bosses, having a family-run business, having a seasonal business that allows them to do other things in the off season, etc. In short, they like the lifestyle, even though most will admit that the lifestyle turned out to be different from what they envisioned before buying their resort. Because of the great importance lifestyle plays as motivation for being in the resort business and because of the potential conflict between business and lifestyle objectives, it is important that you reassess this issue periodically.

To be successful over the long run, a resorter's lifestyle and business objectives must be compatible. Pursuing one to the exclusion of the other usually does not lead to success. For example, the resorter who dislikes the lifestyle probably will not be a good host even if he has a well-conceived business plan. Quality hospitality is so central to a good resort product that all the clever marketing and in-depth business planning and management in the world may not be able to overcome customer dissatisfaction resulting from the negative impressions such a resorter is likely to give to customers.

On the other side of the coin is the resorter who likes the lifestyle so much that he fishes all day, becomes oblivious to the piles of trash around the

resort, and ignores the needs of his guests. It's unlikely that such an operator would do much marketing, but even if he did it probably would be largely wasted because his preoccupation with his own enjoyment of the resort would prevent him from delivering a quality product.

The three key points concerning lifestyle and business objectives as they relate to marketing planning are these:

1. We all have a mix of both kinds of objectives and each of us has to do our own soul searching to arrive at a reasonable balance between them.
2. If you don't like the resort lifestyle, this fact probably will manifest itself in customer dissatisfaction, which will cancel gains that you otherwise could have made from marketing planning. In other words, marketing planning works best if you like running a resort.
3. If your lifestyle objectives usually conflict with and override your business objectives, marketing planning as addressed in this manual probably is a waste of your time. In other words, you've got to be fairly serious about running your resort as a profit-making enterprise and be willing to place customer needs above your own much of the time to gain much from marketing planning.

Answering the following questions may help in assessing what your current mix of lifestyle and business objectives is, and how that mix affects your resort operation.

1. What are the three things you like best about running a resort?
  1. \_\_\_\_\_
  2. \_\_\_\_\_
  3. \_\_\_\_\_
2. What are the three things you like least about running a resort?
  1. \_\_\_\_\_
  2. \_\_\_\_\_
  3. \_\_\_\_\_
3. To what extent do the six things you listed above add to or detract from your resort being a financially successful enterprise that provides the kind of lifestyle you want?

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## Who Are You Selling to; What's Your Market?

It goes without saying that knowing as much as possible about your customers and their needs is fundamental to effective marketing. Not only does this make it easier for you to satisfy your existing customers and attract them back, but it also makes it easier to identify and communicate with potential new customers who are similar to your existing ones. Such people probably are your prime new prospects. Thorough customer knowledge also can help you detect and understand changes in your customer mix throughout the season and from year to year. This in turn can lead to identifying new market segments that might represent growth areas.

Most resorters know a great deal about their markets but they don't have such information organized in a systematic way. Simply organizing systematically what you already know should lead you to a much better understanding of your customers and their needs, should help you identify which information is useful and which is irrelevant, should help point out areas where you need additional information to maintain a more effective marketing program, and should make market analysis, particularly target market segmentation, and marketing program evaluation much easier to do. Here are some examples of the kind of customer information most every resorter has:

1. Geographic location
2. Party type (young families, older couples, fishing group, etc.)
3. Dates and length of stay
4. Amount spent at the resort
5. Whether first-timers or repeaters
6. Number in party
7. Activities party members engage in
8. How they found out about your resort
9. Why they chose your resort (what your dominant appeal to them was)
10. Who in the party made the decision to stay at your resort
11. Which activities and sites in the area they have taken in

Additional information gleaned from such sources as guest registration cards, other records, conversations with guests, and close observation of guest activities also can be useful in guest analysis. Worksheet 1 is designed to help you organize this information so you can make a meaningful analysis. Using this type of worksheet and a calculator, you can quickly find out such things as which markets produce the most revenue, how first-timers differ from repeat guests, and which party types or activities are increasing or decreasing. Taking five minutes to complete this worksheet immediately after each party checks out is an easy way to record and organize some of the valuable information you have about your customers.

Some resorts use customer surveys, either the mailed type or customer comment cards left in the room. Such surveys can provide much valuable information, but you need to be cautious about using them. A lot depends on what questions you ask and how they are worded, so try to get someone experienced in conducting surveys to help you write yours. Secondly, be aware that those most likely to complete customer survey cards left in rooms are people who are either very upset or very delighted with their stay, so you won't get information from the vast majority of your guests.

Market research conducted on a sample of 1,395 parties staying at 25 resorts in northeastern Minnesota during the summer of 1980 provides some insight into that region's resort markets. These data are illustrative of the



kind of insight to be gained from a systematic look at the information most resorters have or could obtain.<sup>2/</sup>

The geographic origin of guests was:

<u>State</u>	<u>Percent</u>
Minnesota	49.1
Illinois	20.7
Indiana	6.0
Iowa	5.5
Wisconsin	4.8
Missouri	1.2
Ohio	1.0
Others	11.7

- \* Secondary market states (Indiana, Iowa, and Wisconsin) had higher proportions of first-time visitors than did primary market states (Minnesota and Illinois).
- \* About 85 percent of the guests were repeat visitors to northeastern Minnesota.
- \* Nearly two-thirds of the resort parties had household incomes over \$25,000 (1980 dollars).
- \* Nearly half of the party leaders (whoever registered) had professional/technical or managerial/administrative occupations.
- \* Almost three-fourths of the party leaders had education beyond high school.
- \* Approximately 80 percent of the parties consisted of members of the same family; 33 percent contained unrelated friends.
- \* Average party size was 4.9 people.
- \* Average length of stay in resorts was: American plan, 6.1 nights; housekeeping plan, 7.7 nights; European plan, 5.7 nights.
- \* Average per party lodging expenditure was \$234.00.

These are examples of the kind of data you can summarize on worksheets. Generally speaking, the more systematically you organize such data, the easier it will be to recognize meaningful marketing implications.

### What Are You Selling?

It has been said that the decline of the railroad companies in this country occurred in part because those running the companies didn't realize they were in the transportation business, not the railroad business. By the same token, resorters need to realize that they are in something much broader than renting cabins. They are in the hospitality business, the business of providing benefits that satisfy customer needs, wants, dreams, and expectations. Knowing what you are selling requires that you view it through the eyes of your customers and their total vacation experience.

The resort "product" actually is a mix of products and services that is perceived by customers as a total vacation experience. It has both tangible and

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<sup>2/</sup>Summary of Questionnaire Responses for the 1980 Northeastern Minnesota Vacation Market Study From Guests Registered at 25 BWCA Vicinity Resorts," Agricultural Extension Service, University of Minnesota. Mimeo. Feb. 1981.

intangible aspects. The tangible aspects include the cabin, boat, beach, and other things your customers use, see, and touch at your resort and in the area generally. The intangible aspects of the resort produce/service mix include the services and activities you provide (e.g., fish cleaning, babysitting, airport pick up, guides, maids, quality fishing); the attitude you and your employees have toward your customers and how you treat them; the mood, atmosphere, and feeling your resort projects; and those benefits that satisfy your customers individual and psychological needs (rest, relaxation, enjoying friends and family, enjoying natural beauty, improved self-esteem, etc.).

The tangible aspects of your resort product are easy to describe and evaluate. But the intangible ones are not. They are by definition abstract. Yet such things as the "friendliness" shown to guests, the "personal services" you give them, the "information" about interesting things to see and do in the area, and the peace and quiet and sense of relaxation customers get at your resort are definitely necessary to their having a satisfying vacation. In fact, without such elements, even the highest quality, most elaborate physical plant in the world would not meet their vacation needs. From the point of view of consumers, the ultimate thing they want out of a vacation, the thing that motivates them to purchase a one-week stay at your resort is not just the cabin, the boat, the lodge, or the other tangible features you offer. It is these in combination with their need for such things as relaxation, the peace and quiet of the woods, the excitement of landing a big walleye. It's the bundle of emotional and psychological benefits they expect to get that really sells them on your place.

Insight into this product/service mix from the customer perspective was also given by the northeastern Minnesota resort study. Table 1 reports the percentage of respondents who said they participated in each activity listed and the percentage who said each activity "strongly added" to their vacation. The five most popular activities were fishing, observing nature, taking pictures, socializing with people, and motorboating. Three-fourths or more of all the respondents engaged in these activities at the resort or in the surrounding area. These high participation rates plus the high importance ratings mean that these activities are central to most Minnesota resorting experiences. This fact, along with the heavy participation rates and high importance ratings of many of the other activities brings out an important aspect of the resort product/service mix from the perspective of guests: They buy multiple-experience vacations. They want a lot to do, much of which is done in the area and around the resort. It is almost as if the resort serves as a staging area, a home base, from which the area is experienced. This multiple-experience aspect of the vacationer's use of the area also points out the importance of providing good information about the area for guests.

Many activities have smaller participation rates (visiting interpretive centers, industry tours, golfing, etc.) but still reasonably high importance ratings, which means there are a lot of smaller markets for specialized activities that resorts can cultivate. The diversity of these secondary activities allows a given resort great latitude in developing those activities and markets best suited to an individual resort's unique situation.

Additional insight into the customer view of the product/service mix is provided by vacationer responses to questions about the importance of various reasons for vacationing at a northeastern Minnesota resort. Table 2 reports customer ratings of 20 reasons for taking the vacation on a 1 (not at all important) to 5 (extremely important) scale. The importance of the outdoors, relaxation, and being with family and friends is apparent. These appeals are important to virtually all respondents and can thus be thought of as generic attributes of Minnesota resort vacations. They can be thought of as minimum

Table 1. Percentage of resort guests engaging in vacation activities and saying they strongly added to the vacation

Vacation activity	Engaged in activity	Strongly added to vacation*
	-----percent-----	
Fishing	92	71
Observing nature	87	68
Taking pictures	82	58
Socializing with people	80	42
Motor boating	75	68
Hiking	62	42
Dining for pleasure	59	47
Cooking	58	37
Driving for pleasure	57	44
Reading	56	33
Shopping	55	18
Sunbathing	50	38
Swimming	49	38
Picnicking	45	45
Canoeing	42	59
Visiting historical/cultural museums <u>or sites</u>	38	43
Picking wild berries	27	35
Using a sauna	22	44
Visiting interpretive centers	21	37
Going on industry tours	18	45
Camping at developed campgrounds	16	60
Attending festivals or community events	15	34
Water skiing	15	40
Jogging	13	20
Camping at undeveloped campgrounds	11	57
Going to movies	9	9
Golfing	9	23
Hunting	8	50
Playing tennis	8	28
Seeing live entertainment	8	18
Driving off-road vehicles	8	36
Sailing	7	34
Horseback riding	6	35
Bicycling	5	17

\* Percentage based on the number participating in each activity.

Table 2. The importance to guests of various reasons for vacationing at northeastern Minnesota resorts

Reason for this vacation	Importance*					Average
	percent					
Enjoy the scenery	2	2	11	35	50	4.3
Spend time with family or close friends	6	1	8	37	48	4.2
Get away from pressures at work or home	4	3	12	34	47	4.2
Be where it is peaceful and quiet	3	3	13	31	51	4.2
Be close to nature	5	4	17	32	41	4.0
Be in the wilderness	5	6	15	31	43	4.0
Catch fish	8	5	14	27	45	3.9
Go to a place I'd been before and liked	14	5	13	31	38	3.7
Bring to mind pleasant memories	12	8	20	26	33	3.6
Engage in <u>active</u> outdoor recreation	13	8	21	28	30	3.5
Get some physical rest	16	10	22	26	26	3.3
Spend some time alone	28	13	20	21	18	2.9
Get some exercise	24	15	30	20	11	2.8
Go places I'd never been before	33	10	22	19	16	2.7
Develop my outdoor skills and abilities	31	17	25	16	11	2.6
Be where there are lots of different things to do	37	22	22	12	7	2.2
Have educational experiences	42	20	19	13	6	2.2
Make new friends	44	22	23	7	5	2.1
Go to places that are well known	70	13	9	4	4	1.6
Go some place most of my friends have been	78	10	8	2	2	1.4

\* Averages based on following values: not at all important = 1, slightly important = 2, somewhat important = 3, very important = 4, extremely important = 5.

requirements for a quality resort vacation experience.

Beyond these generic appeals are several items that had low overall ratings but were very important to a segment of customers and therefore indicate some opportunities for developing unique product/service mixes for specific markets. For example, even though the motivation to "get some exercise" received a mediocre overall rating in comparison with the top item (average of 2.8), almost one-third of the respondents (31 percent) said it was at least very important. A third of the resort market is certainly large enough to justify developing a specific product/service mix and overall marketing mix in which exercise is emphasized. The parallel findings on activities suggest the same kind of opportunities. More about cultivating special markets appears in the section on selecting special target markets.

Before going on with your situation analysis, take time to write out a list of the tangible aspects and a list of the intangible aspects of your product/service mix. Try to put yourself in your customer's place and ask what you might get from spending a vacation at your resort.

### **What Is Unique About Your Product/Service Mix?**

After thinking carefully about what all is included in your product/service mix, ask yourself if there is anything unique or special about your resort's product/service mix. What sets it apart from other small resorts? Is it the log lodge, the high quality fishing, the good service, the number or kind of activities you offer, or what? Review each tangible and intangible item you listed as to its uniqueness compared to the offering of similar small resorts. Be honest. If you haven't identified some features that do, or could, set your resort apart from others, think about what you could do to make your resort special.

### **What Is Your Position?**

One of the most important marketing related issues to consider in a situation analysis is your resort's position, that distinctive image it has in the minds of those in your market. Positioning is the art of demonstrating what is unique and special about your resort. It is more than a slogan, however. It is an entire competitive stance. Ideally, those attributes of your resort's product/service mix that you have identified as differentiating you from other similar resorts are part of that image.

Positioning is based on the notion that you can't be all things to all people. Whatever your position is, it should be deliberate. That is, it should be the result of a deliberate decision on your part to make your resort a certain kind of resort for a certain kind of customer. Once you have decided on what your position will be, you should make it a dominant theme that you carry through and reinforce with your entire marketing mix.

The number of positions a resort could have is unlimited. Here are a few examples:

"For the truly serious fisherman"

"Family togetherness"

"For nature lovers only"

"Fisherman's paradise"

"The only resort on the lake"

"Honeymooner's delight"  
"Perfect combination of wilderness and luxury"  
"Gateway to the freedom and challenge of the northwoods"

These phrases are called positioning statements. They attempt to capture the essence of what makes a particular resort different from all others. Other points of difference also could be included in the marketing mix, but they would be subsumed under the dominant point of difference or theme.

According to one hospitality marketer, a good positioning statement needs to have three characteristics.<sup>3/</sup> It should:

1. Create an image.
2. Have emotional appeal.
3. Differentiate your resort from others.

Many resorts do not have clear positions. Does yours? If you do not have a position or have one that is confusing, weak, or inaccurate, try the following exercise to improve your situation. First, write down four brief phrases that reflect four alternative positions you could have:

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_

Now ask yourself if and how each creates an image, has emotional appeal, and differentiates you from other resorts. Then ask yourself how each position is or could be reinforced by your product/service mix and your marketing program.

### Who/What Is Your Competition?

There are several forms of competition for your customers and their dollars. The more you know about your competition and why it's successful, the better are your chances of success.

The most obvious competition is from nearby resorts similar to yours. But the positives resulting from this competition probably far outweigh the negatives. The major negative is that you might lose customers to these resorts. On the plus side, however, are these benefits:

1. Referrals.
2. Critical mass in the area that results in:
  - \* stronger destination area image
  - \* greater market exposure and market power
  - \* a greater variety of facilities for the market to choose from
  - \* greater acceptance and support of tourism from mainstreet businesses, local government, and the community generally
  - \* greater ability for the area to host special events

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<sup>3/</sup> For a more thorough discussion, see R. C. Lewis, "The Positioning Statement For Hotels," Cornell Quarterly, Vol. 22, No. 1, 1981.

3. New ideas, advice, and the comradeship from fellow resorters.
4. Increased motivation to "keep up with the Joneses," which generally results in better quality facilities and services and greater responsiveness to market trends.

What all these pluses add up to is the notion that the resort across the lake or down the road is really an asset, not a liability.

A second type of competition is that which arises from anything else for which people can spend their discretionary dollars. More specifically, it arises from other major destination areas regionally, nationally, and internationally. This is the major competitive force with which resorters need to contend. In many of these areas, resorters have responded to market trends with large-scale investments in development and in sophisticated, aggressive marketing programs that have resulted in new vacation services and products. These developments elsewhere have made it increasingly difficult for Great Lakes States resorts to maintain or expand their businesses. It is because of this strong competition from other destination areas that strong tourism marketing programs are needed from organizations at the state, regional, and local levels.

### What Are Your Major Strengths and Weaknesses?

Identifying the major strengths (those things on which you have a comparative advantage) and weaknesses (those things that threaten your competitive position) of your resort, and identifying your strengths and weaknesses as its manager, is an ongoing process that you must keep in mind throughout all phases of your situation analysis. You can identify major strengths and weaknesses with respect to your product/service mix, physical plant, management capability, natural resource base, and virtually any other aspect of your internal operations (external actions are examined under problems and opportunities).

Here is a simple exercise for identifying and focusing on major strengths and weaknesses. First, write down what you think your three major strengths and weaknesses are:

Strengths	Weaknesses
1. _____ _____	1. _____ _____
2. _____ _____	2. _____ _____
3. _____ _____	3. _____ _____

Now write down some things you can do to preserve each point of strength and correct each weakness.

Actions that could  
preserve strengths

1. \_\_\_\_\_  
\_\_\_\_\_
2. \_\_\_\_\_  
\_\_\_\_\_
3. \_\_\_\_\_  
\_\_\_\_\_

Actions that could  
correct weaknesses

1. \_\_\_\_\_  
\_\_\_\_\_
2. \_\_\_\_\_  
\_\_\_\_\_
3. \_\_\_\_\_  
\_\_\_\_\_

Now ask yourself if the payoff from preserving these strengths and correcting these weaknesses would be worth the effort involved. If it would be, what are your priorities in taking various actions?

Probably the most commonly used indicator of overall resort strength or weakness is occupancy. A thorough look at your occupancy patterns is an essential part of your situation analysis. Knowing how much product was sold and when it was sold is fundamental to many other aspects of the marketing planning process, such as developing marketing strategies, budgeting, setting measurable objectives, calculating potential revenue increases, and evaluating your marketing program.

Worksheets 2 through 14 were designed to assist with a systematic look at your occupancy patterns. Worksheet 2 is set up for recording occupancy on a day-by-day basis for each unit in your resort. The four copies included should be sufficient for recording occupancies for 20 units over a 26-week period.

The remaining 12 occupancy worksheets are of two kinds. Six worksheets are for spring/summer/fall, and six are for winter. Each set has two worksheets for calculating and graphically displaying occupancy on a weekly basis, two for weekends only, and two for midweek only. They are set up so you can define weekend and midweek any way you want. Unless your resort has a full week rental only policy, it is most useful to look at occupancy in all three ways to best pinpoint strengths and weaknesses.

Using the worksheets is easy. As you complete your own, look at the example calculations of the occupancy of a hypothetical 11-cabin housekeeping resort using the weekly occupancy record and graph for spring/summer/fall on worksheets 3 and 4. The occupancy record and graph can be completed in five steps:

1. Starting with the week you opened and ending with the week you closed, record the number of units you had available for rent each week. This is the number of unit-weeks you have available for rent. (The example resort opened the third week in May and closed after the second week in October. All 11 units were open the entire season, so 11 was recorded for each week.) If you opened some units late or closed some of them early, be sure this is reflected in the figure you record in the number of units for rent boxes. Total this row of figures and enter in the total column. This figure is the total number of unit-weeks you have for rent.
2. Next figure out the number of unit-weeks rented during each week you were open. A unit must be rented for all 7 nights of the week to be counted as one complete unit-week. For example, if a unit was rented

for only 6 nights during a week, it would count as 6/7 unit-weeks. Determining the number of unit-weeks is easy if you use the daily occupancy record (worksheet 2). If you have used the worksheet to indicate each night each unit was rented, just count the number of boxes marked each week and divide by 7 to find the number of unit-weeks rented during each week of the season.

During the third week in May, our hypothetical resort had rentals as follows:

<u>Unit number</u>	<u>Number of nights rented</u>
1	0
2	6
3	2
4	3
5	0
6	7
7	3
8	3
9	2
10	2
11	3

This totals 31 nights rented, which equals 4.4 unit-weeks ( $31/7 = 4.4$ ).

Enter the total unit-weeks for all weeks in the total column.

- The third step is to calculate the weekly and seasonal occupancies. To do this, divide the number of unit-weeks rented by the number of units available for rent and multiply by 100. The example resort calculated occupancy during the third week in May as follows:

$$\frac{4.4}{11} \times 100 = 40 \text{ percent.}$$

Calculate occupancy for the entire season using the figures from the total column (in the example,  $158.9/242 \times 100 = 66$  percent).

- The last step in completing the occupancy record is to calculate the week and seasonal number of excess (unrented) unit-weeks. To do this, simply subtract the number of unit-weeks rented from the number of units available during the corresponding period. Enter the numbers in the appropriate boxes. For our hypothetical resort the calculation for the third week in May is:

$$11 - 4.4 = 6.6 \text{ unit-weeks.}$$

- You can now graph the weekly occupancies on worksheet 4. An even better picture of your occupancy pattern can be had by completing the midweek and weekend worksheets.

The big advantage in calculating and graphing your occupancy is that it enables you to see at a glance week by week (as well as weekend by weekend and midweek by midweek) exactly where your peaks and valleys are and exactly how high and low they are. This is much more useful for marketing planning than just knowing that your occupancy is 65 percent for the season. Quantified in this manner, it is also much easier to set measurable objectives and to determine what a reasonable marketing budget should be.

Worksheet No. 2. Daily Occupancy Record for 19\_\_.

Week	Unit Number																																		
	1							2							3							4							5						
	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
1																																			
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Week	Unit Number																																		
	1							2							3							4							5						
	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
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Worksheet No. 2. Daily Occupancy Record for 19\_\_.

Week	Unit Number																																		
	1							2							3							4							5						
	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
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Worksheet No. 3. Weekly Occupancy Record for 19~~83~~<sup>84</sup> Spring/Summer/Fall Seasons.

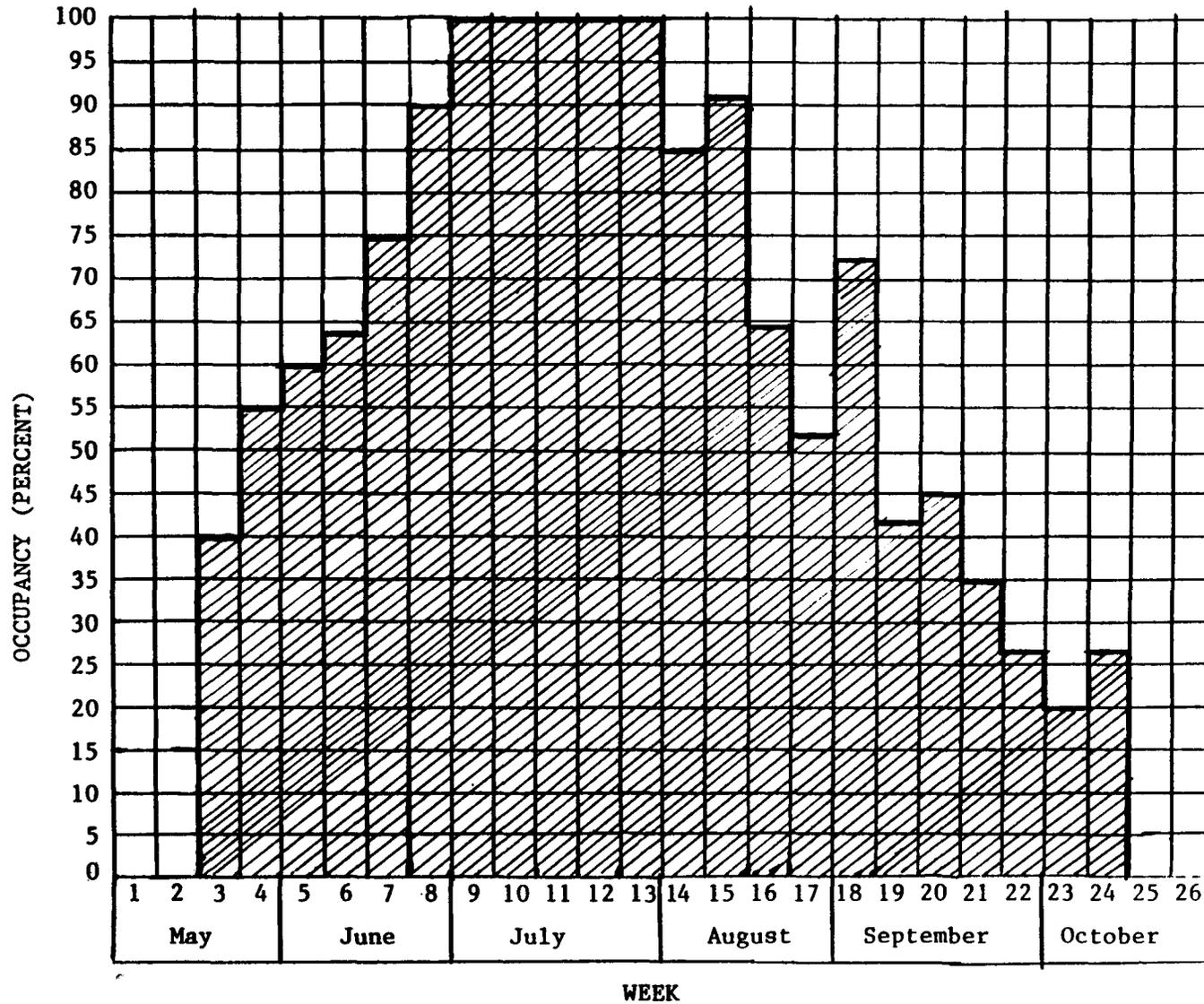
Month	May				June				July				August				September				October				Total		
Week	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	
Number of units for rent	-	-	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	-	-	242
Number of unit-weeks rented <sup>1/</sup>	-	-	4.4	6.1	6.6	7	8.3	9.9	11	11	11	11	11	9.3	10	7	5.7	8	4.6	5	3.9	3	2.1	3	-	-	158.9
Percent occupancy <sup>2/</sup>	-	-	40	55	60	64	75	90	100	100	100	100	100	85	91	64	52	73	42	45	35	27	19	27	-	-	66
Number of excess unit-weeks <sup>3/</sup>	-	-	6.6	4.9	4.4	4	2.7	1.1	0	0	0	0	0	1.7	1	4	5.3	3	6.4	6	7.1	8	8.9	8	-	-	83.1

<sup>1/</sup> A unit-week equals one unit rented for 7 nights. A unit rented for less than 7 nights would be a partial unit-week. For example, a unit rented for 3 nights would equal 3/7 unit-weeks.

<sup>2/</sup> Percent occupancy =  $\frac{\text{Number of unit-weeks rented}}{\text{Number of units for rent}} \times 100$ .

<sup>3/</sup> Number of excess unit-weeks = Number of units for rent - Number of unit-weeks rented.

Worksheet No. 4. Weekly Occupancy Graph for 1984 Spring/Summer/Fall Seasons.



Worksheet No. 3. Weekly Occupancy Record for 19\_\_ Spring/Summer/Fall Seasons.

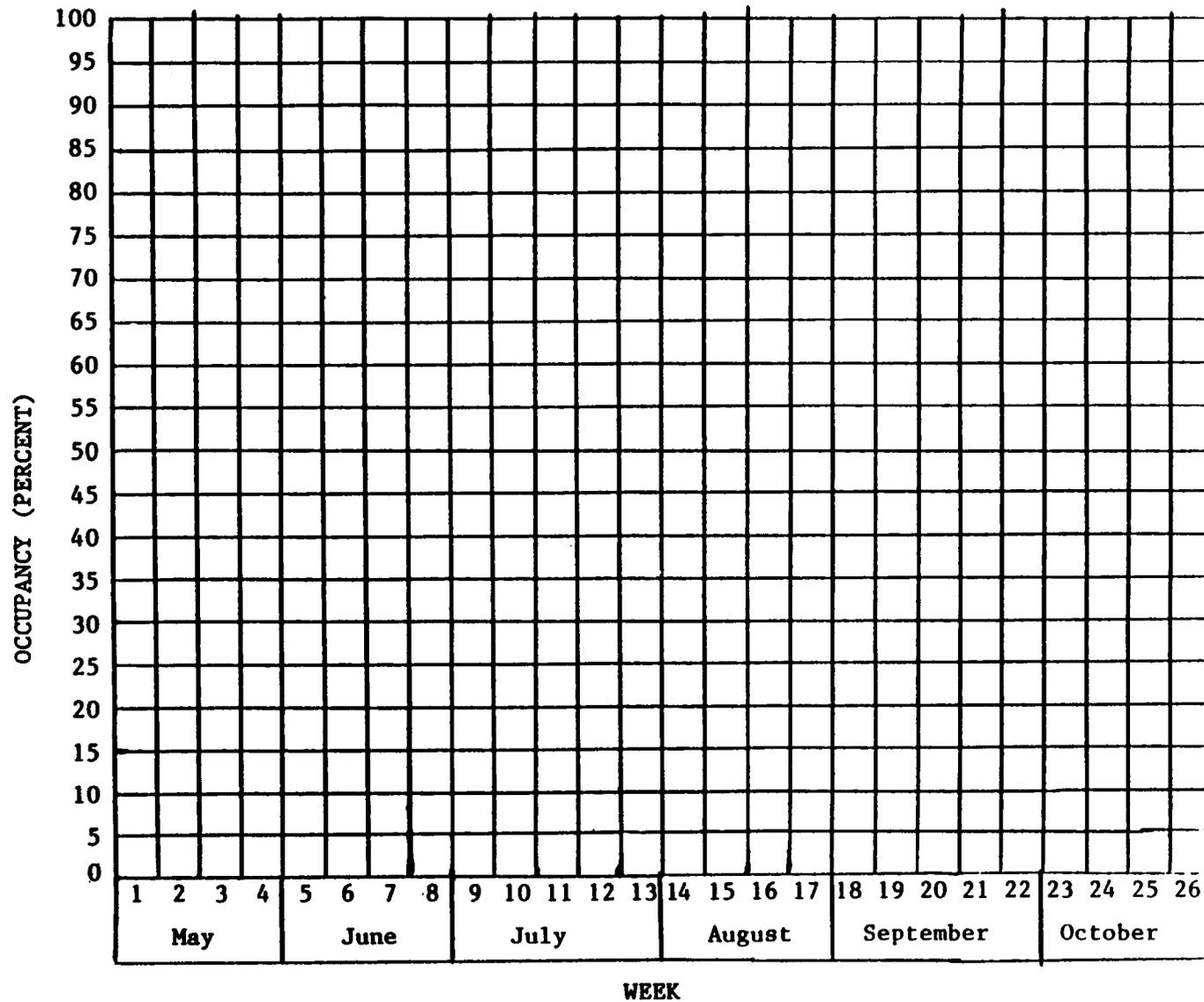
Month	May				June				July					August				September				October			Total	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24		25
Number of units for rent																										
Number of unit-weeks rented <sup>1/</sup>																										
Percent occupancy <sup>2/</sup>																										
Number of excess unit-weeks <sup>3/</sup>																										

<sup>1/</sup> A unit-week equals one unit rented for 7 nights. A unit rented for less than 7 nights would be a partial unit-week. For example, a unit rented for 3 nights would equal 3/7 unit-weeks.

<sup>2/</sup> Percent occupancy =  $\frac{\text{Number of unit-weeks rented}}{\text{Number of units for rent}} \times 100.$

<sup>3/</sup> Number of excess unit-weeks = Number of units for rent - Number of unit-weeks rented.

Worksheet No. 4. Weekly Occupancy Graph for 19\_\_ Spring/Summer/Fall Seasons.



Worksheet No. 5. Weekly Weekend Occupancy Record for 19\_\_ Spring/Summer/Fall Seasons.

Month	May				June				July					August				September				October				Total	
Week	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	
Number of units for rent																											
Number of unit-weekends rented <sup>1/</sup>																											
Percent weekend occupancy <sup>2/</sup>																											
Number of excess unit-weekends <sup>3/</sup>																											

24

- <sup>1/</sup> A unit-weekend equals one unit rented for an entire weekend. For example, if you consider a weekend to be Friday, Saturday & Sunday nights, a unit rented for Friday & Saturday nights would equal 2/3 unit-weekends. If you consider a weekend to be Friday & Saturday nights, that would equal 1 unit-weekend.
- <sup>2/</sup> Percent weekend occupancy =  $\frac{\text{Number of unit-weekends rented}}{\text{Number of units for rent}} \times 100$ .
- <sup>3/</sup> Number of excess unit-weekends = Number of units for rent - number of unit-weekends rented.



Worksheet No. 7. Weekly Midweek Occupancy Record for 19\_\_ Spring/Summer/Fall Seasons.

Month	May				June				July				August				September				October				Totals		
Week	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	
Number of units for rent																											
Number of unit-midweeks rented <sup>1/</sup>																											
Percent midweek occupancy <sup>2/</sup>																											
Number of excess unit-midweeks <sup>3/</sup>																											

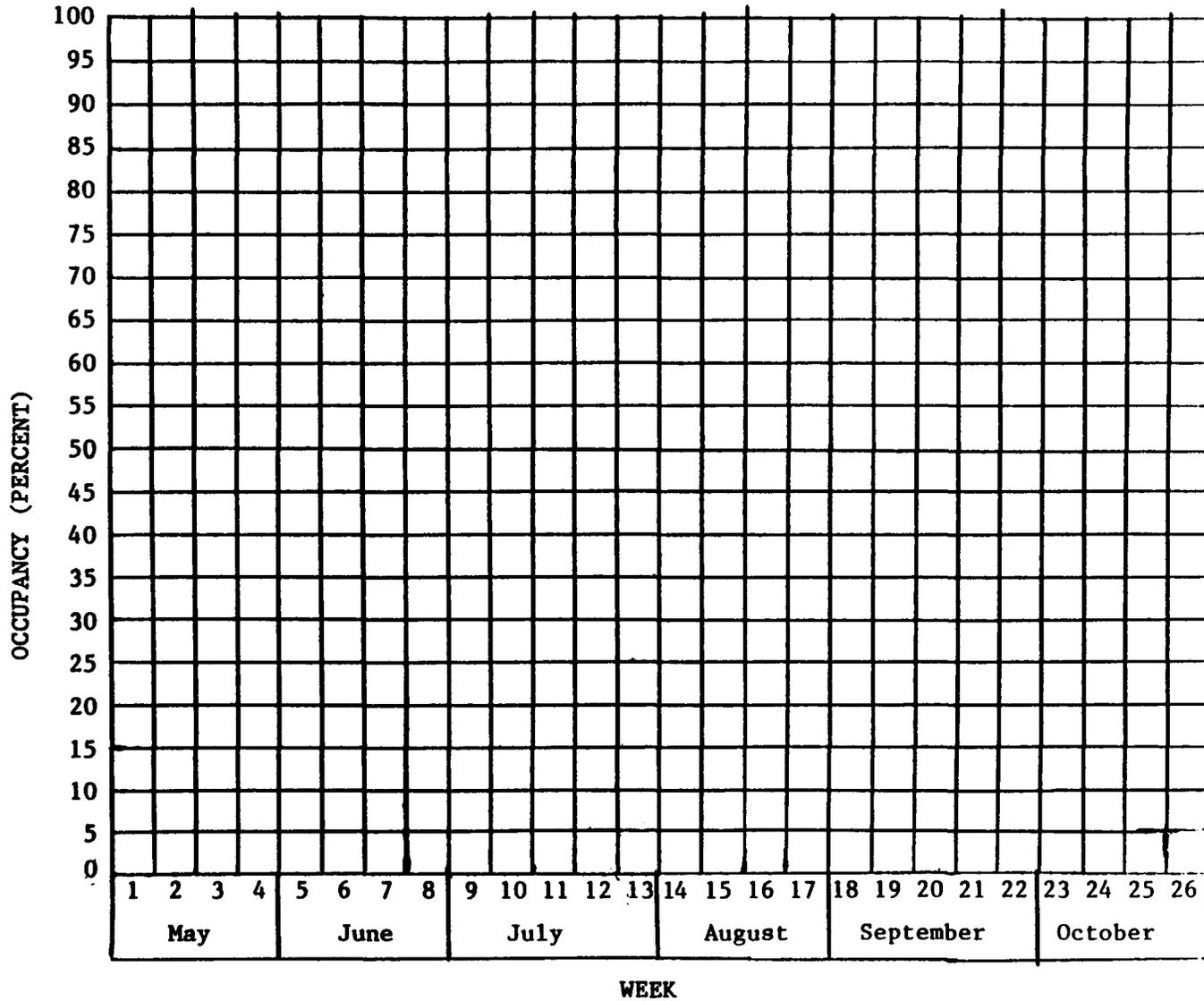
26

<sup>1/</sup> A unit-midweek equals one unit rented for an entire midweek. For instance, if you consider midweek to run from Monday night through Thursday night, a unit rented Monday, Tuesday & Wednesday nights would equal 3/4 unit-midweeks.

<sup>2/</sup> Percent midweek occupancy =  $\frac{\text{Number of unit-midweeks rented}}{\text{Number of units for rent}} \times 100.$

<sup>3/</sup> Number of excess unit-midweeks = Number of units for rent - Number of unit midweeks rented.

Worksheet No. 8. Weekly Midweek Occupancy Graph for 19\_\_ Spring/Summer/Fall Seasons.



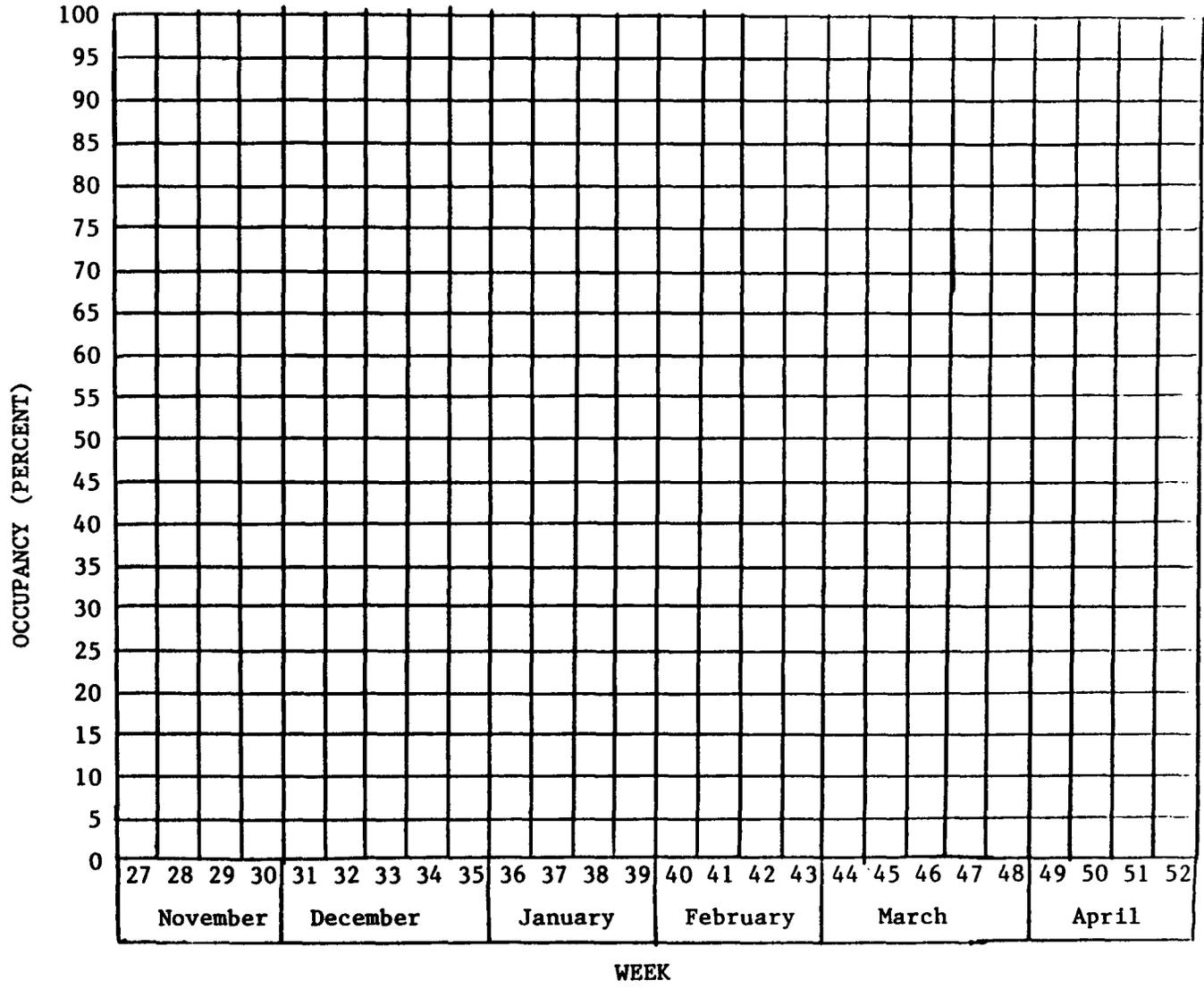
Worksheet No. 9. Weekly Occupancy Record for 19\_\_ - \_\_ Winter Season

Month	November				December					January				February				March				April				Total	
Week	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	
Number of units for rent																											
Number of unit-weeks rented <sup>1/</sup>																											
Percent occupancy <sup>2/</sup>																											
Number of excess unit-weeks <sup>3/</sup>																											

28

- 1/ A unit-week equals one unit rented for 7 nights. A unit rented for less than 7 nights would be a partial unit-week. For example, a unit rented for 3 nights would equal 3/7 unit-weeks.
- 2/ Percent occupancy =  $\frac{\text{Number of unit-weeks rented}}{\text{Number of units for rent}} \times 100$ .
- 3/ Number of excess unit-weeks = Number of units for rent - Number of unit-weeks rented.

Worksheet No.10. Weekly Occupancy Graph for 19\_\_ - \_\_ Winter Season.



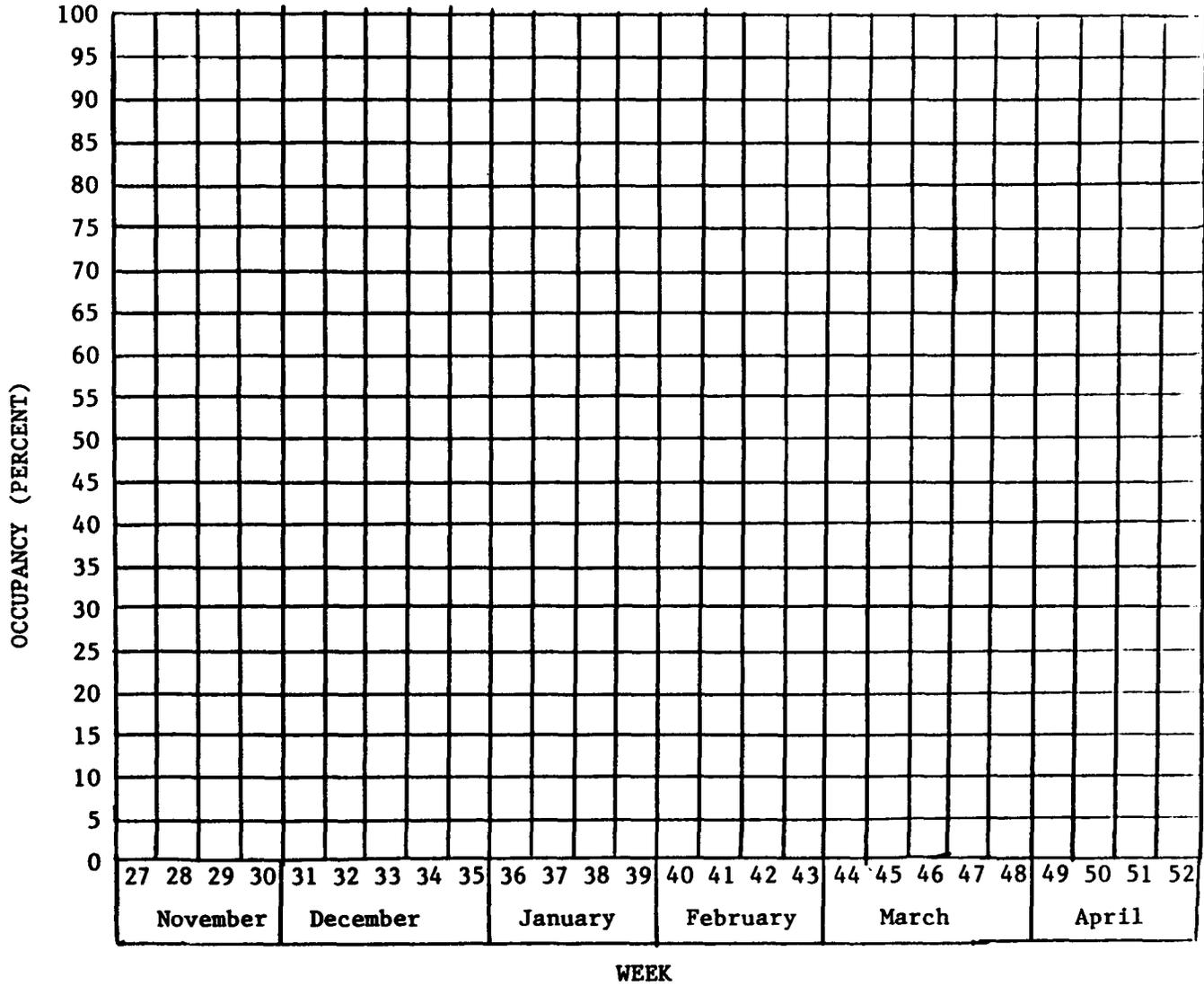
Worksheet No. 11. Weekly Weekend Occupancy Record for 19\_\_ - \_\_ Winter Season.

Month	November				December					January				February				March				April			Totals		
Week	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	
Number of units for rent																											
Number of unit-weekends rented <sup>1/</sup>																											
Percent weekend occupancy <sup>2/</sup>																											
Number of excess unit-weekends <sup>3/</sup>																											

30

- 1/ A unit-weekend equals one unit rented for an entire weekend. For example, if you consider a weekend to be Friday, Saturday & Sunday nights, a unit rented for Friday & Saturday nights would equal 2/3 unit-weekends. If you consider a weekend to be Friday & Saturday nights, that would equal 1 unit-weekend.
- 2/ Percent weekend occupancy =  $\frac{\text{Number of unit-weekends rented}}{\text{Number of units for rent}} \times 100.$
- 3/ Number of excess unit-weekends = Number of units for rent - number of unit-weekends rented.

Worksheet No. 12. Weekly Weekend Occupancy Graph for 19\_\_ - \_\_ Winter Season.



Worksheet No. 13. Weekly Midweek Occupancy Record for 19\_\_ - \_\_ Winter Season.

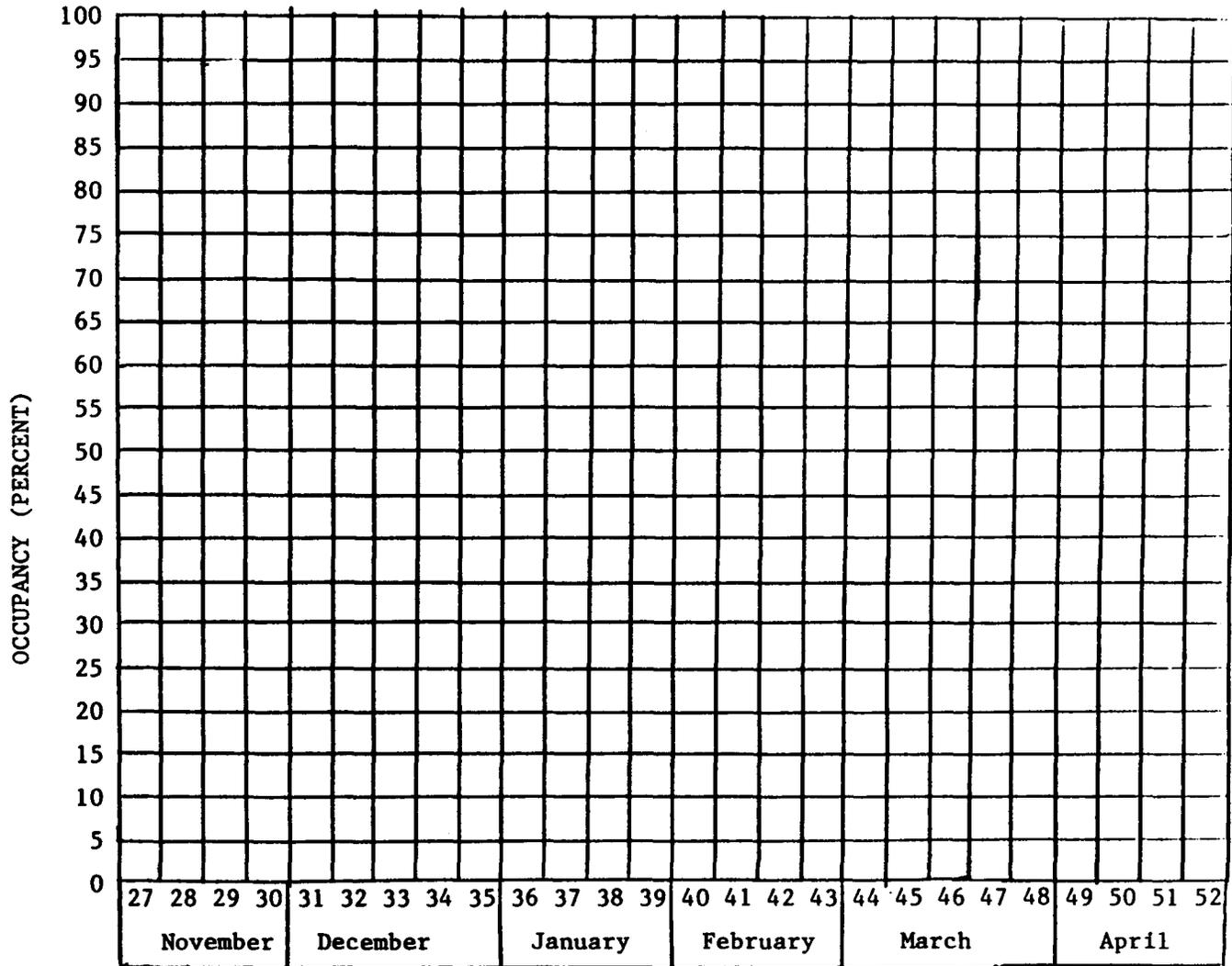
Month	November				December				January					February					March				April			Totals			
	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51		52		
Number of units for rent																													
Number of unit-midweeks rented <sup>1/</sup>																													
Percent midweek occupancy <sup>2/</sup>																													
Number of excess unit-midweeks <sup>3/</sup>																													

1/ A unit-midweek equals one unit rented for an entire midweek. For instance, if you consider midweek to run from Monday night through Thursday night, a unit rented Monday, Tuesday & Wednesday nights would equal 3/4 unit-midweeks.

2/ Percent midweek occupancy =  $\frac{\text{Number of unit-midweeks rented}}{\text{Number of units for rent}} \times 100.$

3/ Number of excess unit-midweeks = Number of units for rent - Number of unit midweeks rented.

Worksheet No.14. Weekly Midweek Occupancy Graph for 19\_\_-\_\_ Winter Season.



WEEK

Completing the occupancy worksheets usually is quite revealing for individual resorts, but a whole new dimension of usefulness is revealed when all the resorts in the same organization, such as a chamber or local resort association, complete them and combine the results. Knowing what the organization membership's collective occupancy patterns look like would prove highly useful in planning an overall marketing program for the organization as well as for planning special events. Having such information also would encourage the development of some "industry standards." Such standards already are available for large hotels.

**What Are Your Major Problems and Opportunities?**

To identify problems and opportunities, you must examine the external environment; i.e., your competition, markets, community, rules and regulations, and societal trends. You have considered many of these external factors throughout your situation analysis. Identify your major problems and opportunities and record them below.

Opportunities	Problems
1. _____ _____	1. _____ _____
2. _____ _____	2. _____ _____
3. _____ _____	3. _____ _____

Now write out what you can do to capitalize on the opportunities and solve the problems.

Opportunities	Problems
1. _____ _____	1. _____ _____
2. _____ _____	2. _____ _____
3. _____ _____	3. _____ _____

Would it be worth the effort involved? If so, what are your priorities in dealing with these opportunities and problems?

## What Methods of Communicating With Your Market Have You Used, and How Well Have They Worked?

There are hundreds of ways of communicating with your markets. Communication techniques usually are classified into four broad categories: personal selling, advertising, sales promotion, and public relations.

Personal selling is defined as a person-to-person promotional presentation by a seller to a potential buyer. Sport shows are a good example.

Advertising is a nonpersonal sales presentation usually directed at a large number of potential customers. Newspaper and lure book ads, direct mail, radio, and billboards are some examples.

Sales promotions are special activities and methods designed to complement and reinforce personal selling and advertising. Brochures, coupons, contests, and special vacation packages are frequently used sales promotions.

Public relations generally refers to those communications and relationships of a resort to its various publics that are not intended specifically to sell. Included in these publics would be customers, community, employees, other resorts, and the general public. Newspaper articles that mention your resort, birthday and Christmas cards you send to guests, and your involvement in community organizations are examples. Public relations probably is the least utilized communication method resorts use. But, as those who have used it know, it can be highly effective at generating business, often producing bookings that otherwise would require several thousands of dollars in paid advertising to generate.

Resorters use methods from all four categories either separately or in combination. Some methods, like brochures, are routinely used as components of all four categories. A well-conceived resort marketing program coordinates techniques from all four categories into a highly focused communications mix in which all parts reinforce each other to produce a synergistic effect.

Inventorying the methods you use is fairly straightforward. Write out a list of all the techniques you now use in each of the four broad categories. Don't worry about getting things in the right category; some techniques go in more than one. Don't forget to list any in-house sales efforts such as asking for next year's reservation or a return visit in the fall before guests check out.

After making a list of all the methods you use, evaluate them using the following four criteria plus any others you think might be useful:

1. Synergistic effect (the extent to which each component reinforces and enhances the others).
2. Extent and frequency of exposure.
3. The mix of short-term elements aimed at prompting immediate consumer action and long-term, enduring elements aimed at maintaining image and awareness in the market.
4. Financial return (each element and the plan in total should return more than they cost).

Based on these criteria, which elements do you want to retain in future promotional efforts, which do you want to drop, and which do you want to keep, perhaps with some modifications? Are there additional elements you want to add?

## **What Roles Do Your Local, Regional, and State Tourism Promotion Organizations Play in Your Marketing Program?**

Local, regional, and state tourism promotion organizations can play important roles in marketing your resort. Because they typically have marketing budgets bigger than most individual resorts, they can engage in different and more intensive marketing methods. Such organizations offer the possibility of market exposure otherwise unavailable. Generally speaking, the more active you are in these organizations, the more your resort business will benefit.

One big marketing function these organizations serve is to shape and reinforce the image of the destination area. This is something an individual resort can't do alone, but it also is something organizations can't do well without the support and cooperation of individual properties. Once a strong, positive destination area image exists, marketing the individual resort becomes much easier. Are the tourism promotion organizations you belong to actively building an area image? How does your resort relate to that image?

Another important marketing function of organizations is to generate prospects. This is most commonly done through media advertising, printing and distributing lure books, and attending sport shows on behalf of members. Although these activities no doubt generate business, there are major unanswered questions regarding how much business they procure, when, and for whom. The long-term survival and success of most tourism promotion organizations depends on their ability to demonstrate to members that they do generate business. Doing this, however, requires the cooperation of members. Do you know how much business the promotional organizations you belong to generate for you? Do they have systems in place for measuring their performance? If not how can you help put these systems in place?

### **Summary**

Doing a situation analysis is the first step in marketing planning. In it you examine and analyze several aspects of your operation to bring into focus the major features of the situation you face. Ten areas recommended for review are:

1. personal and business objectives
2. markets
3. product/service mix
4. unique features of your product/service mix
5. position
6. competition
7. strengths and weaknesses (internal look)
8. problems and opportunities (external look)
9. promotional methods used
10. role of promotional organizations

Before proceeding to marketing planning, briefly summarize the relevant major points from your situation analysis in the marketing plan outline at the end of this article.

## Selecting Target Markets

After doing a thorough situation analysis, the second step in marketing planning is to select target markets. The total market for resort vacations is made up of all the people in the world who have the actual or potential need or desire for them, as well as the ability, willingness, and authority to purchase them. The total market for resort vacations is too broad, diverse, and dispersed for any given resort to satisfy, of course, so a target marketing strategy based on market segmentation is the most effective approach.

Market segmentation is the process of dividing the market into meaningful subgroups (segments) of individuals who share some common characteristics. Such characteristics can be virtually anything: geographic location, activities, preferences, interests, motivations, family life cycle, etc. To be useful, however, segmentation needs to be done in such a way that there is value in designing a specific marketing mix for the segments selected.

The process of target marketing requires the following three steps:

1. Identifying and describing the different segments that make up the total market.
2. Evaluating the segments and choosing one or more to focus on.
3. Developing and implementing a marketing mix designed to satisfy the selected target markets.

### Your Present Customers: Similar to New Customers?

The place to start in identifying and describing target market segments is with an analysis of your present customers. Obviously, your future marketing efforts will include strategies to persuade past and present customers to return. But, since these individuals already have made the decision to purchase your product, it's likely that prime new prospects will have similar characteristics.

Because you have done a situation analysis, you already have many characteristics of your present customers organized in a systematic way. Your task now is to interpret these characteristics in a way that will help you locate and attract more people like them. Start by looking back at worksheet 1. Look at each characteristic, determine what many or most of your customers are like on each feature, and briefly record this information below. You may have to combine similar categories within some characteristics to get a descriptor that includes a large number of your customers.

Primary target markets description: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

If you have changes in your customer mix across the season or if you simultaneously serve more than one market segment, be sure you don't obscure these facts in your description.

Since you have just described the primary market segments you now serve for the purpose of better attracting additional customers like them, it may seem contradictory to evaluate these segments. But applying the standard criteria used to evaluate potential market segments may be useful in further refining your description of them or in deciding whether they or your marketing mix should be modified.

The three criteria usually used to evaluate target market segments are:

1. Size: The size of the segment needs to be large enough to warrant going after it.
2. Identifiability: You must be able to identify it (as you already have).
3. Accessibility: You must be able to communicate with the segment through advertising and other marketing methods.

Think about the primary segments you have just described in light of these three criteria. Do you see any cause for not continuing to pursue them?

### Other Target Markets

Most resorts that are full most of the time have more than one target market. Their customer mix might be, for example, predominately fishing groups in the spring, families from mid-June to mid-August, and young married couples thereafter. Focusing on different target markets for different times of the season can be an effective strategy for reducing slack periods.

Besides resort guest surveys like the one mentioned above, general market surveys can be useful in identifying new target markets and product/service mixes. Tables 3 and 4 report some results from a general market survey conducted with randomly selected households in five major midwestern cities [Chicago, Des Moines, Indianapolis, Kansas City (Missouri), and Springfield (Illinois)] for the purpose of evaluating market potential for vacations to northern Minnesota.<sup>4/</sup>

One of the things these survey respondents were asked was whether any vacations they took within the past three years were planned so that they, or someone with them, could have the opportunity to engage in any of the 12 kinds of recreation listed. Table 3 compares the percentage of recent northern Minnesota vacationers including each activity in their plans with the percentage of other vacationers who included the activities in their plans. Table 4 compares the percentage of likely future northern Minnesota vacationers including

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<sup>4/</sup> Telephone interviews with 750 randomly selected households in Chicago and 250 in each of the other cities were conducted. For details of methodology and results, see: Chicago Markets for BWCA Vacations: A Survey Research Study, 1980, and Midwest Markets for BWCA Vacations: A Survey Research Study, 1981, both prepared for the Agricultural Extension Service, University of Minnesota, by Mid-Continent Surveys, Inc., Minneapolis, Minn. Copies can be obtained by writing to Lawrence R. Simonson, Extension Specialist, Tourist Services, North Central Experiment Station, University of Minnesota, Grand Rapids, Minnesota 55744.

Table 3. Recreation activities of recent northern Minnesota vacationers and other vacationers

Recreation activity	Percentage of recent northern Minnesota vacationers including activity in vacation plans					Percentage of other vacationers including activity in vacation plans				
	Chi.	D.M.	K.C.	Spr.	Ind.	Chi.	D.M.	K.C.	Spr.	Ind.
Fishing	64	77	40	60	69	37	36	42	32	39
Canoeing	34	31	32	31	39	18	16	24	16	16
Motorboating/water-skiing	43	51	20	26	54	38	35	35	34	38
Hiking	58	47	60	46	62	44	36	39	46	38
Hunting	10	20	16	14	15	13	14	15	13	11
Snowmobiling	15	10	8	-	23	12	4	6	7	5
Cross-country skiing	15	9	12	6	15	11	4	6	6	4
Downhill skiing	20	14	16	20	15	15	15	12	12	11
Industry touring	21	22	32	26	39	26	26	26	26	22
Historical site visitation	67	69	68	74	92	75	75	76	76	70
Fall colors viewing	74	67	62	66	54	71	58	66	66	59
Natural area visitation	91	92	88	86	85	85	86	85	85	83
Number of respondents	100	90	25	35	13	650	160	225	215	237

NOTE: Recent vacationers were defined as those who had been in northern Minnesota between 1976 and 1980.

Northern Minnesota was defined as north of Minneapolis and St. Paul.

Table 4. Recreation activities of future likely northern Minnesota vacationers and other vacationers

Recreation activity	Percentage of likely northern Minnesota vacationers including activity in vacation plans					Percentage of other vacationers including activity in vacation plans				
	Chi.	D.M.	K.C.	Spr.	Ind.	Chi.	D.M.	K.C.	Spr.	Ind.
Fishing	58	68	56	53	52	31	34	36	29	36
Canoeing	31	31	36	31	29	14	12	20	16	14
Motorboating/water-skiing	48	52	40	41	47	33	30	31	30	37
Hiking	56	45	52	56	45	40	35	37	42	37
Hunting	19	20	14	23	21	8	13	16	9	9
Snowmobiling	19	10	7	7	8	9	3	6	6	5
Cross-country skiing	13	9	8	11	6	10	3	6	4	4
Downhill skiing	17	19	14	19	8	15	11	12	10	13
Industry touring	30	27	33	24	34	23	22	24	25	19
Historical site visitation	79	69	79	75	82	72	77	73	75	68
Fall colors viewing	80	66	71	71	65	67	56	62	69	58
Natural area visitation	92	93	95	88	85	82	83	82	86	82
Number of respondents	265	122	73	75	62	485	128	177	175	188

NOTE: Future vacationers were defined as those who said they were very likely or somewhat likely to vacation in northern Minnesota within the next couple of years.

Northern Minnesota was defined as north of Minneapolis and St. Paul.

each activity in their plans with the percentage of other vacationers including the activities in their plans. Some of the significant points these results show are:

1. As a general rule, Minnesota selectively attracts "active" vacationers, as evidenced by comparing the two sets of percentages for the first eight vacation activities. Usually a higher percentage of recent and likely future vacationers engaged in these activities than other vacationers.
2. Nearly half or more of the respondents in each city included fishing or hiking in vacations taken in the past three years.
3. Kansas City represents an underexploited fishing market because it has the highest population of fishing households among "other" vacationers (42 percent) yet the lowest proportion of recent northern Minnesota vacationers who included fishing in their vacation plans (40 percent). Fishing promotions should, therefore, be targeted to Kansas City.
4. Historical site visitation, fall color viewing, and natural area visitation tended to be the most popular activities among all vacationers.
5. When the activities of recent northern Minnesota vacationers are compared with those of future likely vacationers, three major trends become apparent:
  - \* With the exception of motorboating/waterskiing, participation in the "active" outdoor activities generally declines.
  - \* Decline in fishing participation is substantial in all except the Kansas City market, where it increases substantially.
  - \* Participation in the big three activities (historical site visitation, fall color viewing, and natural area visitation) increases even more.

Take the time to compare your clientele with these general market trends.

A technique for identifying target markets that is becoming more common is to build them around affinity groups. Affinity groups are simply people who share some common interest or activity. They may or may not be formally organized. Fishermen represent an affinity group. So do hikers, bikers, boaters, bowlers, photographers, history buffs, railroad hobbyists, snowmobilers, members of the American Legion, amateur musicians, and on and on.

Affinity groups make good target markets, especially for special promotions because, by definition, members of the affinity group have some common identifiable interests that make it easier to formulate an appeal to them. They also may be commonly accessible through specialized publications, formal organizations, specialized mailing lists, and selected retail outlets. Examples of affinity groups Minnesota resorts have targeted include: snowmobilers, cross country skiers, members of environmental groups, outdoor sports enthusiasts, corporate meeting planners, members of health clubs, amateur photographers, veterans, and high school and college students. The Encyclopedia of Associations, published by Gale Research, Detroit, lists and describes more than 15,000 formally organized groups. They are indexed by type of group and geographic location. This book is available in most large libraries.

Refer back to your situation analysis and to the market research reported there and above. Think about the various aspects of your present product/service mix and markets and ask yourself what affinity groups might represent good target markets. Remember that the whole purpose in target marketing is to mesh the product/service mix with a selected high potential

market by designing a marketing mix that meets the needs of the market segment. Write brief descriptions of four potential target markets other than your primary market (which you described earlier).

#### Potential target market segments

<u>Name</u>	<u>Description</u>
1. _____	_____
2. _____	_____
3. _____	_____
4. _____	_____

Now evaluate these segments using the criteria suggested earlier (size, identifiability, accessibility) to help you determine whether each could be profitably cultivated. Then prioritize them from 1 to 4, starting with the one you think would be the best one to pursue. Before moving on to the next step, identify and briefly describe your target markets in the marketing plan outline at the end of this article.

#### Setting Marketing Objectives

Marketing objectives are statements about where you think your resort should go and about what you expect your marketing program to accomplish. As stated earlier, marketing planning is not as clean and sequential a process as the 1 through 5 ordering of its major elements presented here would suggest. Nowhere is this as obvious as when developing marketing objectives. The situation analysis and target markets you have selected provide the basis for formulating some preliminary objectives that can help guide the development of a marketing mix. But the final objective statement needs to reflect the marketing mix and the evaluation systems devised to measure performance. Setting the final objectives is, therefore, a "back and forth" process in which objectives become more specific and detailed as the marketing planning process unfolds.

On the surface, setting marketing objectives seems easy. After all, the objective of any marketing program is to cultivate and sustain demand, to generate customers. Right? Well, partially. But how many and what kind of customers? When and from where? How? These are the kinds of questions that marketing objective statements should either answer or should point the way toward answering. Objective statements help keep your energy and action focused on what's important.

Marketing objectives are only good if they are useful. And to be useful they need to do some fundamental things that often are overlooked. They need to:

1. Be specific
2. Be measurable
3. Specify a time frame

Marketing objectives that do not incorporate these three elements turn out to be of limited usefulness. Here are some poorly stated objectives:

1. Increase sales
2. Attract more young couples
3. Build mid-week business
4. Utilize area attractions to increase business
5. Increase shoulder season business

Each of these five objectives could be turned into a well-stated objective. But, as written, they show that the person formulating them doesn't yet have a clear idea about what's going to be done. For example, consider the last objective. Exactly when is the shoulder season? How and when will "business" be measured? How much of an increase will be seen as successful? What is the target market the objective relates to? In its present form, this objective statement does not permit these questions to be answered. It is not specific enough and, therefore, not as useful as it could be for marketing planning. With some fine tuning, most objective statements can be turned into meaningful and useful objectives.

Restating the above objective in specific terms can make it useful for marketing planning: "To increase average weekly occupancy from last year's 35 percent to 50 percent for the periods between May 18 and June 30 and between August 17 and September 30, 1984." Stated this way the objective is specific enough to be measured. It tells us what to measure (occupancy), when to measure it (for the May 18-June 30 and August 17-September 30, 1984 periods), and the standard by which success will be gauged (attaining an average weekly occupancy of 50 percent). The last point could be further specified by calculating the number of unit-weeks and the dollar amount of sales this represents.

Further restatements of this marketing objective would incorporate reference to the target market. It's an incremental process that finally results in useful marketing objectives. In the end, after incorporating the results from the marketing mix section, the above objective statement might look something like this: "To increase average weekly occupancy from last year's 35 percent to 50 percent for the periods May 18- June 30 and August 17-September 30, 1984 through promoting a special fishing package aimed at past guests and fishing enthusiasts in our major market areas." In this form it is not only specific enough to be measured, but it also goes on to identify the target markets and suggest the strategy to be used in accomplishing the objective. This kind of detail indicates that much thought has gone into clarifying what's going to be done.

Throughout the process of setting marketing objectives, you must keep in mind the question of what is realistic. To help in coming up with realistic objectives and to help avoid tunnel vision, it's a good idea to formulate a number of alternative objectives and then choose from among them those that represent improved performance and that you have a reasonable chance of attaining.

Although it is easier not to write out objectives, doing so is a good way to force yourself to clarify in your own mind just what it is you want to accomplish through your marketing efforts, and then to focus on doing it. We all can think of more to do than we have the time or resources to do. Writing down objectives helps set priorities.

You can use the worksheet that follows to help formulate your marketing objectives so they will be specific and measurable and, consequently, useful. Go through the exercise a number of times with different objectives. Then select

Worksheet No. 15. Setting Marketing Objectives

1. Write out below in as few words as possible what your marketing objective is: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

2. Now write out short answers to the following questions.

a. What is the unit of measurement by which progress will be gauged (percentage occupancy, dollars of gross sales, etc.)?

\_\_\_\_\_

\_\_\_\_\_

b. What is the time period during which performance will be measured (May 15-June 30, all weekends between May 15 and September 30, etc.)?

\_\_\_\_\_

\_\_\_\_\_

c. How much of an improvement over last year's performance will be required to meet this objective?

\_\_\_\_\_

\_\_\_\_\_

Is this realistic? \_\_\_\_\_

d. To which target market segment does this objective relate?

\_\_\_\_\_

\_\_\_\_\_

3. If your initial objective statement did not indicate units of measurement or a time frame, or if you think it is unrealistic, restate the objective incorporating this information. Keep repeating it until you are comfortable that the objective statement is as good as you can get it. Write in your revised statement: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

one or a few related to each target market you identified earlier to work toward, and write them in the marketing plan outline provided at the end of this article.

This exercise is particularly useful for those in your local tourism promotion organization to use in setting marketing objectives. It enables everybody to see in writing what the organizational marketing objectives are. If there is confusion about what the objectives are, which there usually is, it quickly points out specific areas where the perceptions and opinions of members differ. Knowing what the differences are is a first step toward building the consensus necessary for action.

### **Determining Your Marketing Mix**

The marketing mix is that combination of products and services offered to the market, how it is presented, and how the market is communicated with about your products and services. The marketing mix concept provides a framework upon which to build a marketing strategy. If you've worked through all the questions raised so far, you already have done much of the work involved in determining your marketing mix.

There are many different ways of conceptualizing the marketing mix. One designed specifically for hospitality firms has three main submixes (Renaghan, 1982):

1. The product/service mix: The combination of products and services that you make available to satisfy the needs of your target market(s).
2. The presentation mix: All those elements under your direction that are used to increase the tangibility of the product/service mix in the eyes of the target market at the right place at the right time and that differentiate your product/service mix from your competition.
3. The communication mix: All communication of any kind between your resort and the target market that increases the tangibility of the product/service mix, sets or monitors consumer expectations, or persuades consumers to purchase.

Determining your marketing mix means shaping and coordinating these three submixes into a marketing program targeted on your prespecified market segments that effectively meets your marketing objectives.

### **The Product/Service Mix**

The product/service mix is the blend of products and services that in total represents the vacation experience your guests purchase at your resort. It has both tangible and intangible elements. Your guests perceive the elements of this mix not separately but as a whole.

For your situation analysis you made a list of the tangible and intangible elements of your resort's product/service mix. Refer back to that list now and ask yourself if this is the best possible mix you can make available to meet the needs of your target markets as you defined them in the section on selecting

target markets. If it isn't, what products and services can you add, subtract, or modify that would better do this? The research results reported throughout this section should be helpful in making these decisions. Describe this final product/service mix in the marketing plan outline at the end of this article.

## **The Presentation Mix**

The presentation mix is an umbrella concept that refers to all those elements under your control that act in concert to increase the tangibility of your product/service mix in the eyes of consumers and that differentiate your offering from those of your competitors. For example, all resorts sell the use of a lodging unit and what's in it, but not all lodging units are the same. The differences are in the elements of the presentation mix. There are five major elements in the presentation mix: physical plant, location, atmospheric, price, and employees.

The physical plant is an important part of the presentation because it gives the first and probably the dominant clue as to what kind of resort you have. What it looks like on the outside suggests what goes on inside and suggests what kind of experience a prospective customer is likely to have there. Beyond what the look of your resort suggests, of course, the actual physical plant composition and layout (number and size of cabins, amount of open space, recreational facilities, etc.) determine to some extent what can and can't be done there.

Location is a second important element of your resort's presentation. You obviously can't change the location of your resort, but you can view its location as your customers do -- as part of a larger destination area. The perception the family from Chicago driving through the Minnesota northwoods enroute to your resort has of your place is influenced very much by where it's located and what is around it; i.e., surrounding woods and waters, road leading there, nearby towns, area attractions. The amount and quality of information you give your customers about your location and surroundings can enhance your presentation.

Atmospherics refer to those elements of the presentation mix that make your service offerings more tangible in the consumer's mind. For example, many small resorts advertise themselves as being "rustic." This intangible sense of "rustic" is communicated to customers by such tangible clues as a log cabin, a stone fireplace, split log furniture, the scent of pine trees, rough wood signs, etc. All of these atmospheric elements serve as clues that should work together to help convey a sense of "rusticness" to customers, if that is what you are trying to sell.

Price is another important element of the presentation mix. Prices need to be set at rates that produce a profit (see article by Lawrence Simonsen). Competitor prices for a product/service mix of similar quality need to be considered also. But several factors beyond costs and competitor prices need to be considered. Such things as uniqueness, friendliness, and atmosphere have real value to the consumer, but how do you put a price on them? One general rule with services is that when a consumer is unfamiliar with the service, price may be used as an indicator of quality. Low price, therefore, may be taken to indicate low quality.

A final element of the presentation mix is a resort's employees. In many ways the resort's employees are perceived to be the product. An unfriendly experience with the owner or a dockboy, for example, can taint a customer's perception of the entire resort. On the other hand, a resort operator who takes a few minutes to spend time with the children of some guests shortly after they

arrive may set a highly positive tone that will stay with the guests the entire time they stay.

In a good presentation mix these five elements (physical plant, location, atmospherics, price, and employees) are coordinated and "presented" to your customers to increase the tangibility of the product/service mix and give it a distinctive tone compared to a competitor's. Think now about how you use each of these five elements in your presentation mix to make your offering more tangible and different. Briefly record this in the marketing plan outline.

### **The Communications Mix**

Some people mistakenly view part of the communications mix, such as advertising or brochures, as marketing in its entirety. But marketing is much, much more than these two items. The communications mix includes all communication of any kind between your resort and the market that:

1. Increases the tangibility of the product/service mix.
2. Sets or monitors consumer expectations.
3. Persuades consumers to buy.

Included in this communications mix are all the activities you engage in under the broad headings of personal selling, advertising, sales promotion, and public relations as outlined in the situation analysis. Other articles in this section of this manual are focused entirely on some of these methods: "Planning Tourism Brochures," by Don Breneman; "Advertising That Sells," by Ladd Conrad; and "Package Tours and Resorts," by Cathy Schendel. You may want to skip ahead and review these articles before completing this section.

Regardless of the marketing techniques you use, the more you know about the customer's decisionmaking process, the more effective you can make these techniques. For this reason the northeastern Minnesota resort study also probed the guest's vacation decisionmaking process. Participants were asked:

1. When they decided to vacation in northeastern Minnesota.
2. Who in the party made the decision.
3. Where they got information about the area prior to their vacation and once they arrived at their destination.

Knowing the answers to these questions can assist in designing a marketing strategy that is effective in influencing peoples' vacation decisions.

The timing of customer vacation decisions has direct bearing on the timing of advertising and other marketing efforts: Marketing needs to be done before they decide where they're going to vacation. Table 5 reports the number of months before vacations were taken that the decision to take the vacation to northeastern Minnesota was made. The four facts in this table having important marketing planning implications are:

1. Planning horizons are short for a large proportion of customers. More than 41 percent of the respondents decided to vacation in northeastern Minnesota within three months of going there.
2. Most respondents with a long planning horizon (10 months or more) are repeat customers (29.4 percent for repeaters vs. 3.2 percent for first-timers). Altogether, these long-term planners represent more than a third of all resort guest parties. They are mostly people who

Table 5. Number of months before vacation that decision was made to vacation in the area

Number of months	All	First-time	Repeat
	repondents	vacationers	vacationers
	----- percent -----		
3 or fewer	41.6	58.6	39.1
4-6	23.6	32.0	22.3
7-9	4.0	5.1	3.9
10 or more	29.4	3.2	33.1
Couldn't remember	<u>1.5</u>	<u>1.0</u>	<u>1.6</u>
Totals*	100.1	99.9	100.0

\* Totals do not equal 100 percent because of rounding error.

book next year's vacation before they leave the resort from this year's. They are not influenced by outside marketing so much as by inside marketing and the quality of experience they have as a guest at the resort.

3. Generally, first-time customers have a much shorter planning horizon than repeat customers.
4. Nearly all those who can be influenced by marketing activities made their decisions within six months of taking the vacation.

The major marketing implication with respect to the traditional summer season is that advertising should commence by December and continue right through the summer. Generally speaking, the further into the season one goes, the more campaigns should be geared for first-timers (unless a special program is designed to attract repeaters for a second visit in the same season).

Most resorts and associations cannot afford a full blown campaign for 10 consecutive months. A close look at the relationships between the specific month decisions were made and the specific month vacations were taken provides additional insight into when advertising should best be timed to affect occupancy during a specific time of the season. Tables 6 and 7 show these relationships for repeaters and first-timers who decided to vacation within six months of vacationing (the "influencibles"). These tables can aid in answering the general question of when advertising should be run to affect occupancy during month "x." An example will illustrate this point.

Fall traditionally has been a difficult time for resorts. Occupancies of 30-40 percent are common. If a resorter's objective is to get fall bookings, the data in tables 6 and 7 suggest that the most effective time to begin advertising would be June. It is during the June-September period that 100 percent of the influencible first-timers and 78 percent of the influencible repeaters who took September vacations made their decisions. Of course, a number of other factors would enter into a decision to initiate a fall advertising campaign in June. The most obvious is money. It would not make sense to risk the certainty of a solid peak season for the uncertainty of a so-so fall for the same dollar. But if advertising dollars are available and good fall business is desired,

Table 6. Percentage of each month's influencible repeat vacationers by month in which they made their vacation decision\*

Month decision was made	Month of vacation				
	May	June	July	August	September
	----- percent -----				
September	-	-	-	-	20
August	-	-	-	18	17
July	-	-	29	17	24
June	-	10	11	21	17
May	15	12	13	15	7
April	14	15	8	8	6
March	13	13	13	5	9
February	17	14	3	16	-
January	8	11	22	-	-
December	11	25	-	-	-
November	21	-	-	-	-
Totals**	99	100	99	100	100
Percentage of in-fluencible repeaters	11	26	19	26	18

\* Influencible vacationers defined as those who made their vacation decisions within six months of the actual vacation.

\*\* Totals do not equal 100 percent because of rounding; N = 749.

Table 7. Percentage of each month's influencible first-time vacationers by month in which they made their vacation decision\*

Month decision was made	Month of vacation				
	May	June	July	August	September
	----- percent -----				
September					33
August				29	17
July			8	17	33
June		6	26	2	17
May	8	6	16	20	0
April	15	16	13	15	0
March	0	16	24	0	0
February	31	19	3	17	
January	15	9	10		
December	15	28			
November	15				
Totals**	99	100	100	100	100
Percentage of in-fluencible first-timers	9	23	26	30	12

\* Influencible vacationers defined as those who made their vacation decisions within six months of the actual vacation.

\*\* Totals do not equal 100 percent because of rounding; N = 142.

advertising for fall should begin in June. To be most effective the campaign would have to sell a fall vacation product instead of a generalized vacation product. It also should emphasize several fall attributes besides fall colors (i.e., cool crisp days and nights, clear skys, uncrowded conditions, good fishing and hunting) or it should be structured around special events. More will be said about promoting fall business later.

Besides knowing when vacation decisions are made, it is helpful to know who makes them. Most parties (80 percent) contained individuals from the same family. About one-third consisted of friends alone or family and friends. But who is it that makes the decision to vacation at a given destination? Who is the most relevant person(s) resort marketing should try to influence?

Results show the husband to be the most frequent individual decisionmaker (table 8). Twenty-nine percent of the respondents said the husband made the decision. The husband and wife jointly decided in 20 percent of the cases. Only 7 percent of the respondents said the wife made the decision alone. Vacations are group experiences and, whoever it is that makes the final decision, the needs and desires of all the party members no doubt greatly influence the decisionmaker. If the traditional family unit is the target, the marketing thrust should be to influence the husband in a way that convinces him that his vacation needs and those of the entire party will be met at a given destination.

The only significant difference between first-timers and repeaters was with regard to friends making decisions. Twenty-two percent of the first-timers said friends made the decision, whereas only 11 percent of the repeaters did. This reflects the fact that in the resorts studied, markets are shifting. New customers are not necessarily like old ones.

The sources of information about the area used by resort guests was the third decisionmaking area investigated. As table 9 shows, the primary source of information was friends and family, which was used by about twice the number

Table 8. Percentage distribution of vacation decisionmakers

Decisionmaker	All	First-timers	Repeaters
	respondents	percent	
Husband	29	30	28
Husband and wife	20	16	21
Friend	13	22	11
Family group leader	8	5	8
Group decision	8	5	8
Wife	7	7	7
Immediate family	6	5	7
Other relative	4	4	4
Formal group leader	3	4	3
Self	2	2	2
Other	<u>1</u>	<u>1</u>	<u>1</u>
Totals*	101	102	100

\* Totals do not equal 100 percent because of rounding error.

Table 9. Percentage of resort guests using various sources of information about northeastern Minnesota before their vacation

Source of information	First-time guests	Repeat guests
	----- percent -----	----- percent -----
Friends or family	58.7	44.0
Resort or outfitter	27.2	28.7
Chamber of Commerce	18.6	15.3
Regional or state tourism association	9.9	12.6
Sport show	10.4	7.8
Magazines	8.3	3.8
Newspapers	8.2	4.3
Highway information station	5.0	3.2
National Park Service	3.8	3.1
U.S. Forest Service	3.5	5.2
Travel or auto club	3.1	3.0
Radio	3.0	3.2
TV	2.2	1.2
Travel agency	.9	1.6
Local business other than resort or outfitter	.6	2.0

of people as the next closest source and by several times the number of all other sources. This confirms what every resorter knows: word of mouth promotion is the best, and satisfied customers lead to good word of mouth promotion. The fact that friends and family holds such a commanding margin over other information sources, especially for first-time visitors, points to a major marketing opportunity. Without taking on a "customer as sales rep" flavor, there are dozens of things that can be done to encourage current guests to send their friends and families: ask them to offer family reunion packages, send them three brochures in the annual mailing and ask that they pass two on to friends.

The resort operator (or outfitter) was the next most widely used information source (27.2 percent among first timers and 28.7 percent among repeaters), followed by the Chamber of Commerce (18.6 percent among first-timers and 15.3 percent among repeaters). Given that chambers are the most frequently used source outside the resort and its customers, it follows that resort operators should strongly support and be involved in their activities.

Sport shows were used by 9.9 percent of the first-timers and 12.6 percent of the repeaters. Given the resources put into sport shows by local and regional tourism promotion organizations and individual resorts, this low figure is surprising.

The remaining sources of information were used by less than 10 percent of the guests each. Individual resorts, however, varied widely on all the sources. Each resort has to evaluate its own situation, but these results can serve as a general comparison.

Think back now to the situation analysis and the review you did of your promotional efforts. Which elements do you want to retain in the future? What

changes do you want to make? Keep in mind the target markets and marketing objectives you already have identified. You might want to refine or modify either or both. Briefly record the major components of your communications mix in the marketing plan outline.

### **The Marketing Budget**

The amount you spend on your marketing program obviously is a major factor determining what it will be like. A survey of Minnesota resorts conducted in 1976 revealed that the average expenditure was 3.2 percent of gross receipts. A more recent survey of 19 small resorts in the Longville/Hackensack (Minn.) area found their average to be 4.9 percent of gross receipts. Compared to many other industries these percentages are low. But regardless of how much you spend on marketing you should not view it just as an expense, but also as an investment that will generate business.

The cost of marketing should be built into your pricing structure and recovered the same as any other expense. Worksheet 16 can be used to summarize marketing expenditures. It is important to plan a marketing budget and make it a priority rather than wait until after all the other bills are paid and spend what remains on marketing.

Worksheet 17 can be used to analyze marketing expenses in relation to the amount of business they generate. Working through this exercise can be useful in developing your own guidelines for how much you should spend on marketing. It can be particularly useful in estimating how much you can justify spending on special promotions. An article at the end of this section of the manual, "Toward a Strategy for Building Shoulder Season Resort Business," demonstrates how this worksheet can be used to develop reasonable budget guidelines for a special promotion to build shoulder season business.

To summarize, your marketing mix consists of three submixes designed to accomplish your marketing objectives. Each of these, product/service mix, presentation mix, and communications mix, consists of a separate but coordinated strategy that plays a key role in making available a resort experience that satisfies consumer needs. Before going on, be sure you have briefly described each of these three strategies in the marketing plan outline at the end of this article.

### **Designing a Marketing Program Evaluation Mechanism**

The last step in the marketing planning process is designing an evaluation mechanism into each element of your marketing program. The focus here is on evaluating the financial return rather than the other criteria mentioned in the situation analysis (synergistic effect, extent and frequency of exposure, and mix of short term and long term elements). Designing such a mechanism is easy and straightforward for some elements but difficult if not impossible for others. For example, marketing program components designed exclusively to enhance your resort's image and generate goodwill are difficult to measure. Many public relations activities fall into this category. On the other hand, most all the marketing activities of the advertising and sales promotion type that are designed to generate business, whether done alone or in cooperation with others through an organization, can be evaluated fairly easily.

Worksheet No. 16. Marketing Expenditure Checklist

Item	<u>Amount Spent</u>		
	<u>Last Year</u>	<u>This Year</u>	<u>Next Year</u>
	\$	\$	\$
Brochures	_____	_____	_____
Postage	_____	_____	_____
Ads: Newspaper	_____	_____	_____
Magazines	_____	_____	_____
Radio/TV	_____	_____	_____
Local promotion group	_____	_____	_____
Regional promotion group	_____	_____	_____
Other ads: _____	_____	_____	_____
Dues: Trade group	_____	_____	_____
Local promotion group	_____	_____	_____
Regional promotion group	_____	_____	_____
Other: _____	_____	_____	_____
Telephone	_____	_____	_____
Sport shows	_____	_____	_____
Speciality items	_____	_____	_____
Other	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
Total	_____	_____	_____

Worksheet No. 17. Marketing Efficiency Analysis

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	<u>Your Estimate</u>	<u>From Your Records</u>
1. Number of units	_____	_____
2. Number of weeks open	_____	_____
3. Number of unit-weeks available in 1983 (#1 x #2) =	_____	_____
4. Number of unit-weeks rented in 1983 =	_____	_____
5. Number of unrented unit-weeks in 1983 season (#3 - #4) =	_____	_____
6. Percentage occupancy ( $\frac{\#4}{\#3} \times 100$ ) =	_____	_____
7. Gross receipts =	_____	_____
8. Marketing expenditures =	_____	_____
9. Marketing expenses as % of gross = $(\frac{\#8}{\#7} \times 100) =$	_____	_____
10. Cost of marketing each unit-week booked = $\frac{\#8}{\#4}$	_____	_____
11. Gross per unit-week booked = $\frac{\#7}{\#4}$	_____	_____
12. Gross value of excess capacity = #5 x #11 =	_____	_____
13. Cost of marketing excess capacity assuming same level of efficiency = #5 x #10 =	_____	_____

Agricultural Extension Service, University of Minnesota

The place to start an evaluation is with clearly stated objectives for each component of your marketing program. If objectives are specified to the extent that the examples given above were, evaluation will be made much easier.

Evaluating the return from resort marketing programs usually centers around four major factors:

1. The costs of each program component
2. The amount of revenues generated from each program component
3. The number of inquiries resulting from each program component
4. The number of bookings resulting from each program component

It is probably impossible to be 100 percent accurate in determining all costs, revenues, and sources of customers. But a minimal effort using the preceding worksheets or records of your own devising will give reasonably accurate, highly useful evaluation results. The article by Boos and Ballman, entitled "Good Records Help Direct Advertising Programs," illustrates how one resort uses guest records and coded ads to evaluate the advertising portion of its marketing program.

Worksheet 18 can be used to evaluate and compare the results from your various promotional efforts. For each medium in which ads are run, each sport show attended, etc., record the total costs, number of inquiries, number of parties booked, and revenues generated at the resort. These figures in turn can be used to calculate the cost per inquiry (CPI), cost per party booked (CPB), and return on marketing investment (ROI) for each program component and for the overall program.

The CPI, CPB, and ROI from each medium, sport show, and other marketing program element serve as convenient, objective performance measures. Comparing each program element using these measures can be of great assistance in making your marketing program more cost effective.

The systems for recording the four pieces of information used to calculate CPI, CPB, and ROI need to be in place before you implement your marketing program. As a final step in writing your marketing plan, record briefly in the marketing plan outline how the costs, number of inquiries, number of bookings, and revenues generated from each marketing program component will be collected. Also set some goals for number of inquiries, bookings, and ROI each element will generate.

### Summary

This article provides a guide through the five major steps of assembling a marketing plan:

1. Doing a situation analysis.
2. Selecting target markets.
3. Setting marketing objectives.
4. Determining the marketing mix.
5. Marketing program evaluation design.

Even if you made only brief notes in the marketing plan outline, you now have a written marketing plan. It can be a valuable management tool.

Worksheet No. 18. Marketing Program Evaluation

Item	Program Component								Total Program
1. Total costs =									
2. Total number inquiries =									
3. Total number parties booked =									
4. Total revenues generated =									
5. Cost per inquiry (CPI) = $\frac{\#1}{\#2} =$									
6. Cost per party booked (CPB) = $\frac{\#1}{\#3} =$									
7. Return on marketing investment (ROI) = $\frac{\#4}{\#1} =$									

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As you implement your marketing program, be flexible and don't be afraid to deviate from your plan. You can't foresee everything. But by the same token, if you end up doing something different, know why.

Review and update your marketing plan periodically. You may wish to have a detailed annual plan such as this one and a more general five-year strategic plan. Tailor marketing planning to meet your specific needs if you wish. Just be sure you do it.

Situation Analysis

Markets

Product/  
service mix

Unique  
features

Market  
position

Competition

Strengths/  
weaknesses

Problems/  
opportunities

Promotional  
methods

Promotional  
organizations

Target Markets

Existing  
customers

Other target  
markets

Marketing Objectives

Specific,  
measurable  
objectives

Marketing Mix

Product/  
service mix

Presentation  
mix

Communications  
mix

Budget

Evaluation

## PLANNING TOURISM BROCHURES

Donald L. Breneman\*

Brochures are the primary sales tool for many businesses in the tourism industry. In a recent study by the University of Minnesota's Agricultural Extension Service, resort operators rated brochures their most effective form of business promotion.

Brochures encompass the largest share of the advertising budgets of most small resorts. In many cases they are the only form of business promotion. But despite the importance placed on them by the industry, too little thought goes into brochure design. The result often is a weak publication that can even hurt business.

Successful brochures have the right combination of facts and emotional appeal. Generally, a believable, friendly approach sells. Don't get so involved with details that the uniqueness of your product gets lost in the shuffle. Remember, there is more to your operation than clean cabins, flush toilets, and hot showers. You have to make your customers want to be there before they start worrying about clean cabins and hot showers.

### Put "Sell" in Your Brochure

The most important single element in your brochure is "sell." By sell we mean to create a mood or image about a place or event that makes people want to be there. Without sell, a brochure simply becomes informational, a secondary consideration. Without sell in a brochure, you've missed the point.

To create a brochure that sells, you must first decide what you are selling (product) and who you are selling to (clientele). Is your product a superb view, relaxation, fishing, pleasant memories, or what? Who are your clientele? What are their ages, marital status, occupations, and income? What's their geographic locale? Try to describe your product and clientele in a few simple sentences. Keep this description in mind when you're working on your brochure.

Next, write down what's unique about your operation. Why should your clientele want to choose your resort rather than another place? This is your unique market position. It is the critical element in your advertising because

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\* Donald L. Breneman is an extension communication specialist, Communication Resources, University of Minnesota. Portions of this article are based on fact sheets prepared by the University of Wisconsin Extension Recreation Resource Center.

it sets you apart from the competition. Don't underestimate the importance of putting this information down on paper even though it may sound a bit academic. Chances are if you can't clearly define your product, clientele, and market position, it won't come across in your advertising, either. You must know what you are selling and who you are selling it to.

Your brochures must represent you and serve the same purpose as a personal call from a salesperson. So, to be successful, a brochure must make a good first impression, provide enough accurate information about your product, and motivate potential customers to action to complete the sale.

### What to Include

Before your potential customers can respond they must have enough information to act on. According to Claron Burnett of the University of Wisconsin's Recreation Resources Center, a recreation business brochure should mention the following eight points:

1. Location: Give enough details so your business can be located on a standard highway map. A simple line map often does the best job. If many guests use public transportation, include airlines and railway connections and tell what transportation is provided from station or airport. Always include your mailing address and telephone number.
2. Type of facility: Include details that show whether your season is winter, summer, or year-round; what the special emphasis of your operation is, such as skiing, fishing, horseback riding, etc.; and what general age and income groups you seek as customers.
3. Climate: Give a factual presentation that will help travelers decide on the type and amount of clothing to bring.
4. Accommodations: Explain fully what type of facilities you have and specify all equipment and services provided for the advertised rate.
5. Facilities for children: When appealing to families with children, give details about fenced playgrounds, supervised play, safe beach, swimming instructions, lifeguard, and evening and "rainy day" activities.
6. Recreational possibilities: Name all those provided by your own establishment, as well as other convenient public and private facilities. Include sports events, plays, celebrations, industries, and historical sites that vacationers could visit.
7. Special advantages: Mention any advantages your business offers, such as "peace and quiet" or "always something going on."
8. Prices: Consider publishing a rate card that can go out with your brochure. In case you need to make a change in rates, you can reprint the rate card quickly and economically and still use the same brochure. Extra charges for such services as bait, motors, babysitting, and recreational equipment should be clearly stated. Mention all the services and accommodations you can supply.

## **The Cover: A Sales Opener**

The purpose of your brochure cover is to attract attention and set it apart from other brochures on the rack. Focus on your product image by using a concise visual display or phrase that explains what your product is. Some operators use photos of their facilities on the cover, others select a simple scene or graphic that depicts the mood or feeling that guests might experience at their facility. Keep the visual simple, uncluttered, and unified. Make sure elements such as typeface, color, and artwork go well together.

Color attracts attention. But successful brochures also can be designed in black and white using attractive paper, clean line art, and good, sharp black and white photos.

If you have a business logo, consider using it on the cover or somewhere else in your brochure to tie in with your other advertising and correspondence.

## **The Interior: Expanding the Message**

The interior of your brochure should talk benefits and it should persuade. Imagine yourself as your own customers and think about what the attributes of your operation mean in their terms. For example, a 100-acre lake may mean something to you, but can your customer relate to that? Wouldn't it be better to say, "Acres of sky blue water, spectacular scenery, and superb fishing await you." In other words, put it in your customer's terms.

Consider selling your area as well as just your facility. Research has shown that most vacationers become interested in visiting an area before they worry about a place to stay. Being close to a famous state park or other points of scenic or historic interest might be the clincher in persuading customers to visit your area and stay with you rather than go to another part of the country.

Good photos and art will help illustrate your benefits to your clientele. Short blocks of copy that relate to the photos will make your message stronger than unrelated copy and photos. Use subheads to identify the content of paragraphs so the reader can quickly see what's covered. Avoid exaggerated superlatives; people are suspicious of exaggerated claims. Be honest and use words that create a feeling for your operation.

Finally, keep the interior consistent with the cover image by using the same typeface, style, colors, and design.

## **The Final Panel: Closing the Sale**

The final panel of your brochure should close the sale by creating customer action. Tell your readers what you want them to do and give them all the information they need, including your name, address, phone number, map, and how to make reservations. Include information on rates (perhaps on a separate insert as mentioned above).

## Selecting Photographs

Potentially, photographs are strong selling tools for the tourism industry. Unfortunately, they often are poorly utilized. Too many brochures are filled with outdated, fuzzy images of empty cabins and stringers of dead fish. Good photographs, ones that communicate your message, are technically not very hard to take. But you must plan ahead for the pictures you want and make arrangements to get them. Keep the following points in mind:

Involve people. You are selling good times that involve people, so include people in your pictures. Empty cabins, vacant campsites, and deserted beaches communicate desolation and rejection, hardly the image you want to project. Try to have typical guests in your pictures. If you run a family resort, show families. If your primary clientele are retired people, don't feature young people in your pictures.

Use active, not passive pictures. Photograph people involved in activities, not staring at the camera. Show people fishing or catching fish, not just holding up a stringer. Pictures of sunsets and scenic beauty can enhance your brochure, but if you include people in the foreground enjoying such scenes, it will seem even more real to your prospective guests.

Use photo releases. It's important to get a signed photo release from guests or models who are recognizable in your photographs. No fee is necessary, but failure to obtain permission violates their right to privacy, leaving you open for an expensive libel suit. A sample photo release form is included at the end of this article.

Avoid outdated photos. Old pictures create an image of outdated facilities. You can keep your pictures current by avoiding easily dated items like automobiles, faddish clothing, and facilities that you may be remodeling soon.

Purchase and learn to use a good 35mm camera. Photographs are so important in communicating your message that a good camera and the ability to use it are things you can't afford to be without. With the improved quality of modern films, the 35mm format can result in photographs of outstanding quality. These cameras have never been easier to use. Pictures taken with instamatic cameras on color print film simply won't do for quality brochure reproduction. Even if you hire a professional photographer to take some of the photographs for your brochure, only you can capture certain photographs because you're there all the time.

Shoot slides, not color prints. Color separations used in printing are best made from color transparencies (slides), not color prints. In addition, slides can be used for sales presentations and at sport show booths. Color prints can be easily and economically made from slides.

Set up a picture file. Plan ahead for shots you'll need for your next brochure. You can't take summer pictures in January when you're putting your brochure together. Plan your pictures in advance and set up a file so you can find them when you need them. Slide file pages can be purchased that will hold 20 slides on an 8 1/2" by 11" transparent plastic page. These pages can be bound in a notebook or stored in a standard file cabinet. They are a quick, safe way to handle picture collections.

Hire a professional. Even if you are a good photographer, you may not have the time or expertise to take all the photographs you need. Give the photographer specific directions on what pictures you need and the kind of image you are trying to communicate. Usually the money paid for professional photography is money well spent.

## Working With the Printer

A good printer can be a valuable asset to tourism people. When selecting a printer, ask to see several samples of publications that are similar to yours and try to get bids from at least three different printers. Keep these points in mind:

1. Stock paper sizes and standard formats save money. If you select an unusual size or format, you will have to pay for cutting, folding, and wasted paper.
2. The more you print, the less it costs per item. But be sure you can use the quantity you order.
3. Explore using two or three colors of ink and colored papers if you are not printing a four-color brochure.
4. If your brochure is to be displayed in a vertical rack, select 60-pound stock or heavier so it will stand up.
5. Ask printers whether they offer the services of an artist to do the layout and design of your brochure or whether you have to obtain that service elsewhere. Professional design usually is well worth the investment.

Negotiate or specify the following points with your printer:

1. Printing overrun. Some contracts put you in the position of having to pay for any overrun. To avoid this, specify in writing the number of items as stated in the bid proposal, not to exceed a set dollar amount. If the printer has an overrun, you can make arrangements to purchase the additional copies or you can reject the overrun.
2. Specify the delivery date.
3. Specify that you want to approve the final layout.
4. Specify that upon completion of the order, all artwork, paste-ups, color separations, and photographs remain your property.

Remember, most printers want to be helpful. But as in all business dealings, it's best to have everything in writing.

Take a long hard look at your current brochure. What are its strengths? Its weaknesses? How could it be improved? Keep a file of other brochures that you find attractive and review them before planning your next one. Finally, start assembling a slide file and planning what photographs you want to include in your next brochure. Then you can take the pictures at the best time.

CONSENT AND RELEASE

For value received, receipt whereof is acknowledged, I hereby give \_\_\_\_\_  
\_\_\_\_\_ the absolute right and permission to copyright or to publish, or to  
use photographic pictures of me, or group pictures in which I may be included in whole or  
in part, or composite form, in conjunction with my own or a fictitious name, or reproductions  
thereof made through any media, advertising, trade, or any other lawful purpose whatsoever.

I hereby waive any right that I may have to inspect or approve the finished product or  
the advertising copy that may be used in connection therewith, or the use to which it may  
be applied.

I hereby release, discharge, and agree to save \_\_\_\_\_ from  
any liability for use of my picture or name for advertising or trade purposes.

DATE \_\_\_\_\_

SUBJECT \_\_\_\_\_

ADDRESS \_\_\_\_\_

WITNESS \_\_\_\_\_

PARENT OR GUARDIAN

\_\_\_\_\_  
(Required only if subject is a minor)

BROCHURE PLANNING FORM

Don Breneman  
Communication Resources  
Agricultural Extension Service  
University of Minnesota

1. What am I selling? (your product; be specific) \_\_\_\_\_

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2. Who am I selling to?

Age \_\_\_\_\_

Location \_\_\_\_\_

Interests \_\_\_\_\_

Income \_\_\_\_\_

3. What is unique about my facility/area (market position)?

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4. What are the major attractions of the area that I might include in this brochure?

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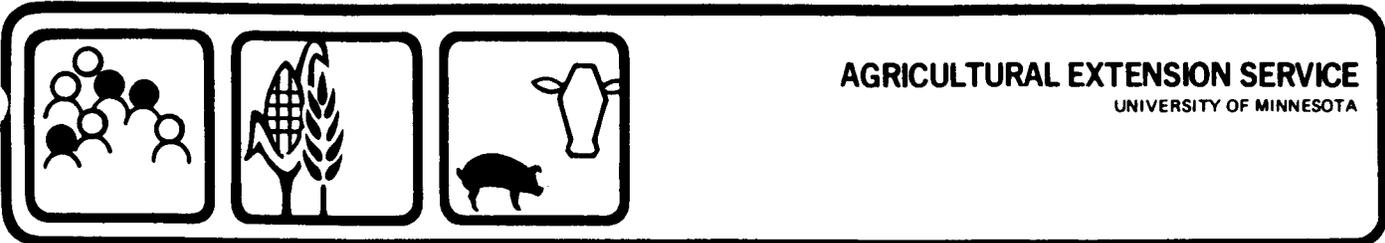
5. Brochure copy: Have I covered these eight points?

1. \_\_\_\_\_ Location, map, and description

2. \_\_\_\_\_ Type of facility

3. \_\_\_\_\_ Climate, what clothes to bring

4. \_\_\_\_\_ Accommodations and services offered
  5. \_\_\_\_\_ Recreational activities available
  6. \_\_\_\_\_ Facilities for children
  7. \_\_\_\_\_ Special or unique advantages
  8. \_\_\_\_\_ Prices
6. Photography: Will I use color slides or black and white prints?
1. \_\_\_\_\_ Do photos of facilities include people?
  2. \_\_\_\_\_ Do some pictures show activities?
  3. \_\_\_\_\_ Do I have photo releases?
  4. \_\_\_\_\_ Are the pictures up to date?
7. Layout and design
1. \_\_\_\_\_ Contract with an artist/designer (perhaps through a printer)
  2. \_\_\_\_\_ Approve the dummy
    - \_\_\_\_\_ Does the cover attract attention?
    - \_\_\_\_\_ Do the inside pages stress my strongest points first?
    - \_\_\_\_\_ Does the final panel give directions, mailing address, and phone number? Does it invite customer action?
8. Have I gotten bids from three printers?
- \_\_\_\_\_ bid printer 1
- \_\_\_\_\_ bid printer 2
- \_\_\_\_\_ bid printer 3
9. Have I specified the following in my contract with the printer?
1. \_\_\_\_\_ Delivery date
  2. \_\_\_\_\_ Approval of final typeset copy and layout
  3. \_\_\_\_\_ Quantity
  4. \_\_\_\_\_ That I retain ownership of color separations
  5. \_\_\_\_\_ Paper weight and surface
  6. \_\_\_\_\_ That the printer pays for overruns



**AD-FS-2175**  
**Communication Resources**  
**Donald L. Breneman**  
**Revised 1983**

# Selecting A Camera

## SELECTING A CAMERA

Selecting a camera is often a confusing and expensive process. Cameras of many different types and makes are available ranging in price from under \$25 to over \$1,000. Before selecting a camera consider the following criteria:

- Principal use. What kind of pictures do you need and why?
- Quality of pictures required.
- Price. How much can you really afford to spend?
- Ownership. Will it be yours personally or will it be used cooperatively by several people?

## FILM AND FORMAT

Cameras are classified by format, which is the size and shape of the image they produce on film. Your use of pictures is the major criterion in selecting a camera of one format instead of another.

If you want to make snapshots with a minimum of technical involvement, an automatic cartridge-loading camera using disk, 110, or 126 film is satisfactory.

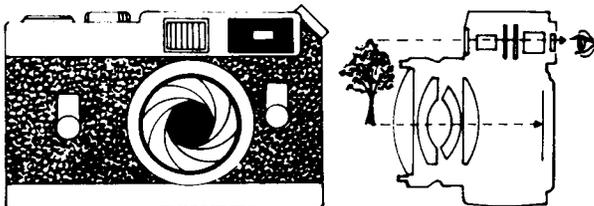
For color slides, 35mm is the most popular, and the largest selection of color film is available in this format. You can also make color transparencies with larger cameras; however, large format projectors are much more expensive and are not very popular.

To make black and white or color pictures for publications, exhibits, and other uses, a 35mm camera will generally be adequate. If picture quality is of prime importance, use a 120 roll film or larger format camera using sheet film to produce sharper, more detailed images. However, large format cameras are slower and more complicated to use.

## VIEWING AND FOCUSING SYSTEMS

All cameras designed for hand-held shooting can be classified into three types according to the viewing system.

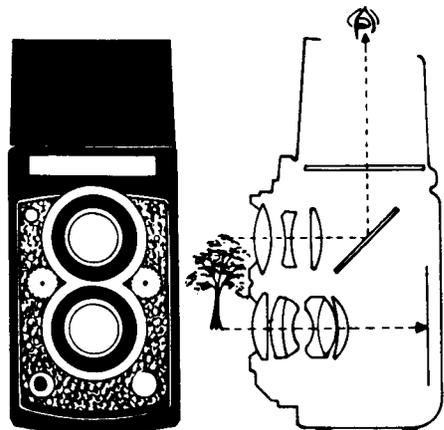
### Viewfinder



The viewfinder camera has a window built into the top of the camera. You look through it to compose your picture. This window is often equipped with an illuminated frame showing the margins of your picture, and the more expensive models have a rangefinder to aid in focusing. This type of camera is excellent for general photography of scenery and people and for flash photography. The viewfinder camera is

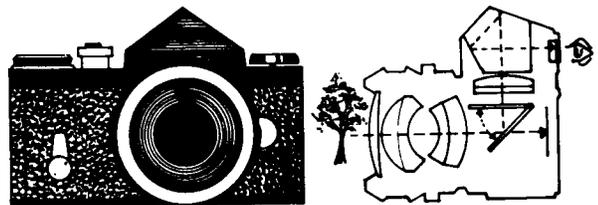
not well suited for extreme close-ups, due to the problem of parallax (see separate heading). Viewfinder cameras are available in most film sizes.

### Twin Lens Reflex



A twin lens reflex camera has two lenses, one directly above the other. The top lens is used for viewing and focusing, while the lower lens takes the picture. This type of camera was very popular in medium format producing negatives 2 1/4 inches square on 120 roll film. Although not much larger than many 35mm cameras, a twin lens reflex produces a negative nearly twice as large, making it more satisfactory for black and white or color enlargements. It is well suited for general photography but suffers from the problem of parallax in close-up situations. Only two twin lens reflex cameras are currently manufactured.

### Single Lens Reflex

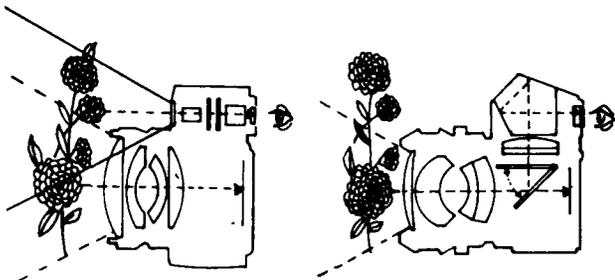


If you plan to do much close-up photography of plants and insects or wildlife photography using a telephoto lens, the single lens reflex is the most convenient type. With a single lens reflex, you view and focus directly through the taking lens via a hinged mirror behind the lens. This completely eliminates the problem of parallax in close-up photography.

Because you are actually viewing through the taking lens you can focus and frame pictures very accurately when using tele-photo lenses. Single lens reflex cameras are available in most film sizes and can be adapted to nearly any type of

photographic need. Because they are more complex than the other types, they are considerably more expensive.

### Parallax



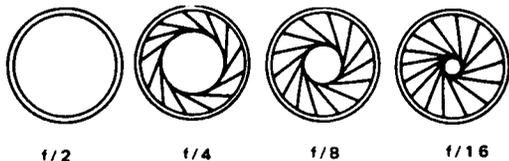
Parallax is the difference between what you see through the viewfinder (solid lines), and what the camera actually photographs (dotted lines). Parallax becomes a problem when you are working at distances under 5 feet with a viewfinder or twin lens reflex type camera where the viewing and taking lenses are separated. At greater distances, parallax becomes insignificant. A single lens reflex camera completely eliminates this problem, because you view and photograph through the same lens.

### CAMERA FEATURES

**Focusing device**—permits adjusting the lens for camera-to-subject distance in order to obtain the sharpest possible picture. Viewfinder type cameras have a coupled rangefinder for this, while reflex cameras focus on a ground glass screen.

**Adjustable Shutter Speed**—controls the amount of time that light can strike the film during an exposure. Shutter speeds are marked in fractions of a second, usually ranging from 1 second to 1/500 or 1/1000 of a second maximum.

**Adjustable lens diaphragm**—allows controlling the intensity of light transmitted by the lens. The diaphragm is calibrated in *f* stops, and a typical scale would read 2, 2.8, 4, 5.6, 8, 11, and 16. At *f* 2 the lens would transmit the most light, and each smaller *f* stop would reduce the light intensity by one half that of the previous stop.



**Lens speed**—many 35mm cameras are available with a choice of two or more normal lenses: one a moderate speed lens of about *f* 2 maximum aperture and another about *f* 1.4 of higher maximum aperture. The faster *f* 1.4 lens transmits one stop more light than the *f* 2 lens and is better for photography in low light situations. Many people believe the faster lens is better for all types of photography because it is \$30 to \$60 more expensive than the *f* 2 lens. This is generally not true. In fact, the *f* 2 lens will usually produce a sharper image in all but the poorest lighting conditions. Unless you are interested in doing a lot of low light photography, you can save some money buying the slower lens.

**Interchangeable lenses**—allow removing the lens and replacing it with another, such as a wide-angle or telephoto lens. Nearly all cameras selling for \$150 and up have this capability. It is a valuable feature, but you must be prepared to invest in the additional lenses.

**Built-in Exposure Meter**—is a convenience feature that adds to the camera's versatility. Most single lens reflex cameras now have meters that read directly through the camera's lens. To set the correct exposure, sight through the viewfinder and adjust the shutter speed or lens diaphragm until a needle lines up on a certain mark. Some meters measure only a small portion of the subject being photographed, while others measure the entire picture area. Either system works well when you master its use.

**Automatic Exposure Control**—carries convenience, complexity, and cost one step further by doing all exposure adjustments for you. If you decide to buy a fully automatic camera, be sure it also provides for manual controls so you can still use the camera when the meter malfunctions or the batteries are dead. Many automatic cameras now have an electronic rather than mechanical shutter. Electronic shutters depend entirely on battery power to function and will not work when the battery dies. Avoid using them in extreme cold and always carry a spare battery with you.

Several types of automatic cameras are available. **Aperture priority automation** means that you manually select the *f* stop you want to use and the camera will select the correct shutter speed. **Shutter preferred automation** means that you manually select the shutter speed and the camera automatically selects the proper *f* stop. **Programmed automation** means the camera selects both a shutter speed and *f* stop that will produce a proper exposure for that lighting condition. Some cameras offer the user a choice of more than one automatic system. Any of these systems will produce good exposures under ideal lighting conditions but they all can produce incorrect exposures in difficult lighting conditions such as backlighting and require the user to make some manual adjustments. Remember, the more automatic the camera, the less control you have over the picture. Be sure you understand what type of camera you have and what provisions it has for manual control.

### USED CAMERAS

Camera repairs are very expensive and can tie up your equipment for a long time. Unless you are thoroughly familiar with photographic equipment, do not buy it used. New equipment is not that expensive and it is warranted by the manufacturer for at least one year. If you do buy used equipment, check for dents or scratches on the camera that would indicate rough handling, scratches on the lens surface, mold or mildew between the lens elements, scratches on the film, accuracy of the built-in exposure meter, uniformness in exposure from one side of the negative to the other, flash synchronization, and correct focusing.

### CAMERA CARE

**Batteries**—need to be changed every year to minimize the risk of the battery failing at a critical moment. Pick a date that's easy to remember, such as a special holiday or your birthday for your battery changing date. For added insurance, always carry a spare battery with you.

**Heat and humidity**—can be very harmful to both film and cameras, especially electronic cameras. Avoid leaving your camera in a hot car or other hot, humid locations. A small picnic cooler can be a handy place to store your film and camera when traveling in a hot car. Put a can of frozen juice or a small amount of ice in the cooler with the camera to keep it cool.

**Lens cleaning**—should be done only when the lens is really dirty as improper cleaning can scratch the lens. Use a camel's hair brush to wipe off dust and lint. Fingerprints and grease should be removed with lens tissue moistened with lens cleaning fluid. These products are available at most camera stores. Use the fluid very sparingly and apply it to the tissue rather than directly on the lens surface. Dry the lens with a dry piece of tissue. Do not use silicone treated eyeglass tissues to clean camera lenses as the silicone can damage the anti-reflection coating used on photographic lenses. Remember, it's better not to clean a lens than to do it improperly.

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The information given in this publication is for educational purposes only. Reference to commercial products or trade names is made with the understanding that no discrimination is intended and no endorsement by the Minnesota Agricultural Extension Service is implied.

Issued in furtherance of cooperative extension work in agriculture and home economics, acts of May 8 and June 30, 1914, in cooperation with the U.S. Department of Agriculture. Norman A. Brown, Dean and Director of Agricultural Extension Service, University of Minnesota, St. Paul, Minnesota 55108. The University of Minnesota, including the Agricultural Extension Service, is committed to the policy that all persons shall have equal access to its programs, facilities, and employment without regard to race, creed, color, sex, national origin, or handicap.

## ADVERTISING THAT SELLS

Ladd Conrad\*

Wouldn't it be nice to know that there is an easy formula to follow when advertising our tourism product? It would sure make us less apprehensive about spending our limited marketing budgets. In fact, most of us believe that word of mouth is our best advertising, and we're skeptical of any formula or any so-called advertising experts.

### Do Ads Really Work?

Some of the statistics the advertising industry has uncovered are distressing. Studies indicate that 95 percent of all ads don't work. The average consumer receives 1,600 advertising messages each day and remembers only nine. But of those nine, three are remembered negatively. Eighty percent of all advertising is forgotten within 30 days. Eighty-two percent of all advertising does not even ask the consumer for the order.

Why then, do we in the tourism industry bother to advertise? Probably because we can't take the chance of not promoting and because there is always the chance that it might actually bring in more business than the ad costs.

### Advertising Can Represent Opportunity

Advertising is a risk, but if you understand a few basic principles, those discouraging figures can be turned into a significant opportunity.

Why do some ads work? Let's test your savvy of effective advertising. The eight ads that follow were run during the same week, but in different editions of Time magazine. The ad seeks to encourage subscription to a new magazine. One ad outperformed another by almost a three to one margin. Can you determine the top three ads or the bottom two?

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\* Ladd Conrad serves on the Governor's Tourism Advisory Committee. He is currently President of Minnesota Metroland, the Twin Cities tourism region; account supervisor for Spangler/Fischer Advertising; former vice president of Kosmo Advertising; and marketing director for the Minnesota Zoo. Most clients he serves are in the industries of tourism, hospitality, attractions, and retail.



Before analyzing your answer, let's discuss the definition of advertising and a few rules that may make the problem easier to solve. I find the best definition is to liken advertising to hiring an impersonal salesperson to communicate and convince a logical prospect to try your product once.

Before you hire this salesperson, you must have a sales plan. You must define what you want this person to say, who to say it to, when to say it, and how much you will pay for a well-done job. Most small companies skip this step. Do you?

After you have a plan, you must determine why your company is different from your competitors. If it's not different, you'll have a difficult time attracting a larger share of the market. Every product has a point of difference. You just have to spend some time identifying it. Most small companies never analyze what makes them different. What is your company's difference?

The state of Minnesota positions itself as "10,000 lakes, and a whole lot more." Valleyfair positions itself as "The Biggest Day Around." Ford "Has a Better Idea." Minot, North Dakota is the "Magic City." Minneapolis is the "Red Carpet City." Disneyworld is the "Magic Kingdom." Some of these positioning statements work and some don't. But all have the same purpose: to try to differentiate themselves from their competition.

Your product is different from all others. Is it the first? The only? The biggest? The cheapest?

To position your product properly, you must be honest and real, you must appeal to your market, and you must talk about your product. Don't be trite or say something that others say or something that can't be substantiated. If you are the Magic City, your visitors better be able to tell what's magical about you.

### **Your Message, Your Money**

You must decide who your best markets are and where they are located. Most companies are afraid they will offend someone if they don't advertise to everyone, but the truth is that your product only appeals to a limited market unless you happen to be selling air. You cannot be everything to everybody. If you don't know who uses your product, find out the age and sex of those in your market, where they live, and what experiences they like. Pin your market down.

Finally, you have to decide what you want to communicate to your market about your product. Most companies pick out media before they determine who their market is and what their market is looking for. Does your market simply need to hear your name? Do they need to know your product features, or do they need to know why your product is different from the rest?

If you don't have a plan, plan to have one. There is more than a 90 percent chance that you are wasting your money if you haven't spent one day each year developing your plan. Include:

- \* your financial goals
- \* an environment review: economy, city (things beyond your control)
- \* changes in your product
- \* the market
- \* the trends
- \* the competition
- \* the price
- \* your strategy

- \* your tactic for PR advertising and sales
- \* your positioning

### Preparing a Good Ad

Once the plan, positioning, and budget are in place, creating the ad is the easy part. When creating your ad, keep these points in mind:

1. Have a clear understanding of your marketing objectives. (To increase fall business by 20 percent.)
2. Be sure your program has continuity. Don't change the ad, repeat it. All ads should fit together into a program.
3. Develop an overall image for your product.
4. Remember the importance of reach and frequency. Reach your best market as many times as possible.
5. Decide what your market wants to hear. (That you have rooms available or that you offer an escape?)
6. Tell them what they want to hear, but in a way they didn't expect to hear it.

The headline. Think about the vacation headlines so prevalent in the newspaper. Seven out of ten have the resort name as the entire headline. This is fine if you are only after those customers who know who you are, where you are located, and have been there before. But if you want new customers, this misses the mark.

To create a good headline you need to visualize your product and then write a clear, direct message. Determine what your product is and what advantages and benefits you offer to consumers. Decide what you are really selling:

- |              |              |
|--------------|--------------|
| room?        | relaxation?  |
| food?        | escape?      |
| health?      | possessions? |
| fulfillment? | pride?       |
| freedom?     | approval?    |

Through creativity, you can reach even mildly interested clients. A good headline might read:

"Can a man or woman my age become a hotel executive?"  
(This appeals to the old, but does not exclude the young.)

or

"Our loan population outnumbers our visitors 2 to 1."  
(If you were looking into vacations, wouldn't you  
have to read on to find out more?)

Remember these points when you write a headline:

1. Be careful to use motivating words, but words that don't discourage a potential portion of your market. Wilderness may not be a good word if you are after families who want some security and convenience.

2. Don't be trite. How many times have you read headlines that say "think spring" or "land of many seasons," or "family fun," or "discover us."
3. Don't use words that are meaningless.
4. Don't use words you can't back up.
5. Build a hook into the headline so the reader will want to continue reading.
6. Get to the point.
7. Keep it simple.
8. Let the copy flow directly from the headline.

The copy. There are many approaches, but a good one to follow is to state a consumer problem, make a promise, explain your promise, give proof, and motivate the consumer to action. Remember that the best copy does not appear to be selling.

Consider certain words that describe your product, such as:

best	number one
only	becoming the largest
closest	most convenient to
largest	

An example: "Here's one resort that keeps its cabins as clean as the air." (If your market is concerned about clean rooms, this line will work.) Price is always a good selling point.

The visual. The visual should reinforce your headline and copy. It should attract attention and reinforce the product. Photos sell best, but they are expensive. The photo should show your uniqueness, not what your competition looks like or what anyone can find anywhere.

### Which Ad Was Best?

Now that you're an expert in advertising, let's go back and review the eight sample ads. Have you changed your mind? Which are the top three?

Before you chose, did you ask yourself key questions, such as: Who is the market the ad went to? Who are the magazine subscribers? What year was it? What was on consumers' minds? Which ad positioned the product properly for the market?

If you asked these questions, the last few pages may have helped you. Now for the results. Using the responses for ad A as the base (100), the following relative scores were achieved based on coupon response.

A	100%	E	124%
B	236%	F	143%
C	144%	G	110%
D	88%	H	125%

Why did some ads do well? Even the experts don't know for sure, but some major points can be made. The best ads:

1. involved the reader.
2. addressed consumer needs.
3. used involving headlines.
4. portrayed specific issues.

The worst ones were visually boring and talked more about the magazine in general terms.

Whether you picked the "best" ad isn't important. What matters is that you used thorough marketing logic. Did you ask the right questions? Did you step back and ask what caught their attention and kept readers interested? Which ad went after the most obvious market and added secondary markets or groups?

Advertising does work if you go through the right steps. If you don't do the planning, however, your ad is not likely to work. Thinking an ad through can easily expand your marketing budget by threefold. Or, if you like, by good planning and product positioning, you could reduce your budget and be just as effective. Again, remember that marketing is like hiring salespeople. If they don't know what to say or who to say it to, their salaries are being wasted.

## DEVELOPING A POSITIONING STRATEGY FOR EFFECTIVE MARKETING

Will Goddard\*

Positioning is the process of placing yourself and your resort in a favorable position among the available alternatives for consumers spendable dollars. Positioning occurs in people's minds. It is a mental phenomenon that occurs first in your mind and then in the minds of those to whom you are marketing. You and your resort are perceived as a preferable choice.

Positioning is not what you do with your service. Rather, it is how you communicate to your prospective guests. That is, you position your service and your resort favorably to increase and ensure the chances of filling your resort and increasing your profit. It is a strategy to occupy a market segment or to capture your share of the market.

Positioning must begin with personal and business objectives. Your resort only exists because you decided on action to achieve goals that are important to you. That action is operating your resort. The goals can be freedom, independence, wealth, or whatever is important to your personal satisfaction.

Your business objectives are created to be consistent with your personal objectives and to serve as a vehicle for their fulfillment. Your business objectives convert your personal objectives into results that your resort is capable of achieving.

There are no rigid rules governing the development of business objectives, but certain components are necessary. You need to provide information about:

Your service: You need a complete and accurate description of what you are offering or "selling" to your guests. It may be luxury and elegance, or it may be basic recreation. Whatever it is, describe it completely.

Your market segment: Each resort has a model consumer who represents the optimum selling opportunity. Describing that individual is essential to sharpening the focus for your positioning strategy.

Your marketing plan: How you will reach your prospective guests is the function of this component. It need not be an elaborate description or organizational chart, but it should outline the primary methods of your advertising and marketing efforts.

Once you've defined and stated your personal and business objectives, you'll have a solid start toward developing a position strategy.

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\* Will Goddard is a freelance writer and photographer. His work has appeared in a variety of brochures, magazines, and trade journals, and includes work with resorts in Minnesota. He is owner of North Country Images in St. Paul, Minnesota.

## Determine Your Relative Standing

Where your business stands in relation to the rest of the resort industry determines your position. You must identify your competition. The competitive struggle is for the disposable dollars of vacationers. Your true competitor is anyone who can take consumer dollars away from you. That means that your competition includes those who sell personal computers, sports cars, swimming pools, or whatever else tempts consumers.

Once you identify who and what your competition is, you can develop a positioning strategy that offers emotional benefits that consumers will prefer to anything the competition is promising. This is called establishing preferential uniqueness.

To see where your resort stands in relation to the competition, you'll need to do some data gathering and market research. An analysis of your resort, the resort industry, and the markets should include:

- \* a concise, comprehensive history of your business
- \* identification of your services, market segment, and customer base
- \* resources needed to conduct business
- \* costs and comparisons to industry averages
- \* evaluation of your strengths and weaknesses in comparison to the competition and in respect to your ideal business
- \* your key success factors
- \* a description of the market scope
- \* an analysis of market demand
- \* a profile of major competitors

Once you've researched and studied your own resort, the resort industry, and the markets, you'll be well on your way toward developing a positioning strategy.

You'll need market research data in order to tailor your marketing efforts, define your markets, and concentrate on your market segments in concert with your eventual positioning strategy. You can now structure your marketing approach to appeal to the type of consumer you want as your guest. Once you've examined competitive marketing techniques, you can develop your own unique approach to marketing your resort.

When you actually formulate your positioning strategy, remember that you are attempting to appeal to a typical consumer or guest as determined by your market research. You want to satisfy their wants and needs rather than sell a product. In short, you are selling the results of an "experience" at your resort, not the resort itself. You need to concentrate on the benefits and results your potential guest wants: a better vacation or stay at your resort.

Your marketing message reaches your model customer mainly through advertising. The image you project to your potential guests is central to your whole positioning strategy. Unfortunately, many resort operators position themselves inadequately because they fail to present a favorable image to their markets. They don't position themselves in a competitive marketplace. They attempt to market their resorts by accident rather than by design.

## Seeking Professional Assistance

Devising and executing a positioning strategy often is more than an operator can handle. He has his hands full managing and operating his resort. That is why more and more resorters are using professional advertising assistance or a consultant to approach the marketing and positioning strategy from a perspective of experience and neutral observation and to lend a fresh approach.

You don't need to hire a high-priced ad agency. There are consultants available who can provide resort operators with excellent advertising and marketing advice and assistance. The services they provide range from brochure design and production to skillful use of various media.

Professional assistance can help you determine your positioning strategy. It can help you choose what to say, how to say it, and how to present it. Professionals can provide techniques for expressing your ideas effectively. Their experience and creative input will give solid footing to your positioning strategy.

Clever marketing requires the application of new ideas. Professionals can come up with a fresh format for presenting your marketing messages. They succeed by helping you succeed.

Clever marketing presents a sensory experience to the consumer. All aspects of your resort operation are involved: the services you provide, your advertising, your personnel, your management, your brochure, your boats, everything. They are all parts of an integrated whole that forms your positioning strategy. The successful operator is the resorter who has clearly established his position in the market.

## PACKAGE TOURS AND RESORTS

Catherine B. Schendel\*

A package tour is a saleable travel product that offers, at an inclusive price, several travel elements that otherwise would be purchased separately by a traveler. A tour package can include any or all of the following: lodging, sightseeing, attractions, meals, entertainment, car rental, and transportation by air, motorcoach, rail, or even private car.

A package tour has a predetermined inclusive price, number of features, and period of time. It also can offer additional optional elements that permit the purchaser to extend the length of the package or to purchase added features.

Generally, tours consist of lodging plus at least one of the following features that ordinarily are not provided free:

1. Transfers (usually considered transportation to/from the airport, train depot, or bus depot, and often facilitated in large cities by limousine service)
2. Car rental
3. Sightseeing
4. Entertainment
5. Admission to sports events
6. Meals
7. Use of recreational facilities

Not all these features need be included in your package tour, but at least one must be.

Here's one example: 7 days/6 nights at your resort with full use of the nearby municipal golf course, sailboats, and waterskiing equipment. Since additional fees are usually charged for golf and water activities, this inclusion permits you to advertise your offering as a tour. You will want to add in some costs for these activities, but, since guests normally pay each time they use these facilities, your new tour patron will have them at his disposal as frequently as he chooses with no extra out-of-pocket costs.

You need to be cautious when adding features, for people will try to break down the cost of a tour into separate parts. They will talk with other guests

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\* Catherine B. Schendel owns and operates her own travel consulting company, Catherine B. Schendel & Associates. She works with groups such as resorts and chambers of commerce in teaching them how to promote their area to senior citizens and to motorcoach groups. Schendel formerly was package tour specialist for the Minnesota Tourism Division and formerly was manager of charters, tours, and travel agency for Jefferson Lines in Minneapolis.

to see if they got a fair price for their tour. If the person paying the tour rate thinks he's paying more than guests who bought each of the parts separately, you will alienate the client and perhaps a travel agent.

It is to your advantage to have the person who purchases a tour package from you or from a travel agent think that he has somehow been frugal in his dealings, and that he couldn't have gotten as good a package on his own. Many inexpensive amenities can be added to tour packages to separate them from your mainstream clients and to make those who purchase them think they have received true value for their dollar.

### **Options/Features/Services**

Unlike features, which are included in the tour price, options are elements available to a tour patron at an additional cost. For example, your tour might feature lodging and a breakfast/dinner arrangement. An option, at an additional cost to the guest, would be lunch expenses. Or your tour might include lodging and 9 holes of golf per day. An option would be additional rounds of golf for a guest, at the guest's expense.

Options also can be unrelated to a tour package. If, for instance, your package offers lodging and transfers and breakfast/dinner daily, then some options could be car rental availability, fishing guides, guided hiking outings, or admission to a nearby celebration or music festival.

Options allow resort owners to make some additional money and provide genuine service to their guests. Depending on how you arrange options, you certainly can cover your costs with markups.

Services are arrangements available to your customers at no charge. One such service might be calling a babysitter to watch a family's children for the evening. Another could be arranging alternative lodging for friends of guests who arrive unannounced.

Options, features, and services all need to be specified in a public relations approach to writing your package tour. This is not the time to tell the public that dogs are not welcome or that you pay extra for additional linens in housekeeping units. Package tours need to be written from a sales perspective and need to present your property and your amenities as attractively and honestly as possible.

### **How to Sell and Market Your Package Tour**

One of the finest examples of package tours is the Colorado Ski Guide. Travel agents and airline representatives promote these tours equally energetically. The reason these tours work is that the ski areas in Colorado are well organized and make it easy for travel agents and airline representatives to book with them. Once a client decides to ski Colorado, for instance, an agent can help him/her decide on a specific area, often based on prevailing prices for lodging accommodations. One call to a central booking number, collect or toll free, confirms the reservation.

One misconception about travel agents is that they suggest to their clients where they might vacation. On the contrary, clients usually decide their desti-

nation and then approach a travel agent to finalize details and make recommendations for lodging or car rentals or airplane rates. Because this is true, it is unproductive to promote the interest of individual travel agents in an individual resort.

Step one in promoting any resort in Minnesota is to promote the Upper Midwest as a desirable vacation destination. The second step is to promote Minnesota. Step three is to promote a certain area of Minnesota. Only after each of these steps has been taken will a vacationer or travel agent be ready to consider an individual resort in Minnesota.

Fortunately, the Minnesota legislature has now apportioned the funds necessary to promote Minnesota to both the general public and to the travel industry. A good way to capitalize on the state's advertising dollars is to run advertisements in the publications in which the Minnesota Office of Tourism advertises. The state has done research to determine which publications are most likely to bring in new business. It can be to your advantage to use this knowledge and to use it in a well-organized fashion.

Familiarization tours (FAM tours) are complimentary or reduced-rate travel programs for travel agents, writers, tour operators, or airline employees that are designed to acquaint them with specific destinations to stimulate the sale of travel. Often the state operates FAM tours. Resorters who want to promote their property regionally, nationally, or internationally need to make their property available on a complimentary basis for short visits.

It is extremely difficult to promote individual resorts without a massive and persistent advertising budget unless resorts unite with a centralized booking number. Properties that are easy to book internationally are those that are used by travel agents.

In some instances, travel agents can best promote Minnesota resorts. Since travel agents work solely on a commission basis, it is essential to them to include airfares in the tours they arrange. This means that they work with people beyond driving distance to Minnesota resorts. Unfortunately, such people often are those who need to be convinced that Minnesota is a desirable vacation destination. Also, such people are interested in other national and international destinations, many of which are well established in the travel market.

The most effective campaign for promoting Minnesota resorts begins with a highly organized group of resorts with a detailed sales and marketing plan. This aggressive plan needs to be presented to the people at the state and through every other possible channel, such as the various national travel organizations, a creative advertising approach, upbeat brochures, and supplemental mailings to predetermined markets. This entire focus must be characterized by creativity, persistence, and willingness to get involved in an organized fashion.

### **Packaged Motorcoach Tours**

Motorcoach tours usually are made up of groups of 25-50 people who are traveling on a specific itinerary. Such tours are purchased through a retail travel agent, a wholesale tour broker, or a special operator such as someone from a local church or high rise apartment complex. Frequently, the entire group is made up of senior citizens who have special interests and eating requirements. Groups may have a common affinity or they may have totally unrelated interests.

Motorcoach tours can last from one day to more than three weeks, depending on the scope and price of the tour. With few exceptions, motorcoach group tours remain in one town for one night only. Exceptions are when such tours stop at:

1. Major metropolitan cities
2. Resort locations considered final destinations
3. Unique destination areas

### **Can My Resort Benefit From Motorcoach Tours?**

If your occupancy is at a level where you could use 25 rooms or more regularly and you are willing to break your rate to get these rooms, then the motorcoach tour market may be for you. Motorcoach tour operators realize that many properties have periods when reservations are extremely tight, such as during peak seasons. But these operators are far more likely to do business with a property if that property can take care of them (i.e., give them needed rooms at a discount) in busy as well as quiet times. Consideration should be given to the potential repeat business of the tour operator as opposed to a one-time convention, for instance.

The group motorcoach tour market normally is a discounted price market, which, because of the volume of business generated, receives a good percentage discount on retail prices. The operator needs these discounts to:

1. Pay travel agency commissions
2. Realize a profit himself
3. Keep the package attractively priced so that rates are less than the retail price the client would otherwise pay.

In most instances the property extends substantial discounts on room rates to group motorcoach operators in return for volume business. Higher discounts or fringe benefits are paid for greater volume business.

It is unnecessary to block an extensive number of rooms to have available to any group that happens to come along. Rooms need to be blocked once a final reservation has been made with a group and a deposit has been received. Since all people on the tour expect to receive the same attention and the same kind of lodging, it is unacceptable to a tour operator to split up the group with some at one property and the rest at another site. Tour patrons need to think they have received identical tour value or worth, and doubts arise when the group is separated.

### **How Do I Interest Tour Operators in My Property?**

Tour operators are looking for facilities that are located on or near their planned routing that will provide overnight accommodations, a place for dinner and breakfast, and, depending on when they arrive, some sort of evening entertainment where and when feasible. Entertainment may include hiking trails, bonfires, sing-alongs, bingo tournaments, or live entertainment such as a floor show. It is essential to know what attractions and points of interest are in your area so you can point out the benefits of stopovers at your property.

Tour operators receive many pounds of mail every day. If you decide to approach tour operators by mail, you'll need to individualize the package you send so that it gets opened and noticed. Be creative about keeping tour opera-

tors up to date on your area, and identify new attractions or activities for special interest groups to try.

Your best exposure to operators is through the National Tour Association (NTA), the American Bus Association (ABA), and the Travel Industry Association of America (TIAA). Additional information on these associations is available through the Minnesota Office of Tourism, which sends delegates to each of these conventions yearly. Your personal association with these groups will tell you about currently used itineraries and the kinds of stopovers and destinations most desirable to travel planners.

In soliciting the motorcoach tour group market, it is important that you:

1. Have a good sales plan.
2. Be persistent: Don't give up after only a few attempts or just one year of trying.
3. Be as creative as possible.

### **What Are the Logistics in Servicing a Motorcoach Tour Group?**

The tour operator will provide, in writing, the following information:

1. Name of the group
2. Total number of rooms needed (and the breakdown of singles, twins, triples, and quads)
3. Arrival and departure dates and times
4. Meal information
5. Any special requests

The resort should confirm, also in writing, the following information:

1. Costs for rooms, meals, baggage handling, tips, and taxes. Specify whether the rates are net or gross and the percentage of commission paid on a gross rate.
2. Complimentary policy, if available, for escort or bus driver. This policy may include rooms or meals or special treatment.
3. Your credit policy. Use common sense and acceptable business practices in establishing appropriate credit procedures. For instance, you may have a more generous policy for those operators who have established themselves with you and a less generous policy for new clients.
4. Your reservations policy, including your booking followup. Check with the tour operator 90 days before arrival, again at 60 days, and again at 30 days to avoid any surprise cancellations.
5. Cancellation and deposit refund policies. It will not seem unusual to an operator to forfeit a certain percentage of his advance payment or any or all of his deposit if he cancels the tour. The percentage you determine to use needs to be higher the closer to the arrival date that the operator cancels.

Rooming lists generally are due at the property 7-10 days prior to arrival. Upon receipt of the list, the resort assigns rooms and gives a copy of the list to the front desk, the baggage handlers, and the telephone operators.

## **What Role Does the Escort Play?**

The role of the tour escort is crucial. Upon arrival the escort will proceed to the front desk (while the passengers wait on the motorcoach) and review with the resort personnel any changes and corrections to the previously forwarded rooming list. Keys are turned over to the escort to be distributed to the passengers. A baggage handler will mark the baggage tags so that luggage can be distributed to the rooms as quickly as possible.

The escort or director is like the captain of a ship. He or she is running the entire show, and all resort personnel involved in servicing the tour should check with the escort regarding any problems, questions, changes, or suggestions.

At checkout time the escort will check the bill carefully and then sign it. The escort will see to it that any additional individual charges (such as personal phone calls or room service) are paid by the passenger responsible. If the tour company uses a voucher system, the escort will see that the voucher agrees with the resort charges before leaving. (Tour vouchers are pre-signed vouchers by the tour company assuring payment as approved by the tour escort. They are used extensively by major bus companies. With a voucher system, resort refunds are then remitted directly to the company rather than to the escort.)

## **What Special Services Can I Offer to Help the Group?**

The resort should provide the group with a full complement of information about the property and about the area. If possible, a resort representative should greet the motorcoach and brief the group on the property, its services, restaurants, shops, newsstands, etc. This representative can then distribute informational packets and perhaps even complimentary postcards of the resort to send to the folks back home.

It is equally essential to promote the entire surrounding area. Failing to do so may cause guests to decide to visit another more exciting area another time.

Other services a resort can provide include: brief local tours (using local guides), maps and information for walking tours, informative films or slide shows, information on different kinds of restaurants, and a complete listing of area churches and their schedule of services.

Both the tour operator and the motorcoach driver need to know the following:

1. Where to park the bus
2. Fuel availability
3. Where coaches can be cleaned and serviced
4. Mileage and time to various destinations
5. Route recommendations

An initial service you can offer the tour operator is that of strict confidence about your rate schedule. Fully explain this confidentiality to any of your employees who have access to this information. Also, remind the tour operator of this private communication.

## **Followup for Billings**

The tour operator and resort manager should have a clear understanding regarding billing. Prior arrangements should have been made regarding payment, whether by

voucher, travel order, cash, or check. At checkout time, the bill is presented to the escort. It should be as simple as possible, explaining fully every charge. The tour escort must sign the master account before departing.

All billings should be paid within 30 days after receipt; this needs to be clarified in writing before the group arrives. Complete and accurate billing speeds your bill through an accounts payable audit. Meals need to be included in a separate billing.

Followup calls and questionnaires directed to the tour operators are a good idea. Such an approach offers you an opportunity to find out how you could improve your services another time. It also might give you some suggestions on how to solicit additional motorcoach business more efficiently.

### **Who Can Organize/Arrange a Motorcoach Tour?**

The motorcoach industry has now been deregularized. Official designated tour brokers are no longer the only people eligible to organize and operate a motorcoach tour. Today, motorcoach tours also can be arranged by bus agents, travel agents, tour operators, and packagers. Essentially, anyone can now organize a group, plan an itinerary that is either intrastate or interstate, and arrange accommodations and activities.

Many people see the operation of a motorcoach tour as a quick way to make a dollar. Competition currently is fierce, as established operators compete with cut-rate operators. Competition makes the medium-size resort in Minnesota more and more attractive to operators because of the price resorters can now offer.

This intense competition also has led to a flood of available tour options. Consequently, a large percentage of tours get cancelled for lack of support. If a tour operator cannot get at least 30 people on a tour, it usually is unfeasible to run the tour. Many companies quickly become known as "cancellation" companies. Be aware of such companies when extending credit or arranging cancellation confirmations.

It is important to take whatever steps are necessary to protect your resort from last minute cancellations, especially when those cancellations represent a substantial number of rooms. It is best to clarify, at your first contact, what kind of travel planner the caller is. Senior citizen leaders, for instance, do not usually get paid a commission, but often receive a complimentary room for organizing the tour and for choosing your property. Wholesale operators and travel agents, however, insist upon a 10-15 percent commission. Higher commission rates, called overrides, are necessary or desirable when soliciting initial business for your property.

Following these tips and guidelines can help you decide if package tours have a place in your resort.

### **Definitions You Should Know**

#### **Travel Agency Definitions**

**Commission:** The amount, which may vary, a travel agent receives from the supplier for selling transportation, accommodations, or other services.

**Commissionable rate:** A rate quoted by a resort or other facility from which the agent may deduct or upon which the facility will pay a commission.

Commissionable tours: A tour available for sale through retail and wholesale travel agencies, which provides for a payment of an agreed upon sales commission either to the retail or wholesale seller.

Fully appointed travel agent: A travel agent who has received official recognition from the major airline, steamship, and railroad conferences. Such approval normally is required before an agent is eligible to receive commissions from the individual carrier members of the conference(s). If a travel agent is not fully appointed, you may not be required to pay him/her a commission.

Net group rate: A wholesale rate for group business (usually a minimum of 10-15 people) to which an agent may add a markup, if desired.

Net rate: A wholesale rate to be marked up for eventual resale to the customer.

Net wholesale rate: A rate usually slightly lower than the group or wholesale rate, applicable to groups or individuals when a resort is specifically mentioned in a tour folder. This rate is marked up by the wholesale sellers of the tour to cover distribution, promotion, and retail commission costs.

Override: An extra commission, sometimes called an overriding commission.

Airlines pay overrides on ticket sales made in conjunction with air tour sales.

Wholesalers pay them as bonuses for volume business. Suppliers (such as resorters) pay them to provide a profit margin for wholesalers who must themselves pay commissions. Resorters also may pay them as a volume incentive to wholesalers.

#### **Room Definitions for Resorts**

Twin: Room with two beds, regardless of the size of the bed.

Single: Room with one bed, usually double-sized.

Double: Same as single.

Twin Double: Room for two people with two double beds.

Double Double: Same as twin double.

Triple: Room for three people, usually with two double beds.

Quad: Room for four people, usually with two double beds.

**FINANCIAL MANAGEMENT**

**GROUNDS MANAGEMENT**

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## **FINANCIAL MANAGEMENT**

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## FINANCIAL MANAGEMENT AND ANALYSIS

Bud Crewdson\*

Most resorts like to be classified as formal businesses; that is, as profit seeking enterprises or concerns but, many resorts are finding their profit expectations difficult to obtain, and management emphasis may be partially to blame. A resort, like any business, can be managed as an activity engaged in primarily for pleasure and not for financial gain, or it can be managed as an activity engaged in as a means of livelihood and for the financial benefit of the owner(s).

Two primary managerial functions of any business are the operational and the controlling functions. Operational functions concern overall knowledge of the business, the operations, and how, when, and where each function is performed to achieve customer satisfaction. Controlling functions concerns the financial affairs of the business; i.e., achieving profits. Enjoyment of the operational function is one of the most frequent reasons given for being in the resort business. The interaction with people and working on physical problems are more fun than keeping records and pushing numbers. However, if management participates in the operational aspects of the business at the expense of the controlling function, it is not difficult to understand why many resorts are struggling or failing.

Studies have found a close relationship between business failures and inadequate records for resorts and many other types of businesses. Lending institutions are requiring more complete and accurate financial information during times of high interest rates, high costs, increasing failure rates, and the intense competition among resorts. Some lenders are failing because of poor lending policies and are having to make their own adjustments. This usually means those asking for financing are going to have to be more precise in justifying that need and the potential for repay.

Keeping records is tedious. Many people set it aside or do it only when an emergency arises. Unfortunatley today's competition requires something better. Taking a professional approach; managing as a means of livelihood, and elevating the controlling function as the major concern of the business.

Every owner wants their business to succeed, but current business conditions place a premium on record keeping and knowing financial records. Even if an outside accountant or bookkeeper is hired, someone in the business must be able to track progress and translate financial data into decisions that will help meet tax and legal obligations, obtain financing, and permit adjusting to the changing wants and desires of the consumer. Success will hinge in a large part on the ability to interpret and use financial data to adjust business operations.

### Keeping Records

Recordkeeping systems do not have to be overly complex, but they do have to meet the needs of the individual firm. Bills should not be paid out of the cash

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register with no printed records or with transactions just recorded on pieces of scrap paper. Invoices, receipts, time slips, and other bills should not put in a shoe box for the bookkeeper to go through once a week or month! Even more important, business and personal financial records must be maintained as separate records.

Mixing business and personal records is one of the major problems in the industry. It frequently creates major family problems, problems with IRS and state tax officials, but even more so when it comes time to sell or transfer the property. True value cannot be expressed or validated without major repercussions from state or federal (or both) tax authorities. Who wants to buy a property that has no verified potential?

A simple recordkeeping system should provide the information needed to:

1. Have a complete and accurate record of all transactions.
2. Provide protection of assets from errors, fraud, and carelessness.
3. Build a financial data base for analyzing past performance and for planning for the future.

Overly detailed records kept too long can lead to confusion and can be costly to store and maintain. The system selected should be easy to operate and understand and should be flexible, with repetition kept at a minimum.

All transactions should be recorded when they occur so they will not be lost or forgotten. Transactions include purchases, sales, orders, services you acquire or provide, and all other income or expense transactions. Accuracy is important because tracing errors is time and dollar consuming.

### Cash Flows

You and the lenders you deal with have to be concerned about cash inflows and outflows. Those are the processes that keep a business running. Cash flow, however, does not indicate what the profits are and does not equal profits. Summaries of cash flow should be done daily and summarized monthly. An annual summary should also be done to highlight the financial condition of the firm.

A daily cash receipts summary might look like Table 1. An annual summary of cash flow might look like Table 2.

### Financial Statements

There are two important indicators of business fitness that a cash flow summary does not explain. They are the profit and the financial condition of the asset-liability status of the firm.

Profit is the difference between total sales for the year and all expenses for making the sales and running the business. In Table 1, there is cash received from a bank loan that was not revenue from sales and therefore does not reflect a true picture of the profit. You must be alert to these transactions.

Cash receipts and disbursement summaries do not reflect the asset-liability conditions of the business. Various financial statements such as the income statement and the balance sheet are reports designed to summarize business activities. The balance sheet reflects what is owned and owed and reflects

Table 1. Daily Cash Receipts

	Date _____
<u>Cash receipts</u>	
Sales to customers	_____
Received on account	_____
Loan from bank note	_____
Other	_____
 Total receipts	 _____
<u>Cash on hand</u>	
Cash in register(s)	_____
Coins	_____
Bills	_____
Checks	_____
 Total cash in register(s)	 _____
Petty cash slips	_____
 Total cash	 _____
Less petty cash fund total	_____
 Total all cash	 _____
Cash over	_____
Cash under	_____
Total sales:	
Cash sales	_____
Credit sales	_____
 Total all sales	 _____

owner wealth at a specific time (see Table 5). The income statement records revenues versus expenditures and reflects the flow of wealth between two dates (e.g., January 1, 1984 to December 31, 1984).

#### Income Statements

The income statement details revenue and expenses over a period of time and the resulting profit or (loss). The statement in the following hypothetical Example 1. (Table 3.) is for a resort operation that rents cabins and has a marina-fishing-bait service.

Table 2. Annual Summary of Cash Receipts and Disbursements

<u>Cash receipts</u>	For period to _____
Products and services sold	_____
Loans	_____
Total cash receipts	_____
 <u>Cash Disbursements</u>	
Purchase inventory for resale	_____
Operating expenses	_____
Interest on loans	_____
Income tax	_____
Purchases, plant & equipment	_____
Total disbursements	_____
Increase (or decrease) in cash balance at year's end	_____

Note! When making deposits of cash at the bank, always obtain a stamped deposit slip from the bank as verification for the deposit. Moreover, do not fail to reconcile your checking account each time the bank sends a statement and the cancelled checks. Do it as soon as possible, so you can locate errors and simplify the process.

In Example 2. that same resort has added a food service to generate more income from that profit center. Each of the profit center(s), including the cabin rentals, maintains separate records so it can be determined what is happening within that profit center and if it is a "profit" or a (loss) center.

If these brief examples were in detailed form, an income statement would be prepared for each profit center. There would be separate statements for the marina operation and the food service with the cost of goods sold maintained separately.

Operating expenses would be detailed. Needed is a list of variable expenses that happen as a result of doing business and the portion of fixed costs that can be attributed to each of those operations. Fixed costs such as land, buildings, real estate taxes, and depreciation are also to be listed.

In terms of analysis, when, as in Table 3. each category is shown as a percentage of total income, it becomes easy to see what changes occur in all areas of the business, especially when comparing income statements for different periods. Done monthly, such comparisons permit rapid adjustment to changing conditions.

Table 3. Income Statement

For Period \_\_\_\_\_, 19\_\_ To \_\_\_\_\_, 19\_\_  
 (this is an example only and the figures are not based on actual data)

<u>Income</u>	<u>Percent of Total Sales</u>
Cabin Rentals (cabin rentals are a service business so there is no cost of goods sold but instead, operating expenses)	90
Profit Center(s)	<u>10</u>
Total Sales	100
less cost of goods sold in profit centers	
Gross Profit	
 <u>Expenses</u>	
Operating Expenses includes living expenses(draw) for owner/manager	
Taxes, Interest, & Depreciation	
Return to Equity	
Return to Management	

If the portion of total income from profit centers declines or increases as a contributor to total sales from one period to another, it means you should be looking at each profit center to see how it has changed from one period to the next. Are the costs of goods increasing, operating expenses allocated to that center increasing, or are prices too low to return a profit?

The income statement also can be used as a planning instrument. Learn from trade studies, university research, and by talking with others in the business. Just what are operating expenses as a percent of sales, gross margins as a percent of sales, or net profits as a percent of sales. Once you learn those figures you can do some forecasting and prepare a pro-forma (forecasted) income statement to help evaluate different adjustments before they happen.

The following is an example of a pro-forma income statement and how it is prepared. The data used are not real nor are they based on any research. There was no real data available. The purpose of the example is to demonstrate the PROCESS of how to do a pro-forma statement.

There are a number of methods for making forecasts but none are better than using actual data from your own operation. If you do not have those data then another business similar to yours might be willing to share or a local lending agency may have it.

This example will use the following assumptions:

1. This resort has 12 cabins that rent for \$400 per week.
2. The season is 18 weeks.
3. Cabin rentals account for 90% of total revenue.
4. Profit center(s) contributes 10% to total revenue.
5. The average margin (margin as a % of selling price) of goods sold in the profit centers is 31%. (This means that 69% of total profit center revenue is equal to the Cost of Goods Sold for that profit center).
6. Taxes, Interest and Depreciation = 20% of total revenue.
7. You have \$100,000 equity in the resort and need 8.5% return on that \$100,000 since that is what you could receive if that money were invested elsewhere.
8. You expect a return to management of 9%.

Example 1.

	<u>Occupancy</u>	
	<u>100%</u>	<u>75%</u>
Cabin rent (12 x \$400 x 18) (9 x \$400 x 18 for 75%)	\$86,400	\$64,800
Profit center(s)	<u>9,600</u>	<u>6,480</u>
Total Revenue	\$96,000	\$71,280
less Cost of Goods Sold	<u>6,624</u>	<u>4,471</u>
Gross Margin	\$89,376	\$66,809
Operating Expenses (includes owners draw)	53,036	38,038
Tax, Interest, Deprec.	19,200	14,256
Return on Equity	8,500	8,500
Return to Management	<u>\$8,640</u>	<u>\$6,015</u>

Example 2.

This example uses the same assumptions but cabin rentals account for 70% of total revenue and profit center(s) 30%.

	<u>Occupancy</u>	
	<u>100%</u>	<u>75%</u>
Cabin rent (12 x \$400 x 18) (9 x \$400 x 18 for 75%)	\$86,400	\$64,800
Profit center(s)	<u>37,029</u>	<u>27,771</u>
Total Revenue	\$123,429	\$92,571
less Cost of Goods Sold	<u>25,550</u>	<u>19,162</u>
Gross Margin	97,879	73,409
Operating Expenses (includes owners draw)	53,585	38,064
Taxes, Interest, Deprec.	24,686	18,514
Return on Equity	8,500	8,500
Return to Management	<u>\$11,108</u>	<u>\$8,331</u>

Calculation procedure for the above examples:

12 cabins x \$400 rent per week x 18 week season = 100% occupancy  
12 x \$400 x 18 = \$86,400

Profit center contributes 10% to total revenue so cabins = 90% of total revenue.

total revenue = \$86,400 divided by .90 = \$96,000

Profit center revenue = \$96,000 - 86,400 = \$9,600  
or, \$96,000 x .10 = \$9,600

Total revenue = \$86,400  
                  9,600  
                  \$96,000

Cost of goods sold in the profit center(s)

Markup over cost of goods sold in the profit center(s)  
averages 45% which is equal to a 31% margin of selling price.

The margin then is \$9,600 x .31 = \$2,976

Cost of goods sold is \$9,600 - 2,976 = \$6,624

You can determine your markup over cost by dividing \$2,976 by the cost of goods sold, \$6,624 which = 45%

You can also determine Cost of Goods Sold by using 69% which is the cost of goods sold related to the margin over selling price.

Cost of goods sold using this method; take 69% of profit center sales to obtain Cost of Goods Sold. \$9,600 x .69 = \$6,624

Gross Margin = total revenue less cost of goods sold.  
\$96,000 - 6,624 = \$89,376

Tax, Interest, Depreciation = 20% of total revenue.  
\$96,000 x .20 = \$19,200

Return on Equity = \$100,000 x .085 = \$8,500

Return to Management = \$96,000 x .09 = \$8,640

Operating Expenses = Gross Margin - (taxes, etc) - (return to equity) - (return to management).

Operating Expenses = \$89,376 - \$19,200 - \$8,500 - \$8,600 = \$53,036

A Variation for Estimating:

You know you need \$19,200 to cover taxes, interest and depreciation and that it usually is about 20% of total revenues. To find total revenues, then divide \$19,200 by .20 (20%) = \$96,000.

You may also know you need a return to management of \$8,640 for some specific reason and you want to determine how much revenue you need to generate to achieve that. Since you know that will be about 9% of total revenue then \$8,640 divided by .09 (9%) = \$96,000

Operating expenses as a percent of total revenue based on your own operation, industry standards or other sources can be used as a direct calculation rather than the residual method in the Examples 1 & 2 above. For example: if you knew that operating expenses needed were to be 55% of total revenue then \$96,000 x .55 = \$52,800 for operating expenses.

The above values are only used to be consistent with the examples. You can use any you want and the same procedures will work.

By constructing a pro-forma income statement, you can "what if" by changing values to learn what effect those changes may have on your business before having to wait for the results. It is best to make a forecast of what you think is most likely to happen in the coming year. Then, make another forecast which reflects a down-turn in business of 20% or 25% or some other figure so you will know what the impact is on the business. Be as realistic as you can about where the decreases will occur and what you would do if it should happen. Also do a third forecast indicating an increase in business so if that should happen you will know how to adjust for it.

### Breakeven Analysis

When generating an income statement, separating the variable expenses from the fixed expenses provides information for further analysis. Breakeven analysis is useful for many firms. It is that point at which total income is equal to total costs; there is neither a profit nor a loss. You must have the fixed costs and variable costs separated. Fixed costs are those that do not vary with the volume of business. They include such things as management salaries and real estate taxes. Variable costs fluctuate in direct proportion to output. The greater the volume of business, the higher are the total variable costs. Such costs commonly include employee wages, costs of goods sold, and items like linens for cabins and cottage cleaning supplies.

Determining the amount of sales required to break-even can be accomplished with this formula:

$$\text{Breakeven} = \frac{\text{fixed expenses}}{(100\% - \text{variable costs as percent of sales})}$$

If there were fixed expenses of \$25,000 for the year and variable costs were 40 percent of income for the year, with an average cabin rental of \$400 per week, variable costs per cabin would be \$160 per cabin rented.

$$\text{Breakeven} = \frac{\$25,000}{100\% - 40\%} = \frac{\$25,000}{60\%} = \frac{\$25,000}{.60} = \$41,667$$

This means that \$41,667 in cabin rentals are needed to break even if cabins rent for \$400 per week. That means 104 unit-weeks of rental to generate the \$41,667.

$$\frac{\$41,667}{\$400} = 104$$

An 18 week season means that there must be an average of 5.78 cabins rented for each of the 18 weeks.

$$\frac{104}{18} = 5.78$$

With 12 total cabins the occupancy rate would be 48%.

$$\frac{5.78}{12} = .48 \text{ or } 48\%$$

If your costs are such that the variable costs per cabin have to remain at \$160 per cabin and you decide to lower rates to \$350 per week then the variable cost rate will increase from 40 % to 46%.

$$\frac{\$160}{\$350} = .46 \text{ or } 46\%$$

That changes things: Breakeven =  $\frac{\$25,000}{.46} = \$54,348$

Unit weeks =  $\frac{\$54,348}{350} = 155$

An 18 week season average per week would be:

$$\frac{155}{18} = 8.6 \text{ cabins per week}$$

With 12 cabins, the occupancy rate would have to be:

$$\frac{8.6}{12} = .72 \text{ or } 72\%$$

Or you can calculate it:

$$18 \text{ weeks} \times 12 \text{ cabins} = 216 \text{ unit weeks if full}$$

$$\frac{155}{216} = .72 \text{ or } 72\%$$

Breakeven analysis can be used to determine the effects of changes in fixed expenses such as air conditioning or remodeling. Variable costs can be changed by altering such items as employee wages and prices paid for such things as tissue and cleaning supplies while measuring the impact on room rates and occupancy rates. You can "what if" changes prior to actually doing them to determine the impact on your business.

## Balance Sheets

The balance sheet records the total assets, liabilities, and net worth of a business as of a specific day. That day often is the last day of the period ending for the income statement. This statement is a summary of what is owned and what is owed.

The balance sheet is based on the fundamental accounting equation of assets = liabilities + equity or, if transposed, assets - liabilities = equity. This accounting equation is based on the principle that each transaction has a double effect; if there is an increase or decrease on one side of the equation, a similar action must take place on the opposite side. Both sides of the equation must balance. Table 4 is an example of a balance sheet.

## Operating Standards

There are firms such as Robert Morris and Associates and Dun and Bradstreet, various trade associations, research organizations, and lending institutions that have compiled financial records and developed ratios for various types of businesses; often by size. These calculations are for numbers of each type of firm so the averages are reasonably fair indicators of the "typical" business in that area. Since all firms are different, even in the same business, operating standards and ratios are the only way these firms can be evaluated or compared with any degree of accuracy.

The ratios below are typical, but not all inclusive of those that are calculated. These firms also analyze income statements calculating as a percentage of total revenue the operating expenses, gross margin, other expenses and net profit. Balance sheets also are analyzed with standards developed by category for total assets, and another set for liabilities and net worth.

Some common ratios:

### Asset Management Ratios

$$1. \quad \text{Inventory turnover} \quad - \quad \frac{\text{cost of sales}}{\text{inventory}}$$

Times inventory has been turned over (the more the better)

$$2. \quad \text{Accounts receivable turnover} \quad - \quad \frac{\text{sales}}{\text{accounts receivable}}$$

Times accounts receivable paid off during the period.

$$3. \quad \text{Days sales in receivables} \quad - \quad \frac{360}{\text{acct. rec. turnover}}$$

Is average length of collection period for receivables.

Table 4. Balance Sheet

Balance Sheet  
as of \_\_\_\_\_, 19\_\_

<u>Assets</u>		<u>Liabilities</u>	
Current assets	\$5	Current liabilities	\$5
Fixed assets	10	Long-term liabilities	<u>10</u>
Other assets	<u>15</u>	Total liabilities	15
Total assets	<u>\$30</u>	Equity	
		Owners equity	<u>15</u>
		Total liabilities and equity	<u>\$30</u>

Definition of balance sheet terms:

Assets - anything owned or legally due the firm under this heading.

Current assets - cash and resources that can be converted to cash in one accounting cycle or in less than one year.

Fixed assets - usually capital assets or long-term assets not intended for resale.

Other assets - others not listed above.

Liabilities - money owed by the firm or claims of creditors on the firm's assets.

Current liabilities - debts payable within 12 months or one accounting cycle.

Long-term liabilities - notes, mortgages, etc., due over a period exceeding 12 months.

Equity (net worth) - claim of the owner(s) on the assets of the business.

Common current assets are: cash, accounts receivable, inventory, short-term investments, pre-paid expenses.

Common current liabilities are: accounts payable, short-term notes, current portion of long-term notes, interest payable, taxes payable, and accrued payroll.

Common equity listings: capital stock, retained earnings.

## Profitability Ratios

1. Return on revenue(sales) =  $\frac{\text{net profit}}{\text{revenue}}$

Profitability of all operations of the business. The percentage of each dollar of sales remaining after all costs and taxes.

2. Return on equity =  $\frac{\text{net profit}}{\text{net worth}}$

Earnings generated by the capital invested.

Comparing the ratios of your business with industry standards provides a comparison with competitors and indicates where adjustments might be made to increase profits. A major problem for the resort industry is that there is not a standard industrial classification code for resorts. The closest is SIC #7011, which is for motels, hotels and tourist courts. Large resorts that are nearly hotels and that generate high sales will find these ratios of more value because of operational similarities.

Unfortunately, there are few standards for small resorts. Unless universities or other researchers have studies analyzing resort records to develop standards, there are for the most part few current ratios available. Using out-dated ratios raises the risk factor and reduces the effectiveness (accuracy) of your planning judgements.

The best comparisons that have meaning for an individual resort are ratios calculated from the firm's own accurate records for the past two or three years to identify changes and where they occur.

### Summary

Keeping accurate records is becoming more important as competition among resorts grows. The owner who intends to stay in business has little choice but to become familiar with financial records and how to use them.

Using bookkeepers and accountants can be cost effective for even the small firm. Part-time recordkeeping help will free you from tedious recording work and leave you time for interpreting the statements analyzed. It provides time to plan and try your adjustments on paper rather than implementing them and hoping they work.

Controlling the operation of a business to increase owner equity is becoming more difficult as consumer preferences for use of leisure time change. Businesses flexible enough to change and satisfy those consumer wants and desires will remain in business. Sound financial management practices help to make success possible.

There are numerous sources of information and assistance available from libraries, commercial bookstores, universities, trade associations, the U. S. Small Business Administration, and the Small Business Development Centers usually located at institutions of higher education. You can obtain publications from these sources to assist you in learning, interpreting, and practicing how to implement financial management practices for your business.

## **PRICING STRATEGIES FOR RESORT BUSINESSES**

Lawrence R. Simonson\*

One question resort operators frequently ask is how they can best price the product they're selling. Some resorters say they find out what neighboring resorts are charging and judge their quality and market appeal accordingly. Some indicate they charge what they think the traffic will bear. Others start with the rate base charged when they took over the resort and raise rates annually, somewhat in step with inflation. Still others, and in increasing numbers, set rates based on costs and expected returns. This last system is the most businesslike and should be the method used. Before considering this method, however, you need to ask yourself some questions:

1. What objectives have you set for your resort?
2. What are your long-term marketing plans?
3. In your own analysis, what is the condition and quality of your resort?
4. What has been the history of rental rates at your resort and in the industry?

### **Setting Your Objectives**

The objectives of resort owners probably are as diverse as the owners themselves. Objectives resorters name include "investment," "way of life," "retirement income," and "business opportunity." Many owners have multiple and changing objectives. Even if "way of life" is your highest priority, it is still important to generate adequate cash flow so that you can pay bills and increase your equity. You and your family (and possibly your banker) are the only ones who can clearly state your objectives for the resort. Objectives need to change over time as improvement, changing size, market conditions, or pricing changes.

### **Long-Term Marketing Plans**

A major thrust of this resort manual deals with marketing. The reason for commenting on it here is that pricing and marketing are interwoven. You must know

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your present market and be able to estimate whether that market or a new market is able and willing to pay for your product if you significantly change your resort product or price. Planning, carrying out, and evaluating your marketing program should be considered in developing your pricing strategy.

### Know Your Own Product

It is difficult to analyze your own resort objectively, but setting pricing goals depends to a major extent on the product you offer, where it is located, and the clientele you now serve or plan to serve. Pricing strategies must be appropriate to what you are selling and to whom you are selling. One objective way to try to evaluate your resort's quality is to visit similar resorts in your area or in other areas. Many resorters are glad to show you their facilities and discuss their own pricing strategies with you, providing you make appointments with them ahead of time. Another approach is to consult with people familiar with a broad range of industry facilities such as Chamber of Commerce executives, regional tourism association staff members, resort association officers, or county, area, or state extension staff personnel.

You may wish to develop a rating sheet for quality evaluation to refer to during planning. It might include the items listed below.

#### Physical plant: exterior

Signing program: on site and highway

Entrances: appearance, safety, views, absence of distractions

Grounds maintenance: neatness, floral displays, tree cover, absence of poisonous plants, all-weather walk-ways

Beach quality: safety, accessibility, cleanliness, water quality, facilities offered

Utilities: absence of odors, screening as appropriate, power lines concealed or unobstructive, adequacy for capacity, adequate outdoor lighting

Parking: well defined, drained, shaded if possible, visibility

Buildings: condition of paint, roofs, unity of facilities (theme)

Playground equipment: condition, safety, appropriateness to guests, uniqueness

Boats and motors: cleanliness, condition, matched fleet or a hodgepodge

Docks: safe and weather secure

#### Physical plant: interior

Windows and doors: fit and operation ease, insect screening, privacy provisions

Decor: appropriate to "theme," use of natural materials, no visible water leaks

Floor and wall coverings: comfort, cleaning ability, appropriate color scheme, visible wear patterns, natural materials, scenery wall pictures

Furnishings: comfort, cleanliness, appropriate to theme, condition of fabrics, unified dishes and cookware, adequate for capacity

Bedding: comfort, cleanliness, unity for the unit, worn or torn items

Other: clothing and recreation equipment storage and drying out place, privacy in bedrooms, spaciousness of units, safe and functional heating system, good lighting with provision of a reading center  
Bathrooms: cleanliness, lighting, outlets for shavers and makeup kits, decor, workability of equipment, privacy provisions  
Lodges, gamerooms, etc.: carry out resort theme, furnished and equipped to accomplish role of resort  
Food service: reflects quality and theme of resort at level being offered

Clientele and marketing considerations (see marketing sections for more complete ideas).

Brochure: appropriate, up-to-date, truthful, sales appeal

Clientele: records include all known data about guests:

- \* Why they come, party size and ages, where they're from, how they found out about you
- \* Activities they engaged in while at your resort, facilities away from resort they used and enjoyed while vacationing
- \* Expressed likes and improvement suggestions for your resort

### Rental Rate History and Industry Trends<sup>1/</sup>

It may prove useful to chart over the past few years the rental rates charged at your resort for typical cottages and other facilities or services. Contrast the rates charged with inflation rates for services as measured by the consumer price index, which changed by approximately 50 percent from 1979 through mid-1984 (the past five years).

In comparing your changes with the CPI changes, keep in mind that these figures represent inflation only and do nothing to compensate for quality changes, additional or reduced services, and outside the resort influences. These too need to be compensated for, either positively or negatively, as appropriate.

The Agricultural Extension Service has done two pricing studies on Minnesota resorts and campgrounds. These have been reported to the industry through Minnesota Tourist Travel Notes.<sup>2/</sup> Only a few of the most important statistics are reported here. A word of caution is in order: pricing adjustments should never be made based just on industry averages. Such averages should be only a checkpoint to see how you are pricing in comparison with the industry. To set rates according to these averages would be ignoring the diversity and quality of your resort in contrast to others. The figures reported in tables 1-3 are from a large sample of resorts across the entire state. The inflation factor (50 percent) is approximately the CPI increase from 1979 to mid-1984.

In considering the effects of inflation on your operation, keep in mind that some of your costs may exceed (or lag behind) inflation. In most cases, energy costs probably have exceeded inflation, although that trend now seems to

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<sup>1/</sup>This article does not attempt to describe discount or off-season rates.

<sup>2/</sup> For details see Minnesota Tourist Travel Notes, Vol. 18, No. 1.

Table 1. Average weekly rates for modern, two-bedroom cottages

Tourism region	Small resorts (fewer than 8 units)		Inflation adjustment (50%) 1984	Large resorts (8 or more units)		Inflation adjustment (50%) 1984
	1973	1979		1973	1979	
Arrowhead	76.25	129.40	194.10	88.17	156.47	234.00
Heartland	76.29	119.13	178.70	94.40	150.59	225.88
Vikingland	78.75	125.57	188.35	96.78	131.45	197.17
Southern regions	79.59	128.57	192.85	91.94	140.56	210.84

Table 2. Average charge per week for extra person in cabin

Tourism region	Small resorts (fewer than 8 units)		Inflation adjustment (50%) 1984	Large resorts (8 or more units)		Inflation adjustment (50%) 1984
	1973	1979		1973	1979	
Arrowhead	6.78	16.29	24.43	9.39	19.26	28.99
Heartland	6.56	11.40	17.10	10.97	15.82	23.73
Vikingland	5.82	13.62	20.43	7.25	10.00	15.00
Southern regions	6.29	10.00	15.00	7.25	14.00	21.00

Table 3. Average selected equipment rental charges (resorts with 8 or more units)

	Percentage offering	Percentage charging	Average 1979 charge	1984 charge (inflation adjusted 50%)
Fishing boats for guests	96	29	5.68/day	8.52
Fishing boats for public	69	100	6.11/day	9.17
Outboard motors under 13 hp.	86	100	8.66/day	12.99
Outboard motors over 13 hp.	31	100	15.62/day	23.43
Bicycles	7	33	3.00/day	4.50
Tennis courts	9	25	2.50/hr.	3.75
Guide service	22	75	46.40/day	69.60

have slowed. Marketing costs also have likely exceeded inflation, whereas operating costs such as association dues increases may have lagged behind inflation rates. Interest costs have been subject to major swings in the price of money and, at present, are well below historical highs, although they still are high compared with long-term averages. The value of your resource base, including water frontage, certainly has risen sharply as the demand for high quality, high amenity recreation land persists.

Insufficient cash flows, in part due to pricing below a product's true worth, and the high value of the resource have been major contributors to the subdividing and selling-off of many Minnesota resorts. This trend may continue unless the market indicates it will pay substantially more for resort services at whatever quality level offered and unless resort operation becomes more businesslike in its pricing policies based on realistic resource values and full cost accounting for rate calculation.

### Systematic Pricing Based on Full Costs

The article entitled "Financial Management and Analysis" defines the need for good records and appropriate analysis of records as management tools. Calculating your true costs should be the basis for analyzing the rates you are charging. Rates based on costs and expected returns should establish your pricing goals.

For clarity, the following pricing calculation is based on a hypothetical resort. The cost figures are examples and are not intended to be a guide. Blank spaces are provided for you to include your own figures from records or your best estimates. Assumptions are as follows:

12 unit housekeeping cottage resort, two and three bedroom cottages, all modern. Purchased in 1980 for \$250,000 on a contract for deed. Downpayment \$75,000, 20-year payout with interest at 10 percent on unpaid balance. Annual amortized payment of \$17,500 includes interest and principal. Resort is open 22 weeks per year from May 15 through October 15.

The first step is to calculate your fixed costs or those expense items that occur annually regardless of the level you're operating at. This example does not allocate dollars to a capital improvement program, which should be considered in most cases.

<u>Fixed costs/capital expense items</u>	<u>Example</u>	<u>Your figures</u>
Property taxes and licenses	\$ 2,000	_____
Insurance	1,200	_____
Interest and principal payment	17,500	_____
Depreciation (depreciated structures plus equipment)	7,000	_____
Other	_____	_____
	_____	_____
<b>Total fixed costs</b>	<b>\$27,700</b>	

Next, calculate your annual resort costs based on last year's records or your best estimate. For brevity in this example, categories are quite general. In reality, for your resort, use categories you are accustomed to that are in line with your bookkeeping system.

<u>Operating expenses (variable)</u>	<u>Example</u>	<u>Your figures</u>
Utilities (heat, light, power)	\$ 3,600	_____
Hired labor and associated costs	2,500	_____
Laundry and supplies	950	_____
Advertising, promotion (including dues)	1,500	_____
Repairs and maintenance	1,250	_____
Telephone	650	_____
Administrative costs	550	_____
Resort family compensation	9,000	_____
Other _____		_____
_____		_____
_____		_____
Total operating expenses	<u>\$20,000</u>	_____

A suitable increment for the resort family's labor and management, at whatever level you choose, should be included. For this example, \$9,000 has been included in the operating costs. Other compensation such as housing or supplies used are not included.

We have now accounted for cash requirements to meet operations and fixed costs. Compensation for owner equity (return on the dollars you have invested) will be considered as a later item in the overall calculation.

Now proceed to calculate the income you need per unit by week or day, or some mix of these, to accomplish the cash flow requirements. First you should reduce total unit rental return by whatever profit is available from nonunit profit centers. A simple form for deriving this figure appears on the following page. To recap the calculation to this point:

	<u>Example</u>	<u>Your figures</u>
Total fixed costs	\$27,700	_____
Total operating expenses	<u>20,000</u>	_____
Total cash flow needed	<u>\$47,700</u>	_____
Less other profit centers	<u>3,900</u>	_____
Total needed from unit rent	<u>\$43,800</u>	_____



	<u>Example</u>	<u>Your figures</u>
Operating season	22 weeks	_____
Number units available	<u>12</u>	_____
Unit-weeks available	264	_____
Times 60% occupancy =	158	_____

(weekly rentals expected)

Now divide the total cash flow needed from weekly unit rentals by the number of weeks you expect to rent the units.

	<u>Example</u>	<u>Your figures</u>
Total weekly rental income needed	\$39,800	_____
Total weeks to be rented	158	_____

$\$39,800 \div 158 = \$252$  per week (average income needed)

An additional item should be included in the calculation. The owner has a certain amount of equity invested that could be drawing at least money market rates if placed in a bank (current rate between 9 and 10 percent). For this example, the owners have about \$90,000 invested, including the downpayment and four years of principal payment. Add this equity charge into the calculation.

	<u>Example</u>	<u>Your figures</u>
Total cash flow from unit rental weeks needed	\$39,800	_____
Owners equity charge, \$90,000 at 9 1/2 percent	<u>8,550</u>	_____
Total cash flow needed	\$48,350	

Now divide this total by the number of unit-weeks to be rented:

$\$48,350 \div 158 = \$306$  per week (average income needed)

If this figure is substantially above present rental rates, several things can be done:

1. A part of the added income needed could be spread to short-term stays.
2. Additional investment in marketing efforts geared to soft occupancy periods could increase occupancy when needed the most.
3. Additional profit centers might be developed to increase revenue.

4. Area events might be scheduled during needed times (for example, a fall color festival in September/October or a fishing contest).
5. Use of the boat could be excluded from the weekly rate.
6. The charge for extra people per unit could be increased beyond a stated maximum.

Another item that should be considered at whatever level you think appropriate is to add an increment for profit in the rate calculation. This is important in order to expand and improve capital needs, to provide a cushion for weak seasons, to increase family income, and just to use plain business sense as part of the capitalistic system.

The final product on rates needed at your resort may suggest significant increases to meet your pricing goals. You may need to add amenity features and dress up your product. The experience of many resorters who have set rates at cost plus investment returns plus profit has been favorable. This system may suggest a shift in your market strategy to attract new clientele who are willing to pay more for a quality experience. Finally, as a pricing goal, if you have a long way to go to achieve desired levels, you may need to adjust in stages. You cannot stay in business over time if you do not charge what the experience is worth.

This example has considered only unit rental pricing. The same system is applicable to other profit centers if you consider all costs, your labor and management, and equity plus profit.

## RESORT COTTAGE PRICING

Assumptions: 12 unit housekeeping, 2-3 bedroom cottages, all modern, purchased in 1980, cost and capital improvement, - \$250,000 owners have \$90,000 equity, \$175,000 loan @ 10%, annual payment, principal and interest of \$17,500, rentals approximate 13 weeks @ 100% - 158 cabin weeks. (Operates May 15 - October 15). Resort accepts short-term rentals on space available basis.

<u>Variable Operating Expense</u>	<u>Example</u>	<u>Your Figures</u>	<u>Fixed and Capital Expense</u>	<u>Example</u>	<u>Your Figures</u>
Utilities	\$ 3,600	_____	Taxes & Licenses	\$ 2,000	_____
Hired labor	2,500	_____	Insurance	1,200	_____
Laundry & Supplies	950	_____	Interest & principal payment	17,500	_____
Advertising, promotion, dues	1,500	_____	Depreciation	7,000	_____
Repairs, maintenance	1,250	_____	Total Fixed Costs	\$27,700	_____
Telephone	650	_____			
Administrative Costs	550	_____			
Owner Compensation	9,000	_____			
<b>Total</b>	<b>\$20,000</b>	_____			

	<u>Example</u>	<u>Your Figures</u>
TOTAL Operating & Capital Expense	\$47,700	_____
Less net margin on "other sales" (bait, gas, store, boat, motor rental, etc.)	3,900 43,800 (cash income needed from cottages)	_____
Deduct receipts from short-term rental	4,000	_____
<b>TOTAL weekly cottage rental need</b>	<b>\$39,800</b>	_____

NOW: Example of cottage rental rate:

$$X \text{ (weekly rate to be charged)} = \frac{\text{Needed weekly rentals} + \text{Investment return}}{\text{Rooms (cottage weeks) to be sold}}$$

Example:  $X = \frac{39,800 + 90,000 @ 9-1/2 \%}{158} = \frac{48,350}{158} = \$306/\text{week}$  (Average weekly rental needed.)

Your Figures:  $X = \frac{( ) + ( )}{( )} = \frac{( )}{( )} = ( )$

Furthermore: If present value of property has increased, add to owners equity charge as appropriate and recalculate.

Your Figures:  $X = \frac{( ) + ( ) + ( ) + ( )}{( )} = \frac{( )}{( )} = ( )$

Business then provides enough cash flow to pay bills, provide modest family income, principal payment (growing equity) and interest and return on investment. Rise in value is a plus factor to safeguard investment. Last step adjusts rates to present values of property for rate setting purposes. To use your own business, plug in figures from your records or best estimates. Short term rentals - overnight or less than a week - can also be calculated by formula but convert number of weeks to number of days.

## SO YOU WANT TO RUN A RESORT?

Uel Blank, Larry Simonson, Gary Ballman, and Dayton Larsen\*

This article provides guidelines for individuals and families who are considering the first-time purchase of a Minnesota resort. Those who are new resort owners and even long-time owners who want to revise and upgrade their business also will find it helpful.

Whether you are a prospective new owner or have been in resorting for a long while, you probably know that resorts are an important part (but by no means the only part) of Minnesota's dynamic tourism-recreation industry. Overall, the tourism sector has annual sales of well over \$4 billion.

Resorts contribute by offering opportunities for unusual high quality recreational experiences for vacationers and others seeking recreation. They do this by providing efficient access to Minnesota's outstanding woods and waters. Along with this, they are the flagship of the tourism industry in many rural communities, generating jobs, rents, profits, and the tax base to support the local economy. Tourism is the leading industry in some of these communities.

The resorting industry in Minnesota is now about 100 years old. The 1977 fall issue of Minnesota Tourist Travel Notes, "Minnesota's Resort Tourism in Critical Transition," describes the transformations the industry has undergone. During the past two decades, there has been a dramatic decline in the number of resort operations. This has occurred not only in Minnesota, but also in Wisconsin and Michigan. Thus the present is a critical time for the Minnesota resort industry.

Despite the recent decline in number of operations, about 1,500 licensed resorts remain. They not only continue to exert a powerful impact on Minnesota's tourism-recreation industry, but they represent good reasons for optimism about the future of resort operation in the state.

Among the indicators of a positive resort industry future are the following:

- \* General recreational demand continues to be strong; if anything, demand growth is stronger for the specific recreational experiences that can be provided by Minnesota resorts.
- \* The above has been demonstrated especially by the successful operation of many resorts and, for some operations, realization of a rapid expansion in sales.

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- \* Some entire resorting communities show evidence of a dynamic turnaround from decline to expansion and sales growth.
- \* Investments in resort property have not only been generally secure, but even quite lucrative.
- \* The Minnesota state government and most Minnesota communities support tourism strongly and the resort industry specifically. They provide support through an expanded promotional budget and resort real estate tax relief, among other measures.

Reasons for aspiring to resort ownership are ample. In common with most small businesses, there are the personal freedoms and satisfactions of running one's own operation. The individual and family can profit directly from their own labor and creativity.

There are many other positive reasons for owning a resort:

- \* Many find the rural outdoor setting appealing.
- \* Resort operation is a business at which the entire family can be employed and can work together as a team. Some Minnesota resorts now are managed by the fourth generation of the same family.
- \* People go to resorts to have fun; most operators get considerable satisfaction from working with their customers under these conditions.
- \* Seasonal resort operation may fit in well with other seasonal employment, such as teaching.
- \* Ownership of good recreational land is not only an inflation hedge, but a good way to build an estate.
- \* Resort operators not only enjoy their customers, but also their fellow operators.

There are also some drawbacks. If you think these drawbacks won't apply to your case, be sure you have a good reason for believing so.

- \* Resorts are small businesses, and small businesses often are unstable. The Small Business Administration has noted that only one-third of new businesses survive for five years.
- \* Success in resort operation requires good business management. A previous successful business experience is desirable. Lack of experience can be overcome if the owner is willing to learn sound business principles.
- \* From the outside, the resort setting and activities have a romantic appeal. But resort operation requires hard work. Further, the operator must be expert in and responsible for everything from marketing to maintaining the plumbing.
- \* A large amount of capital is required. It must come from savings, or the owner must assume a large debt. At present, the high cost of money (interest) requires substantial cash flow just to service debt or compensate equity.
- \* Cash flow is low compared to the amount of capital required and, because of the capital required, fixed costs are relatively high. Taxes and debt servicing (mostly interest and capital repayments) are the major fixed costs.
- \* As now operated, most resorts have a seasonal business; they thus provide income for only part of the year.
- \* Many factors that are largely beyond the operator's control can affect resort income in any given year. These include unfavorable weather, economic conditions, and energy available for travel.

- \* Public agency regulation in the interests of public health, safety, and environmental management can prove onerous.
- \* The isolation of some resorts can cause operational difficulties, as well as family problems, especially in the schooling of children.

### **The First Step: Establish Preliminary Goals**

Let's say you've examined the pros and cons and want to go ahead. A first suggested step is to establish some preliminary goals for yourself and your prospective resort operation. This means knowing yourself, your family, and what you would like to do and be. Goals must be preliminary at this stage. Such a defined set of goals will help guide your search for a resort. Later, when you have settled on a specific property, you'll want to revise your goals to fit the characteristics of the property. The goal-setting process doesn't end here. At least once a year you'll want to review where your operation is headed and how you can steer it in the directions that most nearly fit your aspirations.

The following questions may be helpful in setting up your preliminary goals:

- \* Why do you want to own a resort: because you think you'll like the life, want to be your own boss, want a place for the family to work together, or because you want a business operation or an investment?
- \* The whole family will almost certainly be involved; do they wholeheartedly support purchasing and operating a resort? There will be periods in which very hard work is required, and there will be periods when you can all enjoy a relaxed lifestyle.
- \* What are your family's income needs?
- \* Will you expect the resort to provide all of your family's income, or will some family members work at other jobs as well?
- \* Who in your family will do what jobs: bookkeeping, building maintenance, marketing, cooking, cleanup, etc.?
- \* What kind of resort do you want to operate:
  - How large will it be?
  - Will there be a campground?
  - Will you serve food and beverages? What kinds and in what manner?
  - What will your resort's image be? In other words, what do you wish to be known for: building design and decor, fishing, food services, aesthetic setting, recreational programs, how you "host" your guests?
  - What kinds of customers will you seek? Where do they live? What are their incomes, ages, recreational desires?

You have almost certainly thought about most of these things already. But take some time to be systematic and thorough. The clearer your goals for your resort, the more directly you can work toward achieving them.

### **What Kind of Resort Would You Like to Operate?**

Six kinds of resorts are considered here. Actually, there probably are as many kinds of resorts as there are individual operations. Also, it is not unusual

to find a single resort operation that combines a number of the different kinds. The kinds discussed here will, however, serve to explain what is now being done in Minnesota, and thus help you to plan your own resort operation.

Housekeeping resorts are the most numerous in Minnesota. They typically offer cottages for guests with each unit having independent cooking facilities so guests can prepare their own food.

American plan resorts offer meals and lodging in one price package to guests. Meals usually are served in a central lodge. Guests may be housed in the same lodge building, in separate individual cottages, or in motel-type rooms. In their purest form, which is now seldom found, the lodging facilities have limited if any food preparation facilities. About 50 Minnesota resorts have the necessary services to operate as full American plan resorts.

Modified American plan resorts are a combination of full American plan and housekeeping plan resorts. Guests buy a package that includes lodging and some, but not all, meals. As noted earlier, an almost limitless variety of combinations and packages are possible. Many housekeeping resorts have a food service available. This may range from frozen sandwiches to full sit-down dinners, so guests can choose whether to purchase any meal or to prepare it in their lodging facility.

Camping resorts usually are referred to simply as campgrounds. They serve the same function that resorts with permanent structures perform: they provide a lodging place. About 40 percent of Minnesota resorts offer some campground rental spaces. On the other hand, some predominantly camping operations also have cottages or motel units for rent. Camping operations are of two general subtypes: destination and transient. Destination campgrounds operate much like any other resort; guests go to enjoy the recreational opportunities in the vicinity and usually stay for a period of days. Transient campgrounds are usually on heavily traveled routes and provide mainly one night stopover facilities for travelers enroute to other primary destinations.

Hosteling resorts provide relatively primitive, low cost facilities. They tend to cater to young clients. Sometimes this type of facility is in combination with outfitting services for cross country skiing, snowmobiling, or canoeing.

Resort motels partly replace the lodging capacity lost due to the reduction in numbers of traditional water's edge resorts. Resort motels usually are located in or near large, trade center communities. Physically they look like traditional motels, but they offer an array of recreational services, games, and play equipment, often centered around an enclosed swimming pool. Some are so located as to offer natural water facilities also. Such motels usually promote group business (conventions, conferences) and weekend fun packages and service both pleasure and business travelers.

### **What Size Should Your Resort Be?**

A resort's size and the income it can be expected to produce are directly related. So also is the amount of capital that will be required to purchase the resort and the labor and management needed for profitable operation. A simple illustration will show the size/income relationship: The average Minnesota housekeeping resort has about 10 rental cabins. If the cabins rent for \$150 per week for a 15-week season, the gross income that will be realized will be \$22,500, even if every unit is rented for the full time ( $\$150 \times 10 \text{ units} \times 15 \text{ weeks}$ ). Net income--what the family has left to live on--will be only a fraction of this \$22,500 since from it must be subtracted payments for interest, taxes, debt principal, supplies, maintenance, hired labor, etc.

How can the size be increased? One way, of course, is simply to add more rental units. But that isn't always the best way to increase income; in some cases, as when land is limited, it isn't even possible. Fortunately there are a number of ways to increase income:

Extend the season. A number of Minnesota resorts are now doing this successfully. A resort that runs for 18 weeks will make 20 percent more gross income than one that runs for only 15 weeks, provided it has as good an occupancy rate in the three extra weeks as in the former 15-week period, and also provided there are not unusual costs required for the three added weeks. This possibility is discussed further in the next section.

Add food and beverage services. This addition requires little added land, but it does add substantially to the capital and management needed. We already have noted that the kind and scale of food service may vary greatly. Some operators have expanded their resort food service to not only serve their own guests, but also to operate as a community restaurant. A full treatment of food service is beyond the scope of this publication. If you are interested in offering such a service, be sure you obtain competent assistance in planning and implementing it.

Add retail sales items or increase what you now have. Such items as convenience food and personal supplies are almost a must in a resort operation. Other items may include souvenirs (especially locally produced art and craft items if they are of good quality), sports clothing and equipment, fishing and hunting items (most resorts have bait as a minimum), and nature study books and materials.

Add boat services. Such services fit in well with many resort operations. Boat services can include launching and marina facilities, winter boat storage, boat repair and servicing, and even boat sales. In some cases boat services have grown to the point where they eclipse the resort as an income producer.

Add a campground or expand the one you have. This possibility has the advantage of adding to the market for all the other services you offer. It does require land, but good campgrounds can be developed that do not take up prime water frontage. In other words, so-called "back lands" can be used for a campground. Usually it is desirable to design a distinct separation between the campground and the other lodging units of the resort.

Upgrade the quality of your resort or add guest services. Doing so will make it possible to increase your rates. It is perhaps unnecessary to point out that, with the same occupancy, a resort with units renting for \$200 per week will have one-third more cash flow than one with units renting for \$150. Improvements that would make it feasible to raise rates include upgrading the appointments and appearance of the rental units, adding a childrens playground, adding a lounge, adding a youth recreational center, adding child care services, cleaning up and landscaping the grounds, improving the beach, and adding an indoor swimming pool. These and any similar improvements all cost money. But customers appear not to object to price if they think they get full value for their recreational dollars. Further, vacationers want to be proud of their vacation place. Because of this factor, it is not unusual for relatively high priced resorts to have as good as or better occupancy than low priced resorts in the same area. Note the references to rate structures in the reading list at the end of this section of the manual.

Add guest services that you can charge for. Some services justify added charges to guests and may be worthwhile even when the additional charge does not fully recover costs. Such is the case with services that improve occupancy levels over the operating period or that make it feasible to raise general rates on all operating units. Golf facilities; horseback riding; groomed trails for

snowmobiles, cross country skiing, and hiking; special events such as a bar-b-que or shore lunch; and guide services are examples.

Rent out recreational equipment. This option goes along with many of the services discussed above. Rentals may include power boats, sail boats, house boats, cross country skis, golf clubs, camping trailers (in some cases for use on your own resort), other camping equipment, and ice fishing houses.

Try outfitting. Outfitting can be a business on its own, or it can be added to an existing resort business. Outfitting usually applies to trail experiences, hunting, fishing, or exploring. The operation providing this kind of service should be located where the activity is available. Trail experiences include canoeing, hiking, horseback trail riding, snowmobiling, cross country skiing, and snowshoeing. In the case of canoeing, for example, the service provided may be rental of a canoe and camping tent, sales of specially packaged trail foods, or drop-off and pick-up service.

Combine your resort operation with another business. This approach does not entail expanding the resort operation. Many Minnesota operators have found ingenious ways of combining operation of a resort with other jobs to generate an adequate total family income, or to retire capital costs of the resort faster. Being a school teacher, school bus driver, accountant, or sales representative are some examples. Remember that such a job must be a sideline activity in the true sense, for if you don't pay proper attention to managing and marketing your resort, it will suffer.

### **What Will Be Your Resort's Season of Operation?**

As noted above, one way to expand the size of your resort and increase its income is to operate over a longer season. The traditional high volume Minnesota resort season runs from late June to late August, a period of eight to ten weeks. The largest number of resorts are open from about May 15 (the opening of the fishing season) until just after Labor Day. Extending the season increases total income and spreads the use of expensive capital investments--water frontage, buildings, and land--over more time.

Unfortunately, extending the season is not as simple as just keeping the business going over a longer period. Clientele who might go to a resort in other than the traditional summer season are different from summer vacationers. You must be able to conduct a different marketing program and cater to a substantially different guest. In addition, if you operate in any part of the October through April season, all your facilities must be adequately winterized. Protection against cold weather can add to both capital and operating costs.

Some possible extensions of seasons and markets include:

- \* The fall season. Early fall is one of the most beautiful times to be outdoors in Minnesota. The greatest appeal is the fall colors, but often there is excellent weather, and there is relief from insects. People who don't have children--singles, young marrieds, and post-child-rearing families--are free to travel to enjoy this season. Fishermen and hunters of all ages may find their sport at its best in the fall. Each of these groups requires different marketing and operating procedures. Fall usually is the simplest first extension of operation, since energy requirements are moderate. Fall business tends to run strongly toward weekends, with relatively low occupancies on weekdays.
- \* The winter season. An estimated 10 percent of Minnesota resorts are open for at least part of the winter season. Winter business usually is based

on ice fishing, cross country skiing, and snowmobiling. Special problems are presented by the need for dependable snow and ice, a tendency toward weekend business, the fact that most winter sportsmen want short travel distances, and the costs of energy.

- \* Conferences, groups, and special parties. Catering to these markets can extend your season. Conferences and conventions are held by all kinds of groups. The competition for this business is keen, but a resort operator has an advantage in appealing to small groups in that he can sell the beauty of Minnesota out-of-doors even in the off season. Appealing to these clients requires full food and entertainment/recreation services. Building such a business usually requires time to become familiar with the market and to allow the market to become familiar with you.

### **What Will Be Your Resort's Market Image?**

In operating a resort you are in the "fun business." You are providing the means, facilities, and atmosphere for people to enjoy themselves. People recreate in many different ways; those who enjoy themselves at your resort will recommend it to others and they will return themselves. Those who find it less enjoyable or not their style won't return. Thus your resort will build a market image that is self-reinforcing and that attracts people who like your style of facilities and operation.

This self-reinforcing process is one of your most powerful marketing tools. We know this because "satisfied customers" consistently appears in marketing research on resorts as the most frequently named reason for vacationing at a given resort. Satisfied customers are those who have been there before and liked it, plus those who have had the resort favorably recommended by friends.

Because of this image-building process, your resort will be classified in the minds of the recreating public in a number of ways. Some of these ways are the quality of your food, lodging structures, and other physical facilities; your "hosting" style; and the types of services you offer. Knowing this, you can deliberately mold your resort's image. Many image-making factors do not necessarily require large outlays of capital, but if you wish to control them, they all require conscious effort.

These image-making factors influence not only the types of people who come to a given resort, but also the volume of its market demand. These factors include:

- \* The physical appointments. Will they be plush or austere? You may operate successfully with either, but the amount that customers are willing to pay may differ widely between the two. Neatness and orderliness of both grounds and buildings will be a factor as will building design and landscaping.
- \* Recreational programming. Some vacationers like a structured program of activities. Others prefer to be left mainly to their own devices. Some resorts offer a mixture of structured events and unstructured times.
- \* Services and facilities offered. These have a major influence on the market image of a resort, and thus upon the people attracted and the amount they are willing to pay. A few examples are included here. A more detailed listing appears in University of Minnesota Extension Folder 328, Getting Started With Part-Time or Hobby Rural Recreation Enterprises.

- Recreational equipment and services. Some resorts offer an array of recreational equipment, such as golf courses, swimming pools, and tennis courts.
- Nature programs. In contrast to the above are resorts that emphasize nature and nature enjoyment. Most resort operators appreciate the natural landscape and wildlife about them. Some make a concerted effort to teach their guests about the out-of-doors. Suppose every resort guest could go home knowing the names of and being able to identify 10 new trees? Instead of biggest fish contests, there might be competition for catching the largest number of different fish in a day. Other nature programs might include mushroom identification, bird watching, and ecology study.
- Teaching outdoor skills. This activity may be closely allied with nature programs as discussed above. Some Minnesota resorts build a market image around teaching such outdoor sports as canoeing, hiking, waterskiing, archery, horseback riding, cross country skiing, snowshoeing, woodlore, survival in the woods, and orienteering.
- Fishing. Fishing has been the traditional emphasis of most Minnesota resorts. Increasingly it has been modified from a heavy emphasis on pounds of fish caught to the fun of fishing in combination with other recreational activities.
- Children's programs. Some resorts have built their business primarily by offering comprehensive, structured childrens activities that leave the parents free to enjoy their vacation.
- Evening entertainment. Such an offering fits the personality of some operators and they do it well. Dedicated fishermen usually want to retire early so they can get an early start the next morning, but many other guests like to enjoy a social gathering while on vacation.
- Community entertainment. Your guest offerings need not be limited to your resort or the adjacent lake. All Minnesota communities offer a variety of attractions, activities, and entertainment features that will please visitors. These range from local sales to arts and crafts shows, community theater, historical sites, industry and plant tours, and outstanding scenery. At the simplest level, you'll want to provide information about these features. You may find it possible and desirable to organize tours for your guests. Making such activities accessible for your guests is an excellent form of advertising because your guests will describe them to other people who might come to your community to enjoy that particular experience.

### **Looking for a Resort: Where Should it Be?**

There are opportunities for successful resort operation in most Minnesota counties. Your personal preferences and the goals you have set will help to narrow your search.

The following are examples of general location factors you may wish to consider:

- \* Your personal preference or your family's preference for a part of Minnesota in which you would like to live.
- \* The kind of woods and water setting you prefer. The Mississippi River and its tributaries are the major water resources in southeastern Minnesota. Northeastern Minnesota has coldwater lakes, many of which are

set in a northern forest. In extreme northeastern Minnesota there is 150 miles of Lake Superior shoreline. Going westward in the northern half of the state one encounters an increasing proportion of agricultural land, and the lakes are in a mixture of wooded land and agricultural land. Most lakes in southwestern Minnesota are surrounded by farmland, and the water often is of lower quality than elsewhere in the state, but there often is excellent fishing or other recreational opportunities.

- \* The kind of market or market location you prefer. Resorts in every part of Minnesota attract vacationers from all parts of the United States, but there are predominant market patterns. Overall, about half of the resort customers come from within Minnesota itself. Resorts in northwestern Minnesota draw a large proportion of their customers from the Dakotas. Those in the southwest draw heavily from Iowa and Nebraska. In eastern and northeastern Minnesota resorts, a relatively high proportion of vacationers come from Chicago and Milwaukee. There may be a decided variation in the market makeup among resorts, even those that are adjacent to each other. Market makeup can be influenced by marketing and operating procedures.
- \* Your interest in operating the resort over an extended season. If you have such an interest, you'll want to look for a location that has good fall and winter season possibilities. Some parts of Minnesota have dependable snow over a longer season than others. Snow cover often is the major base for winter recreational activities.

### **Looking for a Resort: Who Can Help?**

Looking for a resort is a learning process. The best way to learn about resorts--which are the best buys, what the locational advantages and disadvantages are, and how operating procedures differ--is to visit a number of resorts during the operating season. Look at resorts in different resorting areas, keeping in mind the items discussed in this manual. The operators will be busy, but most will be glad to discuss resort operation with you for a short while. In this process you will discover many things that cannot be covered here.

Real estate dealers who list resort properties may be one of your best sources of information. Some are specialists in resort property and are familiar with a large number of resorts. You'll want to contact a number of different dealers and review the specific properties that each has for sale.

Other local people who may help are bankers and Chamber of Commerce executives. Bankers can tell you about the local community and the business climate. You can ask about the availability of loans and also get information about specific resort properties. Chamber of Commerce personnel may have information about prospective resorts that are for sale. They also can tell you about the local tourism industry and what the community is doing to help develop it. These kinds of contacts will help you compare not only individual resort properties, but also general areas and communities. Contacting persons in each of the six tourism regions in Minnesota also can provide some perspective about the industry.

Minnesota has a number of hospitality business associations that may be helpful to you: the Minnesota Resort Association, the Minnesota Motel Association, the Minnesota Association of Campground Owners, and the Minnesota Hotel and Motor Hotel Association. You may find the executives or officers of these groups helpful. They have general meetings that you might attend not only for the information but also to talk to operators. Should you purchase a resort, you'll want to join one or more of these associations.

State and federal agencies also may be able to help you search for and later operate your resort. Chief among these are the Minnesota Office of Tourism and the Minnesota Department of Natural Resources. In areas covered by their jurisdiction, the U.S. Forest Service and the Corps of Engineers also may have useful information.

The county extension agent in each Minnesota county can provide you with a great deal of local information. The agent will know local people who may be helpful to you. The County Extension Office can put you in touch with state extension tourist industry specialists.

### **Resort Analysis: Site and Location Factors**

You'll need a means of comparing the resorts you look at. The following sections provide some specific guidelines for making these comparisons in a systematic way.

The resort setting may have a major influence on its successful operation, and also on your family's happiness in living there. Ask yourself the following questions:

- \* Do you want to be in a wilderness setting, isolated from other properties or do you prefer to be near other properties, or even in or near a town? These location options have implications for your resort's potential image, for the type of recreation that you can offer, and also for the kind of life that your family will lead.
- \* What is the quality of the natural resources? Such resources include the aesthetic qualities of the general landscape and the vistas available. They also include recreational water qualities; the lake and its use for boating, fishing, and swimming; the size of the lake and the accessibility to the water from the resort (the beach and marina). Note that the average Minnesota resort has 800 feet of lake frontage. How much of the water frontage is usable frontage? Consider access to trails of all kinds. Is downhill skiing available? What is the nature of the snowfall at each resort?
- \* What are the local zoning, health, and pollution control regulations in each county and for each lake you're looking at? Minnesota lakes are classified in different ways, and zoning regulations vary accordingly. It is inappropriate to view zoning related regulations in a negative way. In some cases they may restrict what you can do, and they may increase your operating costs, but the purpose for them is to help ensure environmental quality and public safety over the long run. They may thus have a direct influence on the on-going profitable operation of your resort.
- \* How accessible is the resort? Are the roads good? Remember that many of your guests are not accustomed to driving on unpaved roads or even country roads. A long private road may be difficult and expensive to maintain. What about air access? Good air or bus access is important for participation in the growing package tour market.
- \* How accessible (in terms of distance and road quality) is a major trade center or a secondary trade center? These are places from which you will be serviced. They also are education centers for your children and cultural/entertainment centers for you and your clients. Does the available center have the services and facilities that you need and want?

## Resort Analysis: Physical Plant

The price of a resort should reflect both its size and physical condition. An operation needing maintenance that you can upgrade and enlarge may be what you want. It should have a relatively lower purchase price, but the cost to bring it up to what you want may be high both in terms of dollars and "sweat equity." If you want to get off and running in a hurry with your operation, you should try to purchase a resort with about everything you need in place.

Unless you are sure of your own abilities, consider hiring an expert to help you evaluate the physical condition of any resort that you're seriously considering. This evaluation should include an estimate of the costs for repairing, replacing, or refurbishing buildings, equipment, and furnishings. As a minimum, systematically inspect and take notes on the condition of all parts of the physical plant. Include the following where applicable:

\* Building inspection. The primary question to ask is whether the appearance, maintenance, and furnishings of the cottages, lodge, and other guest-used buildings reflect the quality that you intend to present to guests. Beyond appearances to guests, you need to know how structurally sound the buildings are. Keep these questions in mind:

- Are foundations sound, level, ventilated, and adequate?
- Is surface drainage away from each unit?
- Are framing members, windows, and doors intact and free of decay?
- How much and what kind of insulation is in floors, walls, ceilings, and openings?
- Is the electrical wiring safe and adequate?
- Is the plumbing sufficient, adequate, and functional and can it be easily maintained and kept clean?
- Is the heating system efficient and in good operating condition?
- Is the kitchen equipment adequate and in good condition?
- Are floors pleasant and bright in appearance and free of excessive wear?
- Is the roof sound and straight? Are rafters free of sags?
- Are interior walls and ceilings pleasingly finished? Are they free of sags and evidence of rot or water leaks?
- If you plan to operate during cold weather, what added costs for winterizing buildings will there be?
- Do present facilities meet all required safety codes? If not, what will it cost to bring them up to code?

Beware of cosmetic treatment of flaws that may cover up the need for major repairs. Remember, also, that many of your guests live in expensive homes. They may not expect vacation facilities that are as spacious or as plush, but drab, dingy finishes, poor maintenance, and plumbing that does not work will turn them off quickly and severely limit the rental rate you can get.

\* Inspection of building exteriors, grounds, and related features. The general appearance and setting of a resort can contribute substantially to guest satisfaction. Also, some resort settings lend themselves more readily to upgrading and expansion than others. The following are examples of items to compare:

- Most guests expect a woodsy, rustic setting, but they expect it to be neat and without hazards. Does the tree cover lend itself to this end, and will it be permanent? For example, American elms could be wiped out by Dutch elm disease. Are trees well spaced for shade, but allow open vistas to take advantage of the views? Too dense a tree cover can cause difficulty in operation during wet seasons and can support insect problems.
- Do the entrance sign and information-direction advisories reflect the image you want?
- Is the entering driveway in good condition and easily traversed? Does the view that guests have as they come in--their "entering experience"--contribute to your desired image? Among other things, this means that garbage service should be out of sight.
- What is the architectural style and general appearance of guest structures?
- Are necessary service buildings well located, neat, adequate, and as unobtrusive as possible?
- Are the ground areas that should be mowed of tolerable slope and smoothness to prevent waste of time and damage to equipment?
- Is there poison ivy or other potentially harmful plants?
- Are the grounds free of major hazards to guests and employees, such as bluffs and overhanging tree limbs?
- If you plan to cater to family trade, is there an adequate playground?
- Are there on-premises recreational features: recreation rooms, tennis courts, swimming pools, golf facilities?
- What boat docking, servicing, and storage facilities are there, and what is their condition and expansion potential?
- What recreational and operating equipment, such as boats and motors, will be included in the resort sale? Make a complete inventory of this equipment and its condition.
- What other waterfront facilities are there, such as a beach and swimming area?
- How much land goes with the resort? If possible get an aerial photograph of the property. Classify the land. How much is used for buildings, how much is waterfront land, how much is backland (land not accessible to water and usually not used intensively)? Backlands may be essential to expansion for campgrounds, golfing, trails, future sewage disposal, or to provide buffering from other development, etc. Remember that most of resort value usually is in the waterfront.

\* Inspection of utility systems. The best utility system is one that does its job of supplying energy and water and disposing of wastes without attention by you and without guests even being aware of its existence. It is not unusual to find operators who have limited knowledge of where water, sewage, or underground power lines run, or where septic tanks are located. Before purchasing any resort, be sure you have a complete map of all systems. And be sure you have the answers to the following questions:

- What is the location, capacity, and age of all sewage lines, septic tanks, and drain fields? If remodeling is needed, will the grounds permit it? Seek competent advice regarding septic disposal if you have any serious questions about the system.

- How is water supplied? What are the operating and maintenance requirements? What is the age of the system?
- If you plan to operate in cold weather, are the septic and water systems winterized, or what will winterization cost? In some locations the soil is too shallow (usually because of hard rock close to the surface) to winterize by normal methods (deep burial of lines) at a reasonable cost. Inadequate soil above the normal water table also can be a serious problem.
- What is the capacity, adequacy, and safety of the electrical service entrance and distribution lines? The local power supplier can generally advise you of existing problems and needed upgrading.
- If gas is used for cooking or heating, how is it stored? Where are the distribution lines and what is their condition?
- Are gasoline and other fuels stored and handled properly?
- How is solid waste picked up and disposed of?

\* Inspection of personal and operating property. If you will be living on the grounds, your family's lifestyle will be partly determined by the living facilities available to you. Only you and your family can set your own specifications for living quarters. You will want to compare living facilities among the several properties that you investigate.

Much of the day-to-day work will require use of operational equipment such as lawn mowers, lawn watering equipment, and vacuum cleaners. Ask for a complete inventory of all operating equipment. If possible, information about each piece should include its age, maintenance records, instruction manuals, and where it can be serviced.

### **Resort Analysis: Financial**

An elementary sample analysis of a resort's earnings already has been presented. Now you will want an accurate means of comparing the prospective return to you as a means of helping to decide which resort to purchase. When you evaluate resorts for purchasing, your financial analysis becomes a feasibility estimate. What are the prospects for purchasing this resort with the resources that you have, making a living, and paying off any debts you might incur? If you are at the operating stage, you'll need to do other detailed analyses as a guide to managing and developing your resort operation.

Where will the figures for a financial analysis come from? Preferably from the books of the operation for the last three years. Many operators will permit a serious buyer controlled access to their business records. A system of analysis is suggested below. Since most financial records have some individuality, it may require ingenuity on your part to set up the suggested categories. You may find yourself thinking that some results are poorer than they should be. This may be true, but realize that overoptimism is a serious disease among prospective businessmen; don't be too certain that you can do better unless you have a sound reason for believing so.

If actual business records are not available, you'll have to estimate income and expense items. Even if records are available, you'll have to make a number of projections beyond figures from past years and probably rearrangements of data to fit your analytical process. Sales of lodging can easily be estimated for high capacity months of summer, but off-season occupancies are more difficult to estimate. Prices usually can be found in the literature of the

operation. Sales of food, equipment rentals, and other sources of income as well as items of expense can be estimated with the aid of people who are familiar with the type of operation (see section Looking for a Resort: Who Can Help?). Published data such as "How Minnesota Housekeeping Resort Rates Have Changed," Minnesota Tourist Travel Notes, Fall 1980; "Pricing American Plan Resort Services," Minnesota Tourist Travel Notes, Fall 1981; and Special Report 50-1974, Minnesota Resort and Campground Rate Structures, also can aid you in making financial estimates.

The following is a general outline for use in resort financial analysis:

### Resort Financial Analysis/Feasibility Estimate

**Income**

* Rental income from lodging and camping units	_____	
* Rental of equipment (boats, motors, etc.)	_____	
* Use charges for docks, launching, etc.	_____	
* Restaurant and bar sales	_____	
* Retail sales (clothing, groceries, bait, gasoline, souvenirs, etc.)	_____	
* Personal services (guiding, teaching, etc.)	_____	
* Miscellaneous other income	_____	
Gross income		\$ _____

**Costs**

* Operating costs:		
Utilities	_____	
Hired labor	_____	
Operating supplies	_____	
Supplies for resale	_____	
Sales and related taxes	_____	
Upkeep and maintenance	_____	
Advertising and promotion	_____	
Total operating costs	_____	
* Fixed costs:		
Real estate taxes, licenses	_____	
Insurances	_____	
Capital costs	_____	
Interest on loans	_____	
Interest on owned equity (calculated)	_____	
Debt repayment	_____	
Depreciation on structures and equipment	_____	
Total fixed costs	_____	
Total costs		\$ _____
Total return to family management and labor (subtract costs from gross income)		\$ _____

One way to make the analysis more sophisticated is to break the operation down into profit centers. A profit center is a part of the operation that can be treated separately for certain purposes and that usually requires specialized management skills. Examples of profit centers are:

Rental cabins and rooms  
Restaurants  
Bars, liquor, and entertainment  
Marinas and waterfront services  
Grocery, clothing, and souvenir stores  
Riding stables

By treating each separately it is possible to make profit comparisons within the operation. Doing so usually isn't necessary and often isn't possible when making the initial financial analysis. At later stages, when you're looking for ways to improve income from the operation, it may be helpful. Analysis of profit centers must be handled with great skill; some centers operate at a loss but attract sufficient added business for the overall operation, resulting in a positive contribution.

Some questions, which concern mostly the treatment of cost accounting, deserve separate treatment:

- \* The handling of family labor and return to family labor: Obviously a family that has a large number of people who work at the resort will hire less labor and would be expected to have a larger return to family labor than would be the case when only one member of the family works at the resort. Some families pay teenage and adult children, and some operators pay themselves a specific salary. Important considerations here are to understand the factor of family labor and its wages, to give it uniform treatment when making comparisons, and to account for it properly when estimating funds that will be available.
- \* Accounting for interest imputed on owned equity: The money that the owner has invested (equity) in the resort does not require an actual outlay of cash for interest. This interest, however, must be calculated (imputed) in order to figure what the business is actually returning to the owner/manager. Remember that the money could be invested elsewhere and could actually be drawing income. On the other hand, when figuring feasibility for purchase purposes or for a statement to show to prospective lenders, this imputed interest on owner's equity is not shown. In fact the greater the equity the better since a loan representing a smaller proportion of value will be required, and interest and capital repayments will be correspondingly smaller.
- \* Depreciation on buildings and equipment: This cost is not a required out-of-pocket cost each year. Depreciation can be deferred, and it often is in the case of operators who plan to stop operating within a few years. The result is a rundown business and a falsely high return, since all items subject to depreciation must ultimately be replaced. An annual allowance must be made for this factor.
- \* Maintenance: Every resort requires annual outlays for maintenance. Like depreciation, some or all of this may be deferred in order to keep more money in a given year, but the result is a rundown operation.
- \* Debt repayment: Loan repayment is actually a saving, often forced by the terms of loan arrangements. At the same time, money used to repay part of the debt is not available for family living or for upgrading the resort. Loan arrangements may vary by the terms of debt repayment.

After you have analyzed the business as it now operates, you're ready to consider ways to improve the profitability of the business. Even if the resort was well-run, your goals for the operation almost certainly will be different from those of the previous operator. In addition, every business must be continuously upgraded and updated to keep pace with the dynamics of the recreation market. It's a good idea to go back now and re-read the sections entitled What Size Should Your Resort Be, What Will Be Your Resort's Season of Operation, and What Will Be Your Resort's Market Image. Some of the things that you'll consider include:

- \* Your goals for resort operation
- \* Changes to existing structures needed
- \* Needs for new facilities, which is partly dependent on your analysis of available land and sites
- \* New services to be added; some may not require capital, but most require labor and management
- \* Changes in promotion and advertising

Now you are ready to make a revised financial analysis that really is a feasibility statement of the resort as you plan to operate. It will include the added capital costs for improvements and expansion, added operating costs, and your estimate of income from the revised operation. It will tell you the income that your family can expect and how much will be available for paying off loans. Estimate conservatively and remember that if you can't make it work on paper there is little chance that the enterprise will work in practice.

### **Resort Analysis: Marketing**

The procedure for market analysis has much in common with financial analysis. Start with information from the present operator. What does he say his market consists of? In most cases registrations from previous years will be available. Go through them and make a systematic analysis of where people come from, their family composition, the time of year they come, how long they stay, how much they spend, and any other information that the records will yield. In taking over the operation, you'll need to start with customers from previous years, since as many as 80 percent of an average resort's customers are those who have been there before.

Next bring your goals to bear: What kind of resort would you like to operate and for what kind of customers? Then put together a marketing plan that is compatible with the facilities and services you have built into your revised feasibility statement that will sell your operation to this market. Realize that it may take two or more years to alter your customer market mix substantially.

A full discussion of marketing procedures is beyond the scope of this article. The reason for discussing marketing here, however briefly, is to emphasize that it is a major part of resort operation just as management of the physical plant is. You must start with the market as it now is and proceed from there.

## Financing Resort Purchase

A well-established lender's market for resort purchase does not exist. Few of the lending programs, such as loan guarantees, direct loans, or special lending arrangements that are available to farmers, many small businesses, and homeowners, apply to resort purchase. Consequently the majority of resorts in Minnesota are purchased on contract for deed. Under this arrangement the deed remains in the hands of the original owner until the new buyer has reached a certain proportion of equity in the capital cost of the resort. Many contract sales are made with 20 to 30 percent or less down. The previous owner often utilizes installment sale provisions of the Income Tax Code, assuming that the seller has a long-term capital gain.

One advantage of contract for deed arrangements is that a resort can be purchased with a relatively small down payment. There also are several drawbacks. There is danger of loss of equity (money put down originally, plus other debt repayment) in the event of default on the contract. Also, under terms of traditional purchase contracts, the buyer usually will have difficulty obtaining money for improvements or expansion. Sometimes it is possible to write contracts to provide for prospective improvements and expansion.

If the resort has a good financial history of profitable operation and is realistically priced and if the buyer has a good equity position, local financial institutions often will provide the financing necessary for both purchase and improvement. The Small Business Administration, for example, may work with the local bank to absorb some of the risk. Other lending possibilities you should explore include the small business and industry loans of the Farmers Home Administration and county, regional, or state credit corporate corporations. In any event, a good early procedure is to talk to the local banker or other conventional lender.

A clear, accurate financial statement and loan prospectus is essential for any financing procedure. You must state clearly your financial position and the prospective earning capacity of the resort. (The latter is the revised financial analysis or feasibility estimate discussed above.)

A useful addition to the financial statement might be a breakdown of the resort property into its several components. Such a breakdown might include the waterfront property, buildings and structures, all other land, and personal and operating property, along with estimates of their present values. Waterfront land is of particular importance in providing loan security, since its value is subject to greater inflation rates. Recently there has been a three- to four-fold value increase over a 10-year period; values of the best lake front have appreciated even more. Beware, however, of placing high value on goodwill or repeat customers. These values often deteriorate after a new operator takes over.

A realistically purchased resort is an excellent investment. Because of demand for good quality waterfrontage and recreational land, a resort can be expected not only to retain its value, but to appreciate at a rate faster than price levels generally. But, as with most real estate, resorts tend not to be liquid; that is, time is required to convert the accrued value into dollars.

## The Family Life of Resort Operators

One large advantage of resort operation is that the family can work together. This is often cited as one of the reasons for getting into resort operation. The family often divides up lead responsibility for the jobs that need to be done. The husband often has responsibility for the grounds and physical upkeep. The wife may take charge of interior housekeeping. An older child may be responsible for the waterfront, the riding stables, the grocery store, or some other specialized profit center. Usually one individual has charge of meal planning and cook supervision if there is a restaurant. Also one usually has responsibility for records and accounts. Often the entire family acts together in making plans, developing new designs, etc.

Many things will be different. Each family member should be prepared for and look forward to these differences. If the wage earners have been on 40 hour per week jobs, they must realize that there are no time limits to resort operation. During the busy season everyone may be on call 24 hours a day. Also, during peak season, it often isn't possible to get away. There may be no replacement for jobs that must be attended to. By contrast, there may be relaxed seasons when the operation is closed down completely and the family can enjoy playing together.

Some persons may miss the city, its people, activities, and conveniences. But, for those who are tuned to its appeal, the surrounding beauty of Minnesota out-of-doors will more than make up for the city.

Since the resort usually is the operator's home, there should be separate facilities where individuals can have privacy from guests. The facilities, services, and schools (if there are younger children) of the home community are factors that need attention. Because the resort family is both a community member and a local business, members should make an effort to participate in the business and civic affairs of the local community.

### Going From Here

This publication is designed to assist prospective and beginning resort owners launch their operation on a sound basis. Some of the details may appear bewildering and intimidating. Be assured that these and other details will become second nature as you learn and develop confidence.

Above all, resort operation is an ongoing learning process. This is especially true now because of the dynamic nature of demand for recreational services, as well as the changing nature of the U.S. business climate. Many of the sources mentioned in this article provide information that can help you keep your business up-to-date. You may want to re-read parts of this publication from time to time, and you should read all the current information you can find. Listed below are just a few published sources of information.

1. Minnesota Tourist Travel Notes, Larry Simonson, D. Larsen, and U. Blank. Agricultural Extension Service, University of Minnesota. Back copies for the previous five years are generally available (see below).

2. Minnesota Resort and Campground Rate Structures, 1973, Dayton Larsen and L. Simonson. Special Report 50-1974, Agricultural Extension Service, University of Minnesota.
3. Designing Sewage Treatment Systems for Resorts, Roger Machmeier, Extension Bulletin 459, Agricultural Extension Service, University of Minnesota.
4. Tourism's Market Potentials on the North Shore, Uel Blank and T. Knopp, Research Notes No. 5, University of Minnesota Sea Grant Program.
5. The North Shore's Travel/Tourism Industry and its Market Segments, Uel Blank and T. Knopp, Research Report No. 9, University of Minnesota Sea Grant Program.
6. Getting Started With Part-time or Hobby Rural Recreation Enterprises, 1976, Uel Blank, Extension Folder 328, Agricultural Extension Service, University of Minnesota.
7. A Needs Assessment of Tourism Firms Serving the Boundary Waters Canoe Area Wilderness Vicinity, Uel Blank, L. Simonson, G. Ballman, et al., Special Report prepared for the U.S. Forest Service, Agricultural Extension Service, University of Minnesota.
8. Marketing Management, Robert McIntosh, Extension Bulletin E-677, Michigan State University.
9. Management Through Figures, Robert McIntosh, Extension Bulletin E-656, Michigan State University.

To obtain single copies of the above publications, write to: Lawrence R. Simonson, Extension Specialist, Tourist Services, North Central Experiment Station, University of Minnesota, Grand Rapids, Minnesota 55744.



**GROUNDS MANAGEMENT**

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The intent of this paper is to present a variety of information and points of view; positions taken by the authors do not necessarily represent policies of the University.

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## INTRODUCTION TO THE GROUNDS MANAGEMENT MANUAL

This grounds management manual is designed to help resort owners and operators ("resorters") plan and implement activities to improve the way their grounds look and make property management easier. It is directed at those already open for business, whether they are new owners or third-generation resorters.

The first part of this manual looks at how the changing resort industry affects grounds management and provides both an overview of general planning principles and a step-by-step planning guide. This is followed by a case study of a Minnesota resort to demonstrate how planning principles can be applied. The last part of this manual offers a series of papers dealing with specific grounds improvements.

Resort conditions cover a wide spectrum. The individual business situation, location, clientele, landscape, and many other factors make it impossible to suggest specific strategies for all the onsite problems that resorters face. Instead, this manual outlines a standard procedure that should help you generate new ideas about construction, arrangement, maintenance, or expansion of the outdoor environment. It should be used as a reference source rather than as a collection of definitive "cookbook" solutions.

## GROUNDS MANAGEMENT - A GUIDE TO PLANNING

Barbara A. Koth\*

Take a mental walk around your resort property. Are you providing a satisfying and rewarding vacation experience? Are the grounds scenic, peaceful, and convenient? Do you have nice lawns, big trees, and good views? Are cabins screened from each other for privacy? Or are cars parked on the lawns and do walkways pass next to windows? Is storage for maintenance equipment in the middle of a scenic open space? Is the swimming area also used by motorboats?

If you were a tourist, would you spend time here? Be honest with yourself. If your answer is no, take heart. A good plan, using plants and structures to achieve the setting you want, plus some careful work can turn a ho-hum atmosphere into a winning environment. If your answer is yes, you can't afford to relax for too long. The resort industry is changing. Other resort owners are improving and expanding their places. Yours will need to keep pace, too. A good grounds management plan can make all the difference.

### What is Grounds Management?

Grounds management refers to the process of creating and managing outdoor spaces for your guests' use. It involves a diverse set of features designed to improve your visitors' recreational experience. These include:

- \* Plant materials, which can change the appearance and alter site characteristics such as screening, shade, and wind control.
- \* Provisions for movement of guests between different areas of the property, both on foot and by auto.
- \* Special-use areas, such as tennis courts and playgrounds to expand the range of leisure options for visitors.
- \* A waterfront setting, usually a major onsite attraction and an important focus for outdoor activities.
- \* Facilities for winter season use.

Planning and management to integrate these components may be one of the easiest ways to improve guest satisfaction. The appearance and operation of the site greatly influence your guests' vacation experience. First

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impressions are shaped by the "look of the place." The grounds set the stage for all other activity. The outdoors, certainly, are as important as lodging and service quality in customer satisfaction. This does not discount the importance of onsite buildings or, for that matter, offsite attractions such as golf courses or area tours. However, the focus of grounds management is on the outdoor resort environment.

### **Benefits of Grounds Planning**

Grounds improvement based on well-thought-out plans can reap many benefits to the resort owner. These benefits include:

- \* Customer satisfaction. Appearance initially attracts clients, and grounds that function well provide a pleasurable environment while people are visiting. There may be less resistance to regular rate increases if guests see improvements.
- \* More revenue. If guests are comfortable they will spend more time onsite, some of it at profit centers. They are also more likely to make return visits. Longer stays and repeat bookings of course translate into increased profitability.
- \* Tax advantages. Tax codes can benefit a resorter who renovates or expands. In some cases, major landscape projects on a business property can be considered as depreciable capital improvements, or they can be taken as a deduction in one year as a business expense. Regular maintenance costs are also deductible operational expenses.
- \* Financial advantages. A well-thought-out grounds plan is more likely to convince financial institutions to lend funds for facility improvement.
- \* Promotional benefits. The grounds reflect an image. Policy shifts, such as selection of a new target market, can be enhanced by a different "look" to the resort. Changes, such as the addition of professional landscaping, will attract attention.
- \* Community service and recognition. Private property improvements benefit the local community by creating an attractive place that draws new businesses and residents. Rewards accrue to the resort owner in the form of good working relationships with the local community.
- \* Traffic control. Planning provides for the separation of public and private areas on multi-use property, and ensures an efficient traffic flow for pedestrians and autos.
- \* Security provisions. Application of grounds management concepts can ease security or vandalism problems in remote places where there is a constant clientele turnover.
- \* Maintenance improvements. Ongoing operational goals such as low maintenance and effective support services (trash pickup, snow removal, parking) are part of the planning process.
- \* Environmental modifications. Energy conservation, screening, wind protection, and aesthetic goals can be achieved through well-planned manipulation of the resort site.

## **The Changing Resort Industry**

A primary appeal of Minnesota's resorts is the state's abundant natural resources. Located at the water's edge or on the perimeter of forested areas, resorts often serve as a home base from which guests explore the region. At a resort, the outdoors should reflect the attraction of the woods and water wilderness. By taking advantage of the natural setting, the resort owner can continue the theme of fun and relaxation in the outdoors.

Despite the unique market position of Minnesota resorts, there has been a steady decline in the number of facilities. A Sea Grant study shows that over one-half of the resorts in the state were lost between 1968 and 1983, although that trend has slowed significantly since 1980. Total lodging capacity from all sources has in fact increased, but resorts account for a smaller and smaller portion of overnight totals.

Resorters also have to contend with dramatic changes in the tourism industry worldwide. In today's travel market, vacationers can choose from a full set of international and domestic destinations. The decision to stay at a certain local resort versus the one across the lake is the last step in a series of choices that may have started with a consideration of the vacation benefits Minnesota could offer as compared to, say, the Ozarks, Germany, or the rental of a sailboat. Fluctuations in a worldwide economy can also stress resort operations on the local level.

To stay competitive in the 1980s and beyond, resort owners need to consider options that will give them the edge in attracting and serving customers. These options include updating aging facilities, expanding services, and offering specialized activities.

### **Minnesota's Aging Resorts**

A Minnesota Poll conducted in December, 1984, and January, 1985, by the Minneapolis Star and Tribune provides specific details on the operating history of 1025 resorts in the state. The average resort has been in business at the same location for 42 years, indicating that many were established in the early 1940s. Forty-three percent opened their doors over 40 years ago.

Facilities are somewhat newer, averaging 29 years in operation. Many structures were constructed in the mid-1950s, and one-half are 25 years old or more. Two-thirds of resort operators have made major physical changes (renovation, additions) since 1979, and in that same time period 12 percent made modifications to enable them to stay open during the winter season.

The age of onsite buildings has made improvements necessary for many owners, but grounds improvements to bring a 1940s resort up-to-date may not have taken place at the same time. Yet the appearance and function of the grounds need as much attention as the condition of the buildings if the resort is to remain competitive.

### **New Trends**

Regardless of the age of the facility, two dominant trends are changing the resort industry: specialization and service expansion.

The family vacation resort and the fishing resort comprise the bulk of Minnesota's resort industry. To complement these popular, traditional resorts, we are seeing greater variety in accommodations. Nationwide, new resorts cater, with great success, to specialized clientele such as health and fitness enthusiasts, participants in winter sports, single elderly adults, or people learning a language. Attention to these target markets may in fact be particularly effective during the off-season to attract a different visitor segment to fill empty rooms. Specialized clientele, however, demand specialized service and facilities, and place different pressures on the grounds.

At the same time, some operators have noticed that guests now expect the full range of amenities, such as golfing, swimming pools, trails, and evening entertainment. In particular, young people with high incomes, the lucrative "yuppie" market, demand a variety of services. These may be made available onsite or in some sort of shared arrangement with other resorts. Making these expansions requires an awareness of the various types of improvements, feasibility, and requirements of day-to-day operation. Campgrounds, nature trails, children's play areas, and lakeside facilities all have different requirements and, in combination, change the way a resort functions.

#### Changes Observed by Resort Owners

Experiences in Minnesota support these impressions. Sixty-four percent of the owners/operators in the Minnesota Poll said that "the things people are looking for in a resort have changed in the last five years." Two-thirds called those changes "significant." Certain leisure interests have assumed major importance compared with five years earlier:

- \* 65% report that children's activities are more important now than before.
- \* 56% say recreational facilities (tennis, golf) are more important.
- \* 37% indicate fishing is more important.
- \* 36% say that winter activities are more important.

Although resorters generally believe a wide range of activities is important to enjoyment, actual provision of facilities is not as common. Table 1 compares the importance of activities, as perceived by owners/operators, to their actual availability on the premises.

The figures show that, in line with traditional resort offerings, fishing and boating opportunities are very important and widely available. But there are several unmet recreation needs. The high incidence of jogging and bicycle trails, as compared with expected importance, suggest that these facilities may be easy to construct on most properties, using existing resources.

Table 1. Resort Owners' Perceptions of Activity Importance and Actual Availability on Premises\*

Activity	Think Activity is Very Important to Resort Customers  (percent)	Activity	Available on Premises  (percent)
Fishing	82	Fishing equipment	76
Swimming	68	Swimming pool	10
Boating	62	Boating	95
Camping	53	Camping	50
Golfing	29	Golfing	2
Snowmobiling	28	Snowmobiles	10
		Snowmobile trails	16
Skiing	25	Cross-country trails	12
		Downhill ski runs	1
Tennis	14	Tennis	8
Horseback riding	10	Horseback riding	3
Jogging	8	Jogging or running paths	31
Bicycling	8	Bicycling	15

\* Minnesota Poll, Special Report Survey, December 1984 - January 1985, Minneapolis Star and Tribune Research Department.

### Implications

The data from the Minnesota Poll suggest that some service expansion is needed to meet new demands. Moreover, the need to compete effectively with other vacation options creates pressure on resort owners to make their facilities more attractive and workable. The ability of individual resort operators to meet these changing demands depends on the capacities and layout of the physical site. Effective action requires a familiarity with grounds management principles. The next section outlines these principles and demonstrates the process for the resort owner.

### Grounds Management Planning

The need for onsite planning at a resort is no different from the need for market plans and financial planning. All are fundamental tools used to give a business an edge in growth and profitability.

## Attributes of Planning

Planning is a logical and organized activity to help in moving toward your established goals. By following the recommended steps, you can develop various alternatives and then select the one that best meets your management objectives.

Planning is also intuitive. It requires a feel for putting things together on the resort property to create an appeal. Although there are facility and activity standards in the business, there are no absolutes for their arrangement or design. Individual judgment is important in preparing plans that highlight unique site qualities. Your perceptions and feelings are a critical part of the whole planning process.

Grounds management planning involves many specialties, particularly landscape architecture, architecture, civil engineering, and biology. Geology, soil science, forestry, economics, and fish and wildlife, to name a few examples, play a supporting role. You do not have to become an expert in each of these areas, but you do need to be aware of the broad range of issues. Then consult experts as the need arises.

Planning is continuous. It is an ongoing process that should be evaluated periodically, and updated or changed as necessary to meet your changing goals.

## Design Guidelines

We all have ideas about how we want the places we live to look. Most of us have been out in the yard planting, mowing, building or painting at some time. Informally, we apply site planning principles to create the outdoor home environment we want. Management for business purposes introduces some additional complexities. The resort accommodates more uses and must also satisfy multiple clients as well as the owner. So, although practices from residential sites are generally applicable to the resort setting, modifications are necessary for commercial operations.

Given the wide variety of projects envisioned by creative resort owners, it is helpful to have a set of general design guidelines that can be applied to your specific plan. These guidelines can help you integrate the different parts of your resort property.

The guidelines listed in this section are based on three fundamental principles:

1. Grounds management is for people.
2. Both function and aesthetics must be satisfied.
3. Constraints on land use must be recognized.

In planning for the needs of people, the art of compromise is critical. There are two groups of people at the resort whose demands must be satisfied: (1) the guests, who are seeking a place that meets their leisure expectations, and (2) the staff, including the owner/operator and the service and maintenance staff, who want their operations to function effectively. Satisfying the often conflicting needs of these two groups is the key to site planning.

Function refers to how well a site works. Is it easy to cut the grass? Are auto and pedestrian traffic safely separated? Are there exciting activities for children? Is there severe erosion in the campground? How a resort functions relates in the long run to its ability to generate income.

Aesthetics encompasses how a place looks and the type of experience it can provide. Does the entrance invite and welcome potential customers? Is maintenance equipment screened from view? If families are your target market, does the resort have a family flavor? Do details contribute to the overall "feel" of the resort? Creation of a quality resort means making tradeoffs. The site must operate efficiently, but it must also evoke a satisfying personal response.

Constraints on land use include government regulations as well as the geography and ecology at the resort.

These general principles are the basis for the guidelines listed below. Although they are divided here into separate categories, in reality they overlap and operate as a set.

**Aesthetics.** In simplest terms, aesthetics refers to appearance. It also concerns how a place "feels."

Create an attractive setting. You don't have to be an expert to know what is attractive to you and what is displeasing. You can use your personal preferences to create a mental "excellence scale" in which you imagine extremes of appearance. In your mind, picture the most attractive setting, and single out those elements that add to its appeal. Then do the reverse, noting features that detract from appearance. Grounds planning options could then be evaluated against this scale. You may need to sharpen your observation skills in creating such a measure.

Establish an experience that "feels right" to the guest. The grounds must have a strong character that make a readily identifiable impression. A theme or design can create a dominant look for the resort property, making the nature of its operations immediately evident. For example, a fishing resort simply does not "feel" the same as a young, upscale sports resort. The setting must also give cues about expected and appropriate activity. For example, trail design and plantings in a campground can discourage visitors from walking through other sites to reach common areas.

Strive for consistency. Consistency in grounds management is essential to achieve these objectives. Consistency refers to similarities in design and management policies that are carried throughout the sites. For example, directional signs of the same design can draw the scattered parts of a property together by creating some consistency. On the other hand, junked appliances that line an entrance road are not consistent with the resort experience, especially those that promote a remote, pristine environment. After you choose a target market and assess the site capabilities, select the main experience that you are trying to provide. Set your standards, and stick with them!

**Function.** Appearance is irrelevant if things don't work. The grounds must function well both from the management viewpoint and for the comfort of your guests.

Satisfy technical requirements. Each project must meet minimal standards of size, quantity, and orientation to natural forces. Tennis courts should be located perpendicular to the sun's path over the site. The maximum grade for a boat launching ramp is 15 percent. An attractive structure for storage of pool maintenance equipment is desirable at the swimming area. But again, balance operating needs with people concerns.

Explore ways to cut costs. Take advantage of resources the site already offers and limit extensive modifications. Use a rise in the landscape as a quiet area with open views toward the lake, rather than leveling the site. Put a natural harbor in operation, rather than constructing dock facilities where periodic dredging will be necessary. Some investments will pay off in the long run. For example, appropriate structural and plant materials will result in lower maintenance and replacement costs. Attention to detail can mitigate future problems. For example, paving at the base of a wall to accommodate one wheel of a lawn mower saves trimming time by leaving a clean cutting edge.

Provide for ease of control and supervision. Placement of structures and plants affects the movement of people and goods and provide safety and damage control. Good landscape designs achieve a balance between user freedom and control by directing guests to appropriate actions without the resort owner's intervention. Fencing or plantings will keep clients from parking cars outside the cabins, while bare ground will encourage this behavior. Flower beds in a large, open grassy area make ballplaying difficult, and participants are likely to move to the ballfield.

Use the "outdoor room" concept. This concept, used by landscape architects for private dwellings, can be applied to a resort setting. The "rooms" are divided according to use: the public area, the common area, the private living area, and the service area. The "walls," made of vegetation or construction materials, define the different use areas. The "ceiling" (trees or sky) defines the upper limits of the outdoor room and offers physical protection. The "floor" can be natural or of manmade materials.

The public area is that portion of the landscape open to public view at all times. It is visible to individuals passing by, as well as to clients entering the property. The common area refers to sites open to use by all paying guests. The private living area is intended for personal use and is screened from public view and accessibility. At a resort, the private living area is of two types--the areas near the individual cabins or housing units, and areas adjacent to the owner's private residence. The service area provides for utilitarian functions.

Classifying the outdoor areas at your resort in this manner helps define their unique qualities. For example, in the public areas where you want to initially attract clients, an aesthetically pleasing place is the dominant concern. In contrast, living areas require maximum privacy and easy access to common areas. Pinpointing the location of the outdoor rooms makes it easier to plan efficient movement between them.

Group similar activities. It is standard practice to locate compatible uses together and to separate them from groups of disparate activities. One distinction is between active sports and passive activities. The former, like basketball, tennis, or softball, require direct personal participation, attract crowds, and are often noisy. Passive leisure pursuits, such as viewing wildlife, fishing, or photography, generally require little landscape modification and are quiet and contemplative. The inherent differences

between these active and passive activities demand separation in space or time.

Another set of activities involves movement along a linear corridor: boating, hiking, bicycling, and snow skiing. In these cases, motorized uses should be separated from nonmotorized activities, just as automobiles and pedestrians are separated in the cities. This is for safety reasons as well as for differences in your guests' expectations. Self-propelled activities are simply not compatible with powered activities. Witness the occasional conflicts between motor boats and canoes, cross-country skiers and snowmobile enthusiasts, and hikers and off-road vehicles. Trails open for hiking should be reserved solely for that purpose, with separate paths constructed for horseback riding.

**Constraints on Land Use.** Plans for grounds improvement need to take into account restrictions imposed both by natural forces and by government.

Maintain environment productivity. Quite simply, do not exceed the ecological capacities of the site. Development should be encouraged in areas best suited for it by slope, soil, and vegetation conditions, and should be discouraged in areas of significant resource value and hazard. For example, a lowland marsh is a productive wildlife habitat, offering opportunities for guests to view various species. Any development there, such as a playing field, would be prone to periodic flooding and might disturb natural processes.

Violation of ecological principles at the resort is a no-win situation. The development may work for a time, but eventually resort efficiency will drop, either through increased repair and maintenance costs or deterioration of the environment.

Be aware of governmental regulations. Implementation of any grounds management plan for a resort requires awareness of government programs and rules that constrain land use options. State and federal governments may enact legislation defining appropriate uses in coastal zones, wetlands, agricultural areas, and forested zones where local governments may not have the jurisdiction or the ability to control land use.

However, most of the decisions are still made at the local level. One of the most common program areas is zoning codes. These codes may specify the height and size of structures, the percent of the lot occupied, size of open space, or the density of the resident population. Other governmental mechanisms that limit the range of onsite management options include township plans, structure of the local property tax system, capital improvement projections on the drawing board, and building codes.

**Design Checklist.** These guidelines can help you evaluate changes proposed for your facility. As you consider various alternatives, consult this checklist.

People needs:

- \* Does the design balance both guest and operator/staff needs?

Aesthetic needs:

- \* Have you maintained or created an attractive setting?
  - Does the setting meet set standards--yours and your guests'?
  - What impressions does the setting give to potential guests?

- \* Have you established an experience that "feels right" to the guest?
  - Is there a dominant theme, look, or experience?
  - Does the setting give cues about expected and appropriate activity?
- \* Is there consistency to the site?

#### Functional needs:

- \* Have technical needs been met, including the effects of natural forces (such as sun, wind)?
- \* Have you explored ways to cut costs?
  - Does the project take advantage of existing resources?
  - Are appropriate structural and plant materials used?
  - Is there attention to details that can save money?
- \* Does the site provide for ease of control and supervision?
  - Is there a balance between user freedom and control?
  - Are circulation and safety concerns met effectively?
  - Does the property arrangement discourage property damage?
- \* Has the property been divided by function: public, common, private living, and service areas?
- \* Are compatible activities grouped together? Are disparate activities separated?

#### Constraints on land use:

- \* Has environmental productivity been maintained?
  - Have you developed areas best suited to the activity?
  - Have you developed areas of significant resource value or hazard?
- \* Does the project comply with government standards and regulations?

### **The Planning Process**

Whether you are considering a minor addition to your resort or a property-wide assessment, you can best translate your concerns into action by using the planning process described below. The basic procedure is to document and analyze current conditions, evaluate various options that meet your objectives, implement the preferred alternative, and then monitor the results. The scale of the project determines the scope of the planning effort, but the basic steps are the same.

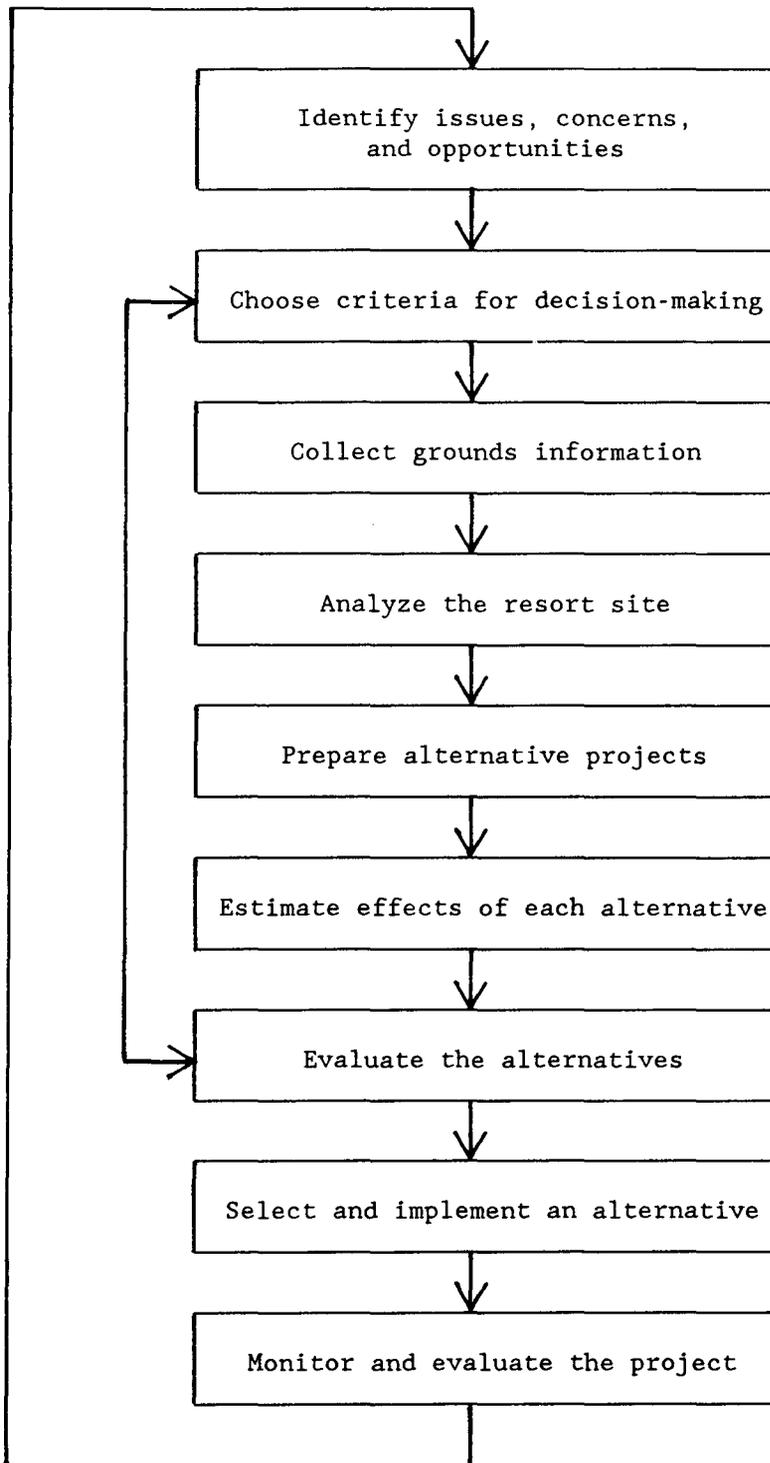
Figure 1 illustrates the connections between each step. The feedback loops show that planning is a continuous activity, where new information may refine the outcome.

#### 1. Identify Issues, Concerns, and Opportunities

Begin by identifying those issues, concerns, and opportunities that you think are important. Your personal experiences underlie the entire procedure.

- \* Issues refer to subjects or questions of general interest relating to resort management. Example: children of repeat clients are growing up and now enjoy and expect a wider variety of recreation activities.
- \* Concerns are issues or problems requiring a solution. Example: inadequate sewage capacity.

Figure 1. The planning process



- \* Opportunities are those situations which you could take advantage of to enhance your guests' experience or make your work easier. Example: The Chamber is organizing a familiarization ("fam") tour for travel writers and is looking for a resorter to host the visitors overnight.

In short, pull together all the ideas you've had in the past about the property and how it works. What's your strong point, the unique attributes at your place that might give you an edge in attracting and keeping customers? What are recurring problems? What are some projects you have thought about undertaking? What are your competitors doing? Include your "wish list" of what you want the resort to be. Information sources such as your marketing plan, client profile, financial situation, and industry trends can provide you with additional insight into issues, concerns, and opportunities.

Use this step as an opportunity to think through the future for your establishment. Decide where you are competitive, and where you need to make some changes. Some grounds management options will no doubt emerge.

## 2. Choose Criteria for Decision-making

Planning assumes that several options exist and that these alternatives can be weighed against each other. To evaluate your options, you first need to determine the criteria on which your decision will be based. These criteria depend on your management objectives.

It is likely that most criteria, and those given the greatest weight, will be related to finances. Examples are: cost of the project, expected revenue returns, time to recover the investment, and cash flow/liquidity implications.

Other criteria might include operational concerns, environmental quality, aesthetics, and the time frame (long- or short-term). Listing these items according to their importance in reaching your goals will help you sort out the tradeoffs you may need to make later.

## 3. Collect Grounds Information

Your next step is to take stock of your property so that you know exactly what you have to work with. The way to do this is to make a sketch of your resort. This is a time-consuming process, but well worth the effort. If you already have a detailed topographic map, landscape plan, or a plot map drawn to scale, you can save time by using that as a starting point.

You will need to get out and walk through your property to make an accurate sketch. First, assemble the following tools:

- \* Pencils.
- \* Ruler to measure and use as a straight edge for drawing.
- \* Outdoor tape measure, 50 to 100 feet long.
- \* Graph paper.
- \* Clipboard or other surface to draw on.
- \* Shovel.

Once you have your equipment, put on your most comfortable shoes and head outside. At first you may be overwhelmed by the sheer size of the area you have to cover. But you can probably break it down into about four manageable areas: the approach, the office entrance, grounds adjacent to individual rental units, and common recreation areas.

As you walk over your property, sketch as many details as you can. Include the following items in your drawing:

- \* Property lines, including easements or rights-of-way.
- \* Buildings, showing windows, doors, steps, walks, decks, patios, or porches.
- \* Driveways, with connections to roads.
- \* Utility poles, wires, underground pipes, sewers, septic tanks or drain field, oil or gas tanks.
- \* Fences or enclosures.
- \* Changes in elevation and slope.
- \* Views of neighboring property or buildings, and desirable or undesirable views.
- \* North point, direction of prevailing winds, and path of the sun across the property.

You will also need to take note of soil, land suitability classes, and vegetation. These subjects may require technical expertise. Help is available from the Minnesota Extension Service. Contact your County Extension Agent for consultation or reference material as you work through the data collection.

The Approach. Start with the first area your guests see. "Arrive" at your resort.

- \* How big is the entry area? Measure, then sketch it out.
- \* What manmade landmarks are there, including signs, driveways, and gates?
- \* What natural landmarks catch your eye (big trees, plant groupings, boulders)? If you can, name the various types of trees and shrubs.
- \* Outline grassy areas or areas where there is supposed to be grass.
- \* Do a little digging. Mark areas where you have good black dirt, sand, rocky soil, etc.

Follow the route your guests will take to the check-in point, usually the main entrance to the lodge. Sketch it out.

Office entrance. Again, measure and sketch out the entire area that your guests will see as they park their car and walk to the main office. Include:

- \* Relative locations of the parking area and buildings.
- \* Roads, walkways, and paths.
- \* Major features like benches, signs, trees, shrubs, and flower beds.
- \* Soil characteristics.

Grounds management does not cover the inside condition of your resort, so you don't need to go indoors. However, you will want to consider views from the lodge and guest quarters when planning.

Individual rental units. Proceed to locations your guests will see as they move from the check-in point to their living area. Sketch the grounds adjacent to each rental building, and write down major features. Continue this activity for all cabins. Guests who stay in the farthest cabins will expect the same high-quality environment as customers near the lodge. Be sure to list items common to all cabins as well as the unique features of each building.

Recreation areas. Next, move on to the common areas that are open to all guests: beaches, boat landings, hiking trails, riding paths, picnic areas, playing fields, and tennis courts. Measure and sketch each special-use area. Include whatever details are appropriate for the business objectives and the issues, concerns, and opportunities you have identified earlier. Include areas you may develop in the future. Measure the meadow if you are thinking of a playing field. The more you learn about exactly what you have and where it is situated in relation to other onsite facilities, the easier it is to expand your grounds options.

#### 4. Analyze the Resort Site

Once you have made a property sketch, you are ready to analyze the strengths and weaknesses of the grounds.

Begin by making a functional or "bubble" diagram which condenses the information from the sketch. This bubble diagram (Figure 2) takes general categories of use (for example, parking or hiking), and places them in a spatial relationship to each other. For example, what is near the active sports area? What are the implications of a maintenance storage building adjacent to the resort entrance? This assessment relies on the design principle that similar activities should be grouped together and disparate ones should be separated.

In addition to analyzing the overall design, it is essential to pay attention to details. How does each individual site component look, and how does each part work? Note details such as dead or diseased plants that need to be removed or replaced. Are the rock barriers really keeping guests from driving up to the cabin? A good way to analyze these details is to prepare a rating scale for each grounds feature, where "1" equals "high quality--no changes needed" and "5" equals "needs extensive repair--replacement or removal."

Your analysis also needs to take into account the suitability of the land. Attributes that influence the range of acceptable land uses include soil type, slope, bedrock structure, porosity/permeability of soil, compaction qualities, and depth of the water table. A comparison of existing conditions with set standards (known as suitability measures) may explain some current problems or head off future troubles.

Your final step in analyzing the site is to ask yourself how the resort works. Use the bubble diagram, the rating scale, and land suitability measures to help you answer these questions:

- \* What are the positive and negative aspects of the grounds?
- \* What features should be preserved or enhanced?
- \* What features should be changed or corrected?
- \* What are the limitations of the site?
- \* What are your feelings and reactions to the site?

5. Prepare Alternative Projects

Many resorters begin planning at this point, with a vague, partially formed ideas about a new project. But it is worthwhile to first work through the situation analysis--the four steps described above--in order to have a clearer view of past conditions that brought you to this point. The analysis can provide additional information that may help to redefine the problem and shed some new light on possible solutions.

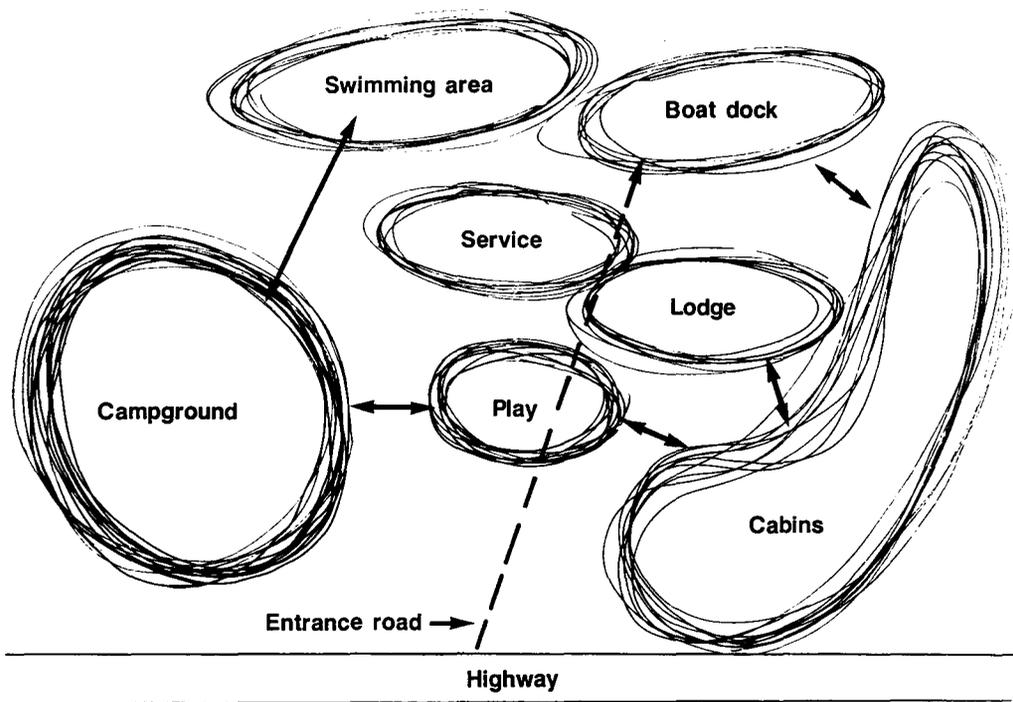


Figure 2. Example of bubble diagram.

After you have analyzed the situation at your resort, draw up a list of the grounds management options you are considering. Include possible variations. For example, in deciding whether to construct a campground, you might prepare alternatives based on size (15 versus 25 units) and configuration of the individual sites (spacing between each). By exploring variations, you might be able to pull together the best parts of each option.

6. Estimate the Effects of Each Alternative

For each option, ask yourself: what will happen if I undertake this project on my property? Make a list of the effects, using the criteria established in step two as a basis for making your estimates. For example, if one of your criteria is "compliance with local ordinances," consider whether the project requires changes in the zoning rules.

Your list of estimated effects can be quite general, although in some cases you may need to be specific. For example, financial data should be very specific, but aesthetic changes might simply be described as "add to/detract from the setting," and comments on maintenance work might be limited to "easier/more difficult."

In estimating financial effects, you may wish to make use of computer programs that calculate fiscal data for various projection options. Contact your County Extension Agent for details.

7. Evaluate the Alternatives

There is a difference between estimation and evaluation. Estimation is judging what the effects will be; evaluation is judging how important those effects are.

To evaluate the alternatives, review your list of estimated effects and, using the decision-making criteria in step 2, rank the importance of each effect. You should end up with a list of projects ranked according to their desirable effects.

8. Select and Implement an Alternative

Based on your evaluation, select an alternative that most closely meets your management objectives. It is unlikely that any one option will emerge as the obvious choice. Nor will one alternative be the best solution for all criteria. You will most likely have to make a tradeoff in order to come the closest to your business goals.

Having gone through all the preliminary planning steps, you are now ready to put your plan into action. Some suggestions for specific grounds management improvements are given in the next section of this manual.

9. Monitor and Evaluate the Project

Planning is continuous. It does not end after you have selected a plan of action. The new project may interact with existing facilities in ways that were unanticipated, and adjustments may be required. The alternative chosen simply may not work, or it may create additional opportunities. In short, the resort environment is dynamic, and the resorter should continually track its operation for clues to improved service and more efficient operation.

## CASE STUDY AT LAKE CHAOS

Paul Fjare\*

We all agree that the resort industry is in an era of significant change and stress. These shifts have the potential to radically alter the nature of the traditional resort experience. These shifts also place different pressures on how a resort property is used by guests. There are two ways to handle this changing environment -- by reacting and by planning. You can respond to changes you see as they occur. In fact, however, this strategy lets guests and outside forces control your resort operations. Or you can look ahead and anticipate changes by developing a plan.

To demonstrate grounds planning principles, a hypothetical resort at Lake Chaos has been created. It represents a combination of features and design common to many resort properties. This information is presented in Figure 1. Possible site improvements are shown in Figure 2. These proposed changes represent an ideal plan that could be carried out if there were no time and budget constraints. Following this case study, some general guidelines for site improvements and new constructions are outlined.

The proposed changes would vary depending on the long-range goals established for the facility. Always write down these goals, supported by specific objectives that outline action. Before you make any decisions on site changes, do an overall cost estimate for the ultimate level of development you envision. Only then will you be able to set priorities and identify individual projects that assure orderly development.

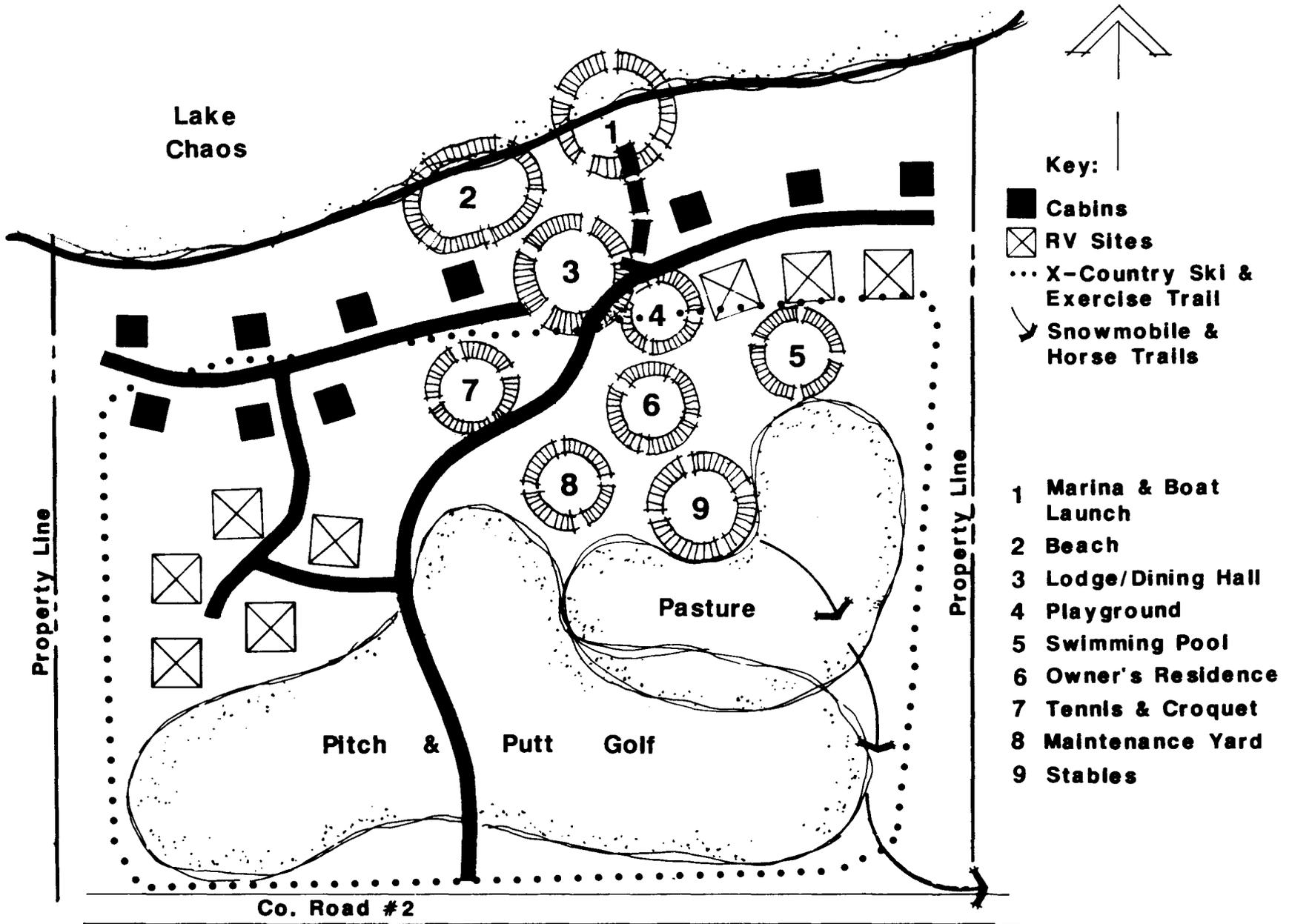
### Existing Conditions at Lake Chaos

Lake Chaos Resort is a 10-cabin family resort with eight camping sites for recreational vehicles. Onsite services and activities include a marina, beach, swimming pool, tennis courts, horseback riding, a pitch and putt golf course, and a children's play area. The resort is open during the summer season, and the advertising emphasizes a "natural north woods environment."

The initial step in the grounds planning process is to analyze existing conditions as sketched on the base map (Figure 1). The five issues that emerge are concerned with the view, traffic patterns, safety, separation of uses, and privacy.

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\* Paul S. Fjare is President of Brauer and Associates Ltd., a land use planning and design firm in Eden Prairie, Minnesota. Many thanks to Mr. Fjare for his generous contributions of time and staff on this project.



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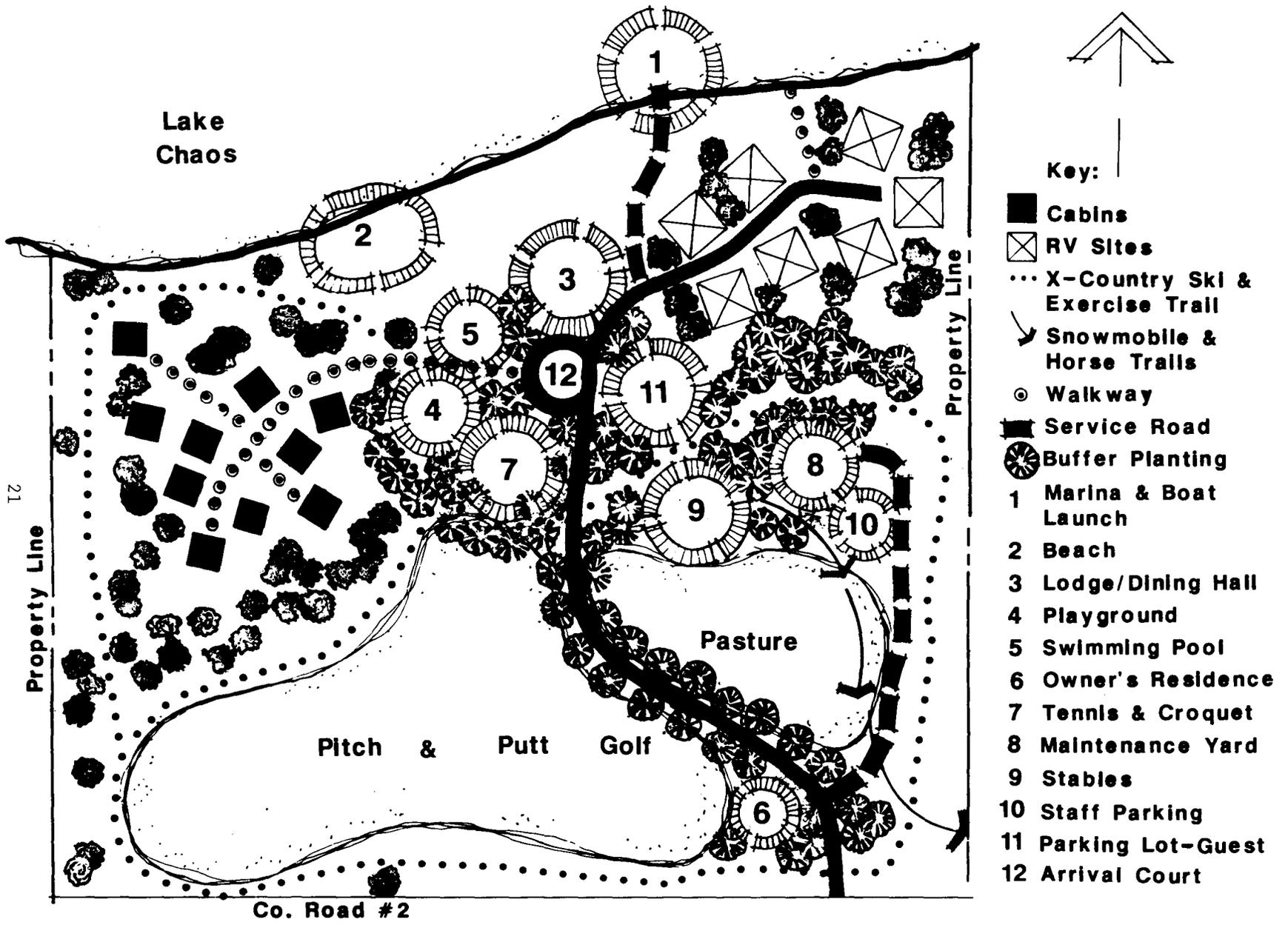
Figure 1. Lake Chaos Resort - existing conditions.

- \* There is a good view for arriving guests and passersby with the pitch and putt golf course at the entrance.
- \* Maintenance, service, and storage facilities are visible from the road or when walking on the grounds.
- \* Resort entrance is used by both guest and service traffic.
- \* There are some safety concerns with an entrance through a golf course.
- \* Pedestrian and vehicle traffic are in conflict on the property.
- \* Onsite loop road chops the property into little pieces and encourages excessive traffic.
- \* There is uncontrolled vehicle access to and parking at all cabins.
- \* Guests at "landside" cabins are forced to cross the road for access to lakefront.
- \* Owner/manager residence lacks privacy.
- \* Active and passive activity areas are scattered and mixed.
- \* Cross-country ski and exercise trail puts wooded areas to good use.
- \* Cabins adjacent to lodge and high use areas lack privacy.
- \* Proximity of beach and marina may be a safety hazard.
- \* Boat launch traffic conflicts with foot traffic in the area.
- \* Proximity of swimming pool and stable/pasture may be both an odor and a health problem.
- \* Playground is adjacent to service entrance for lodge. Vehicle traffic will be constant.
- \* RV sites directly behind cabins don't have a view of lakeshore, and there is limited privacy for cabin guests as foot traffic passes by.
- \* Entire lakeshore is developed, leaving no common areas for use by all guests.

### Lake Chaos Development Plan

Given the above conditions, an overall concept was mapped out (Figure 2). This plan represents one landscape architect's perspective on improvements that would make the resort more attractive and functional. Actions proposed to enhance the guests' experience and to make management easier include:

- \* Relocate the entrance road to eliminate golf course hazards. This also puts the pitch and putt golf course back together as one unit.
- \* Separate the maintenance and service road from the main road. It has been relocated as a spur road off the main entrance.
- \* Maintain a view of the golf course as guests arrive, with added variety from the pasture.
- \* Develop an arrival court near the lodge for guests. The resort layout makes it obvious that this is where they register, meet the owner, and unload luggage.
- \* Provide walkways only to the cabins, thus reducing unnecessary, unsightly, noisy, and dangerous auto traffic on the property. Consider using a golf cart to distribute luggage for your guests.
- \* If cars are not allowed to drive up to cabins, provide a guest parking lot on the other side of the main entrance road.
- \* Similarly, create a staff parking area off of the maintenance road to avoid conflict with guest traffic.
- \* Establish buffer plantings to screen the stable and maintenance yard.



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Figure 2. Lake Chaos Resort - development plan.

- \* Relocate the owner's residence out of the immediate cabin vicinity to increase privacy.
- \* Cluster activity areas (lodge, tennis, swimming pool) to enhance the view and minimize conflicts between different groups of users.
- \* Place the playground in an area where parents can watch children while playing tennis or swimming.
- \* Position the swimming pool so that a good view of and contact with the lake is possible.
- \* Cluster cabins together, and also RV camping sites.
- \* Separate the boat launch/marina and swimming beach as much as possible.
- \* Keep the beachfront free by clustering the cabins so that uninterrupted foot traffic to the lakefront is possible.

### **Some Common Site Changes**

There is probably a nagging outdoor resort project that tops each resort owner's list of things to do with "extra" time or money. Site mapping and analysis of your resort may reinforce the need to make these changes. Some general guidelines are given here for site improvements common to Minnesota resorts--changing the access/entrance, controlling vehicle use around the cabins, screening utilities, using plant materials, and easing soil erosion.

#### **Changing the Resort Entrance or Access**

The transportation plan is important because first impressions as guests drive in shape their expectations. How traffic circulates creates a certain "feel" of the resort. Minnesota resorts generally sell a relaxing north woods experience, so minimizing traffic is often consistent with the image you portray.

One of the first principles is to separate guest traffic from travel related to service and upkeep -- food delivery, maintenance crew activity, family comings and goings, etc. One way to do this is to establish two alternate access points to the resort property, or a spur road as illustrated in the case study. Check the proposed access point(s) in both directions for safe exit and entrance consistent with posted speeds, and seek appropriate permit approval.

A quality entrance sign can add appreciably to the arrival experience. The entrance road layout should capitalize on the excitement of arrival by creating a mood or feeling. In order to carry out that feeling, avoid splitting areas up unnecessarily or disrupting foot traffic patterns.

If you are considering significant redesign of the road system, make a checklist for environmental factors. Contour the land rather than leveling it. Take the soil classification types into account when working with roadway runoff design, and know average annual snowfall when preparing the roadway cross-section detail.

## Controlling Vehicle Use Around Cabins

If you don't allow cars to drive up to the cabin, you can sell your guests a safer, quieter, and less cluttered environment. The system used in the Lake Chaos case study is widely applicable: prepare an arrival court where guests initially park for registration and unloading. Then provide an efficient and clean method of getting your guests and their luggage to the cabin. Most likely you or your staff would perform this service. Provide a guest parking lot that is well-lighted and controlled. This frees the space around cabins so you can improve the view with some landscaping and the introduction of grass and other plant materials (Figure 3).

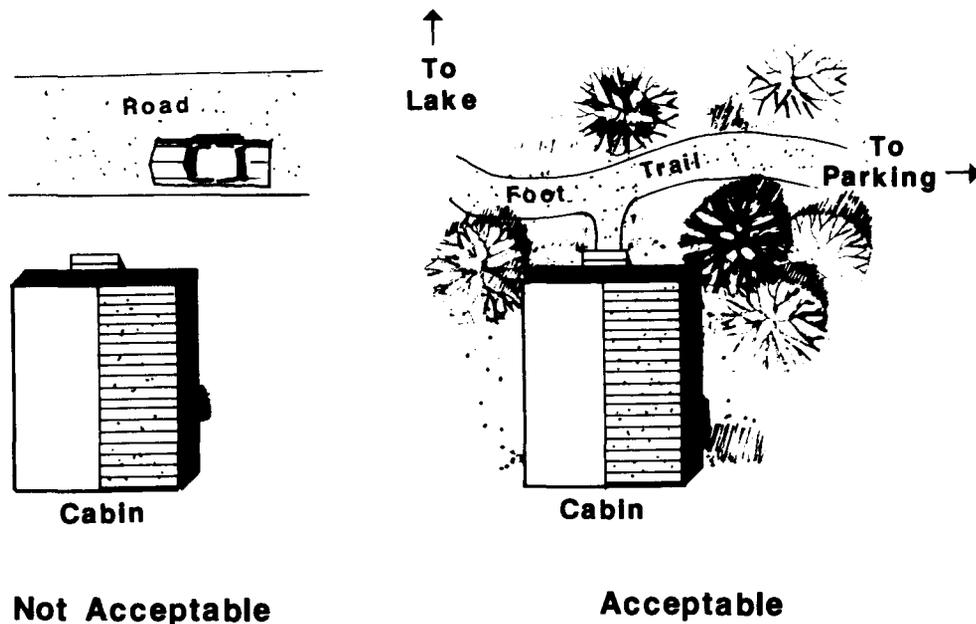


Figure 3. Controlling vehicle use around cabins.

## Screening Utilities to Improve the Appearance of the Resort

Utility placement, use of waste receptacles, and outdoor lighting are all some options to improve site appearance. One of the best ways is to place utilities underground. Utilities in the open, especially electricity, can be both unsightly and a serious safety hazard during a storm. Ultimately, buried utilities will cost less to maintain.

Position waste receptacles in easily accessible spaces near walkways. Use a color scheme that doesn't detract from the outdoor environment. Develop fenced enclosures for larger dumpsters near the lodge or maintenance barn. Figure 4 below incorporates a concrete slab to allow for effective cleanup. Propane tanks can be screened with plant materials.

Consider subdued outdoor lighting to outline a walkway or highlight a special tree or flower bed (Figure 5).

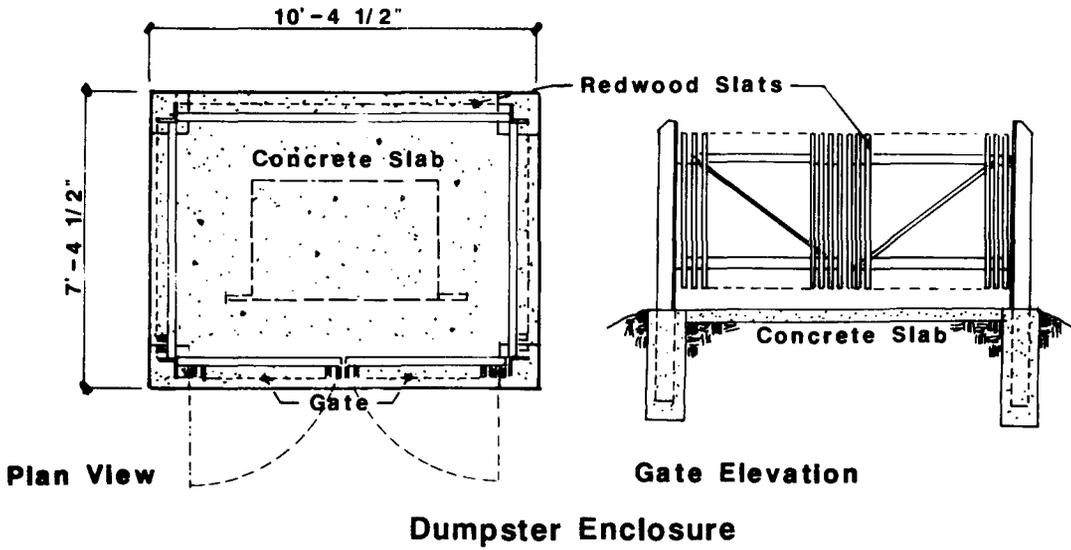


Figure 4. Construction plan for a dumpster enclosure.

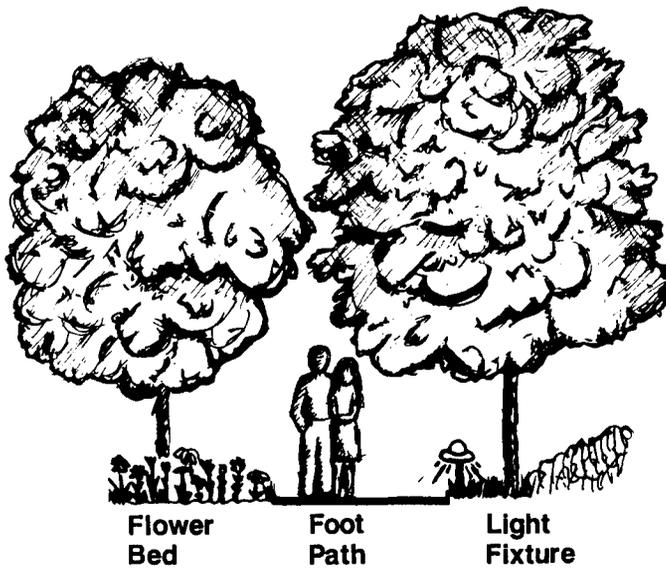


Figure 5. Subdued outdoor lighting.

## Using Plant Materials

In addition to a regular tree and shrub maintenance schedule, replace dead or dying trees annually. For the most part, use native species that reflect the north woods environment. The introduction of lots of exotic transplants can detract from the setting. Check with your local county extension agent for horticulture publications on matching species to the site. One of the best books on landscaping for the homeowner is The Victory Garden Landscape Guide (1984) by Thomas Wirth.

It's very rare to see flower beds at Minnesota resorts, but plantings can add an accent and a touch of color if used in the right places. Some locations might be under the resort sign at the highway entrance, near the lodge reception area, on the deck in planters, and in front of individual cabins.

## Solving Soil Erosion Problems

During your site inventory, you may have noticed areas of soil deterioration where there is no vegetative cover, or locations with actual soil loss. The strategy is to first stabilize the site, and then to revegetate it. If there is soil removal, potential corrective measures depend on soil characteristics:

- \* Develop a series of holding basins (small depressions) along the slope to slow the movement of water. You want to decrease the volume of water flow and velocity. Depending on design, holding basins will collect silt that would otherwise go into the lake, so they must be maintained.
- \* Place rip-rap along culverts and drainageways or at the lake shoreline if there is little use.
- \* Construct a storm sewer underdrainage system where the water collected goes underground through a piping system. The natural drainage must flow towards the pipe; otherwise change drainage patterns in that direction.
- \* Build a series of steps and platforms to eliminate unwanted foot traffic from the slope.

Once the site is stabilized, replace the topsoil. Then mulch and reseed, or stake new sod in place. When soil is bare during construction or while working to correct a problem, staked haybales will prevent soil from eroding into the lake. Silt fencing, a cheesecloth-like fabric, also traps sediment.

If the site is deteriorating, run a soil test to determine nutrient levels. Begin mechanical or chemical means to restore nutrient levels and get some vegetative cover back. Retire the area from active use for a period of time to allow faster recovery. Periodic soil tests will help you make decisions about seeding and fertilization.

## **New Facility Construction**

A growing market segment is composed of guests who want full-service resorts with a wide variety of amenities. Some of the more common improvements that resorts have made include tennis courts, swimming pools and changes to the waterfront. The following sections provide some design guidelines for placement and construction of these facilities. Some of the specifications might cost more money at initial stages, but in the long run it pays to do it right the first time and save dollars later.

### **Tennis Courts**

Place a tennis court in a more passive area of the resort. Avoid locations that position vehicle traffic either next to or behind the courts. Consider excessive or too little wind in your siting decision. If the court is lighted at night, be sure that the illumination or noise will not disrupt other resort activities.

Results of the soil analysis will influence the choice of base construction materials. Generally maintain a north-south orientation to minimize glare from the sun. Avoid drainage from other resort areas onto the tennis courts, and allow for easy runoff from the court surface.

### **Swimming Pool**

Position the pool in a location that is physically and visually accessible. It should be some distance from adjacent living spaces in a more active area of the resort to avoid noise conflicts. There should be a visual tie to the lakefront.

Perform an analysis to determine soil characteristics prior to construction, and make sure that immediate surface drainage is away from the pool. The design should be consistent with local and state boards of health regulations. Allow adequate space to build side decks for lounging and sun bathing at the pool.

Minimize your liability insurance risk by fencing the pool area. Light the pool, deck area, and immediate vicinity. Be aware that only five percent of swimmers use a diving board, but that a diving area will account for 95 percent of pool accidents. Finally, post the pool rules and enforce them strictly.

### **Waterfront Improvements**

One of the focal points at resorts is the waterfront. In addition to maintaining environmental quality, one of the objectives is to control safety hazards. Before making any major modifications, check for appropriate permits with state agencies. Know slope guidelines for vehicle traffic using boat ramps. Separate boat launches from pedestrian traffic on the beach to avoid disrupting other waterfront activity.

Figure 6 illustrates how prevailing wind direction influences placement of a dock and swimming beach. A stalled or loose boat is a significant safety hazard in a swimming beach. Use buoys to identify the swimming area, and have regulations and lifesaving gear in full view for all waterfront users.

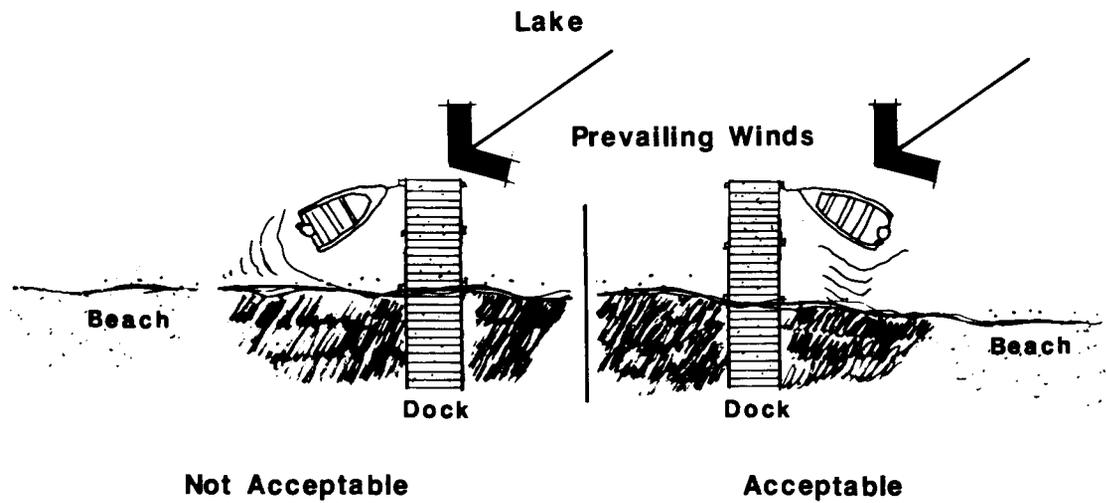


Figure 6. Placement of dock and beach.

### The Challenge

Comments that my colleague Donald Brauer made in a 1970 Resort Magazine article, "Map Your Resort's Future Through Good Land Logic," still apply today:

Most resorts, like most cities, "grew like topsy" as a result of a series of individual decisions, quite logical on their own merits, but often lacking strong ties to an overall purpose or a comprehensive plan. Sound and profitable *long-range* decisions are seldom made in the midst of each specific (often near-crisis) development project. Good land logic is the result of careful, deliberate, consistent, and effective planning.

## ELECTRICAL SYSTEM - FRIEND OR FOE?

Leslie Mattfield\*

Your electrical system is your foe when:

- \* You constantly reset breakers or replace fuses.
- \* The picture on your TV doesn't fill the screen.
- \* The lights dim when a pump or heating element starts up.
- \* A motor strains for a long time before getting up to speed.

These symptoms of low voltage are signs that your electrical system is collapsing. An inadequate electrical system means extra money spent for electricity. It generally isn't much, but any little bit does add up over time.

Like other grounds features on your resort, the electrical system needs to be maintained and updated. Before remodeling, however, determine the present condition and assess what changes are necessary to serve your future plans. Planning ahead saves aggravation and money.

For a reliable electrical system, you'll need to plan for the next 10 to 15 years. On the average, demand on an electrical system doubles in that time. Look back on your records. Has consumption doubled in 10 years? If you have waited until you are in trouble with existing service, use a 20- or 30-year plan. This enables you to catch up a bit.

### Updating Your Electrical System

#### Getting Started

You may want to call in outside help to update your system. Someone from your electric utility or your electrician should have the skills you're looking for. If you plan to go it alone, assemble the following tools:

- \* the National Electric Code
- \* a slide rule or chart showing voltage drop
- \* a wire size gauge
- \* a tape measure

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\* Leslie Mattfield is Member Services Director, Dairyland Electric Coop, Grand Rapids.

- \* a distance finder similar to one on a camera, an excellent tool for an overhead system.

Begin by drawing your resort, showing cabin size and location. Next, sketch the wiring, noting size and location. If the electrical system is overhead, don't forget to mark down pole size, height, location, and condition.

Review the sketch. What cabins do you plan to remodel or remove in the next 10 to 20 years? While it is impossible to know how much electricity your guests will use 10 years down the road, you can estimate based on past history. Remember, load generally doubles in 10 to 15 years.

### Determining Wire Size

My advice is to install at least a 100 amp panel in each cabin that you plan to change. This does not mean, though, that 10 cabins with 100 amp panels located on the same feeder is a 1,000 amp load. Your code book explains how to calculate load diversity.

To determine wire size, start with the month that had the highest kwh usage last year. For example, let's say August was highest with 10,000 kwh. Next, find the 100 percent load factor and determine the maximum amperage usage for a one-hour period. Resorts average a 20 percent load factor; 10,000 kwh is 20 percent of 50,000 kwh. August is a 31-day month (744 hours). Dividing 50,000 kwh by 744 hours gives us 67.2 kw per hour. In order to use the code book, convert 67.2 kw into amps. Dividing 67,200 watts by 240 volts equals 280 amperes.

Therefore, the meter loop should be capable of carrying 280 amps. If you have two feeder circuits, each one will need to carry 140 amps. According to the code book, 3/0 aluminum will handle this load on an underground system.

To review the procedure to determine wire size:

1. Find the month last year that had the highest kwh usage.
2. Determine 100 percent load factor.
3. Calculate maximum amperage usage for a one-hour period: divide the 100 percent load factor by the hours in the month.
4. Convert this figure to amperes by dividing watts by volts.

Note that the code book does not advise on adjustments necessary because of distance. There is a certain amount of voltage drop allowed on the feeder and branch circuits, the combined drop not to exceed five percent. The feeder circuit itself should not drop more than three percent. For example, the national electric code tables show #2 use aluminum in conduit or underground can carry 90 amperes. This is fine if the feeder circuit is less than 300 feet long. But, if the feeder circuit is 350 feet long, the voltage drop is greater than the code allows. A slide rule and other tables will help you determine proper wire size according to distance.

## Underground Versus Overhead

Underground electrical systems make a modern appearance for a resort, solve problems with growing trees, ... and expose you to a whole new group of problems. When a tree grows into an overhead line, you are aware of it. But underground problems are not always as apparent. This summer you accidentally nick the insulation on the underground wire when driving a stake into the ground. Next summer, the line goes dead. How do you locate the problem? Before installing an underground system, check to see if your electrician has an underground fault locator. If not, perhaps your electric supplier has one available for your use.

Furthermore, know who has underground splices available for your wire sizes. Locating and repairing an underground fault takes long enough without additional delays in getting equipment and materials.

Overhead systems are not trouble-free either. In addition to trees, clearances are of prime concern when redoing systems. Actual clearance requirements are easy; they're found in the code book. Ongoing compliance with those requirements gets complicated.

Sag charts and pole loading graphs are a must when installing an overhead system. Ice and wire weight are two factors to keep in mind when designing the configuration.

## Electric Utility Planning

As you look at these many considerations, you can see how expensive it can be to totally redo an electrical system. But you may be able to update your system gradually. A short-term solution could be a new meter loop and an additional feeder line to solve this year's problems. Plan your changes wisely, after evaluating your resort's future in the marketplace. Make adjustments to accommodate these shifts.

Remember, a good electrical system is your friend. It keeps you freed up for other activities. It keeps your guests happy. Satisfied customers are your best advertising allies.

## HINTS FOR UNDERGROUND INSTALLATIONS

Frank W. Hansen\*

I have one suggestion which emerges from our experience.

Whenever anything is buried underground the location of the pipes, cables, etc. should be carefully noted on a site plan.

Use a 100 foot tape measure with references for the measurements based on building corners, etc.

Take color photos of all ditches with the pipes, cables, etc. installed. This not only gives a picture of the location but also the location of joints, splices, size of pipe used, cable(s), etc.

The photos would be at least 5 by 7 inches. Each photo should have noted on the back all the important items listed above such as size of cables or pipes, the measurements and any other features necessary to remember.

Take photos of the ditches both directions, i.e. if North to South also do it South to North. It helps in showing elevation changes and in the overall orientation of the system.

File the photos in a safe and logical place so you do not have to run around looking for them while a backhoe is waiting to start digging at \$45.00 or more per hour.

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\* Frank W. Hansen is owner Sawbill Canoe Outfitters, Inc.,  
Tofte, Minnesota.

## CAMPGROUND DEVELOPMENT

Larry R. Simonson\*

### Campgrounds in Minnesota

Before the 1960s, most camping was offered by public agencies such as the U.S. Forest Service, Minnesota Department of Natural Resources, municipalities, or other local units of government. In the 1960s there was an upsurge of interest in campgrounds. In addition to new public campgrounds, many private campgrounds were built, including ones added to existing resorts. There was also a growth in the number of franchise campgrounds. At one time Minnesota had franchises for several networks, but only K.O.A. (Kampgrounds of America) has a major presence in the state at this time.

One difficulty for private campgrounds is that public campgrounds have been able to charge less. However, over time there has been a substantial increase in rates at major public facilities, which has helped alleviate the problem of "unfair competition." Progressive private campground owners have increased the quality of their facilities and services and engaged in successful marketing as a way of outdistancing the pricing competition.

A sample of public campground rates (1987) follows:

<u>Public Agency</u>	<u>Type of Facility</u>	<u>Typical Daily Rate</u>
City of Two Harbors	Primitive site	\$ 7.50
	Full hookup	9.50
City of Worthington	Partial hookup	6.00
	Showers/toilets	6.50
Indian Point - Duluth	Elec. hookup sites	8.50
	Rustic	5.00
Kandiyohi County	Full hookups, showers	12.00
	Rustic	5.00
DNR - Forestry	Rustic	5.00
	Rustic	5.00
State Parks		(+ entrance fee)
	Semi-modern	6.00 + 1.50
		elec. hookup (+ entrance fee)
U.S. Forest Service	Tent site	3.00-4.00
	No hookups, showers	6.00
	No hookups, showers	7.00 (+ wood charge
	(high use areas)	& dump station charge)

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\*Larry R. Simonson is Extension Specialist, Tourist Service, Minnesota Extension Service, and the Tourism Center Staff, University of Minnesota.

The increase in campgrounds since 1960 led to the formation of the Minnesota Association of Campground Operators (MACO). This statewide organization, with headquarters in Burnsville, has about 140 members, most of them private campground owners. MACO assists campgrounds in quality development and improved marketing. Campgrounds are identified as MACO members in the state campground directory published by the association in cooperation with the Minnesota Office of Tourism.

Another indication of the interest in campgrounds is the advent of national guides such as Woodall's and Trailer Life. These can prove to be useful marketing tools, but before making the investment to "buy in," check with your association leaders and successful Minnesota campgrounds listed in these guides as to their effectiveness.

### **Development Guidelines**

#### **Do a Situation Analysis**

Analyze your site, location, and competition. Look first at the land (and water) resource you have available. Is it large enough to be managed as a profitable economic unit? Minimum lot size required by the Minnesota Department of Health is 2,000 square feet. But as much as 5,000 square feet average per site may be desirable for a quality camping experience, depending on the type of camper you wish to attract. If over-the-road transients are your target market, the land and amenity base will be quite different than if you seek destination campers in a resort setting.

Take an inventory of all other camping facilities within an hour's drive. Find out as much as you can about rates charged, dates of operation, occupancy levels over the season (do not rely on a few "peak periods" to estimate your potential business), and kinds of marketing efforts. You might even visit and stay at several campgrounds of the size and quality projected for your development.

Study the attraction base of the trade area. What opportunities exist to increase the flow of visitors into the area? Opening a new campground is not enough reason for people to visit. Other attractions and complementary services must be available to bring people into the area of your campground.

#### **Investigate Zoning Regulations**

Investigate your local or county zoning agency regulations, including a preliminary discussion with your county zoning administrator (or zoning commission). Discuss all aspects of your proposal so that no misunderstanding occurs when you formally seek approval. You may find considerable opposition to your project from local residents. Do your best to overcome such opposition before your application gets to any formal stage before a commission or board. When local people are aroused, it can have a powerful influence on the outcome of hearings.

The zoning administrator should be able to identify other public agencies that have jurisdiction and with which you must comply. Agencies such as D.N.R., Pollution Control Agency, U.S. Forest Service, and Coast Guard or Army Corps of Engineers may have regulations/permits you must meet prior to development.

### **Confer with Department of Health**

Get information on health regulations from your local municipal or county health department or the Minnesota Department of Health. They are the key regulatory agencies with which you must work. A pre-development conference with the Health Department to thoroughly discuss your plan and obtain advice and requirements should help avoid surprises when you submit formal plans for approval later. Health regulations consider spacing between sites, size of sites, water supply, sewage treatment and disposal, including holding tanks, garbage handling, grounds lighting, guest registrations, setback from the water's edge, fish cleaning residue disposal, road requirements and traffic control, fire control and equipment, swimming beach or pool regulation, and others.

### **Plan Campground Layout**

Various aspects of campsite design are discussed in the section following these general guidelines. Once you have decided on the desirable features for your campground and have a good understanding of the requirements, your next step is to translate all this information to your site plan.

You may want to seek help from the Soil Conservation Service or professional foresters in evaluating soils and drainage problems and the tree cover (or lack of it) at the site. You may wish to employ the services of a professional engineering firm or site planners, in particular, if the project is going to be large. At the very least you need to develop a plan to submit to the Department of Health and zoning interests that have jurisdiction in your area. This plan should be drawn to scale and indicate all significant features.

### **Develop a Financial Estimate**

Once you have your plans firmly in hand it is time to get estimates of the investment necessary to develop and operate the facility. Use your preliminary plan to get estimates of costs from suppliers and contractors. (Once the final decision is made, you may wish to get firm estimates or bids from several contractors/suppliers before proceeding.) With the basic cost estimates in hand, you then should determine what sources of funds can be applied to construction and development. If you are seeking a finance package that includes operating costs, you will likely need to estimate your income and expenses for several years to satisfy your lender that the idea is feasible. A sample of a pro-forma profit and loss statement is included at the end of this article. This can be used for month-by-month estimating or for longer periods. The basic requirement for these estimates is that they be

realistic and conservative. A common error in campground projection is that annual occupancy is estimated too high and price too low. Pricing estimates should be based on costs incurred in operation and expected returns for your own labor and equity. An example of a simplified pricing strategy is also included at the end of this article.

Investigate and plan to purchase an accounting system that can meet all legal reporting requirements and at the same time provide you with adequate records to analyze your business and monitor market information from your guests.

### **Submit Plans**

Submit final plans to the appropriate department of health, local zoning administrator, and all other applicable agencies. When all approvals are given, you are ready to begin construction.

### **Develop a Marketing Strategy**

Well in advance of opening your gates to campers, you need to put in place a marketing strategy. Detailed suggestions for a marketing plan are found in the marketing section of the notebook, Managing Small Resorts for Profit. Although written for resorts, much of the information applies equally well to campgrounds. In general, the recommended steps are:

1. Become a member of key marketing development groups: your local chamber of commerce or visitor convention bureau, the Minnesota Association of Campground Operators, and the Regional Tourism Association (if individual memberships are in order).
2. Develop your brochure if needed. Start early as it will take time to accumulate photos (or art work), arrange for printing, and distribute brochures.
3. Plan and arrange for sport and travel show participation well in advance (if this method is to be used). Get names and addresses of show circuits from your regional tourism organization, local chambers of commerce, the Campground Owners Association, or the Minnesota Office of Tourism.
4. Plan your media campaign by linking with "banner program", regional promotions, local chambers of commerce, or media events of the Campground Owners Association and arrange for ads in campground and other travel directories.
5. Conduct an open house of your new facility for the community around you so that the community knows who you are and what facilities and services you offer for visitors. Invite both owners and employees of firms who will be meeting or serving your clientele to tour your grounds, enjoy your facilities, and have refreshments.
6. Conduct an ongoing evaluation of your market by keeping records of your guests. Find out as much as you can about who has come, from where, why they came, how they found out about your place, their likes and dislikes while in camp, and more. These answers will help you improve both your campground and your market strategy.

## **Campground Site Planning**

(Adapted from a 1971 report prepared by Dayton Larsen, former Area Extension Agent, Forestry and Recreation, for Minnesota Tourist Travel Notes.)

Over time, many requests for information on campground development have been received by the Minnesota Extension Service. These come from local units of government, resort operators, and those wishing to develop or expand free-standing campgrounds.

Some of the more important aspects of campground development are discussed below: access and circulation roads, individual camping units, toilet facilities, water supply, electricity, garbage disposal, registration system, signing system, foot trails, and a sewage system.

It is essential to consult Minnesota Department of Health or county/municipal health departments, whichever applies, on final design criteria.

For an information packet for prospective mobile home park or recreational camping area owners, write to: Minnesota Department of Health, Section of Hotels, Resorts, and Restaurants, 717 Delaware St. S.E., Minneapolis, MN 55440.

### **Access and Circulation Roads**

If at all possible, provide a single entrance to the campground. A one-way road that circles through the entire camping area would provide the best overall control of traffic. Try to design this road so it will provide an atmosphere of privacy, eliminate accidents, reduce the nuisance of dust and noise, and conserve the trees and shrubs. Avoid steep grades and sharp turns. Gravel or some type of permanent road surfacing will help eliminate dust and mud problems.

If it is necessary to have two-way traffic in the campground, the road should be at least 20 feet wide. One-way traffic roads should be about 14 feet wide. All roads should be crowned in the middle to provide for quick water drainage. Ditches and culverts might be needed in certain soil and terrain conditions.

### **Individual Camping Units**

Each campsite should be a private living unit by itself. It should contain ample parking area for an automobile and boat or trailer. A sturdy picnic table and some kind of a fireplace also should be provided. Most campers no longer cook over open fires, but they still want them for other purposes.

The campsite should be located on well-drained ground and take advantage of some shade from surrounding trees.

If possible, locate the site where it takes advantage of a view. This is an extra "plus" that will bring campers back.

Most tenting campers prefer mounds or platforms as pads on which to erect their tents. These tent bases should be raised about four inches above the existing grade and should be constructed of mixed fine gravel and clay with a

topping of fine sand. These mounds should be at least 16 feet by 16 feet. With the trend toward larger tents and extension porches, it might be advisable to make the tent bases 20 feet by 20 feet.

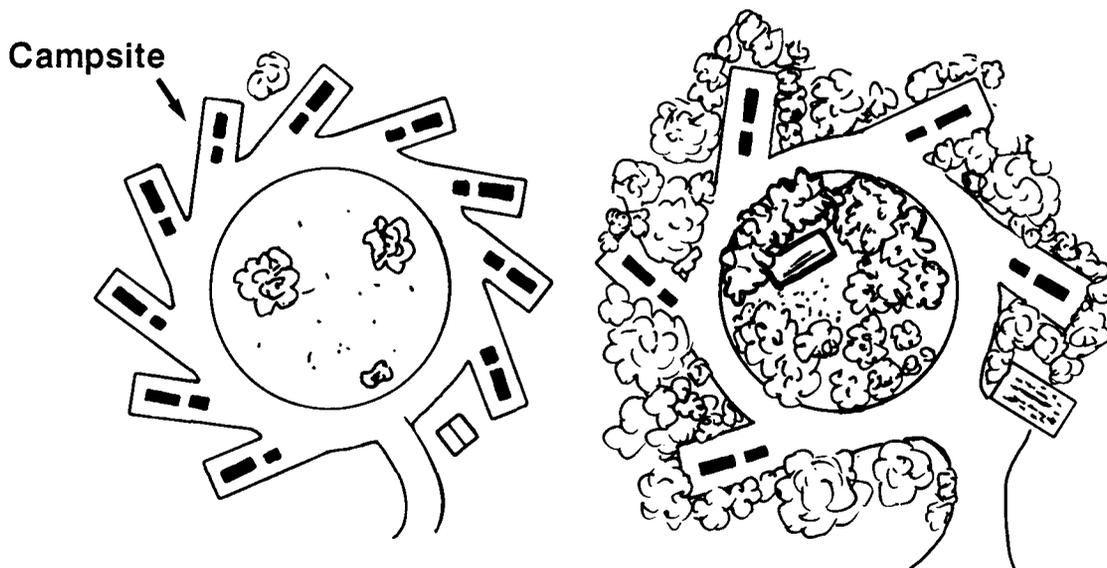
Facilities for site wastes, such as dish or hand washing water, should be constructed for each site. These may be cesspools or seepage pits with grated openings or extended tile pipes that are screened to receive only liquid wastes. Extended tile should be six inches in diameter with the bell end up. Heavy hardware cloth should be cemented into the bell to prohibit the deposit or solids.

Campsites should not be too close together. Give the campers a little elbow room. They will appreciate it.

Five sites per acre might serve as a criteria; however, this might vary according to different sites. Department of Health regulations state that a minimum of 2,000 square feet shall be provided for each recreational camping vehicle site.

In general, try to separate tent campers from trailer campers.

The layouts illustrated are aesthetically pleasing and appropriate for tent camping or small units. If full hookups (water-electric-sewage) are planned, it may be more efficient and cost effective to use more symmetrical layouts with somewhat less spacing between units.



At left is an overcrowded area without good landscaping design. At right is a preferable layout.

## **Toilet Facilities**

Prior consultation with the Minnesota Department of Health or county health department, depending on who has jurisdiction, is an absolute necessity when planning campground toilet facilities. There are a large number of regulations pertaining to plumbing, sewage disposal, toilets, bathing, and laundry facilities that vary according to the site, size of the campground, and soil type.

Some general regulations pertaining to toilet facilities include:

- \* one water closet for each 10 sites
- \* one lavatory for each 10 sites
- \* one shower for each 15 sites
- \* not less than one complete set of fixtures for each sex
- \* privies, when permitted, constructed in accordance with standards set by the Department of Health
- \* privies for each sex spaced at least 15 feet apart
- \* no central toilet building or privy located more than 400 feet from the farthest camping site (however, a central building with satellite privies in outlying areas may meet regulations)

Layout of water, electric, and sewage hookups must be in accordance with health department regulations.

## **Water Supply**

Any water supply used in a campground also must meet Department of Health regulations. The department requires details of the well construction, pump setting, pump type and capacity, pressure tank location and capacity, and details of the pump house.

No well or water faucet may be more than 400 feet from the farthest campsite.

The water supply should be capable of supplying 50 gallons each day for each site that lacks individual water connections, and 100 gallons per site each day for all spaces provided with individual water connections.

The Division of Waters, State Department of Natural Resources, requires that you obtain a permit from them for any water supply for more than 25 persons.

## **Electricity**

Most camping vehicles and trailers are equipped with electrical fixtures and outlets. Therefore, it is essential that at least part of your sites be provided with electrical hookups. Most campers are more than willing to pay the extra fee for this service.

You will need to provide lighting for certain areas in the campground, such as the water supply, toilet facilities, wooded paths, and waterfront facilities.

Consider going underground with the electrical lines. This would do much to eliminate cutting trees for overhead lines and enhance the overall appearance of the campground.

With the present trend toward larger and more sophisticated campers containing virtually all the electrical conveniences of home, be sure to provide ample power to accommodate these needs.

Most electric suppliers can assist you in planning electrical hookups to ensure adequacy and safety. The actual electrical work must be done by qualified licensed electricians for any sites serving the public.

### **Garbage Disposal**

Supply standard garbage cans with tight-fitting lids for every four camping sites. Disposable plastic liners aid in collection and disposal, and minimize washing requirements.

Racks for your garbage cans help to prevent spillage by animals and high winds. They also facilitate handling.

Collect all garbage and refuse twice a week and more often during periods of high occupancy. The cans should be washed once a week and sprayed with an appropriate insecticide.

### **Registration System**

State regulations require that any facility providing overnight accommodations for the public must register their guests. Good business management also dictates that a campground owner keep a record of guests. The owner can use these records for market analysis, as a mailing list, or for many other purposes.

Provide registration facilities near the entrance of the campground. Provide ample parking for large units, too.

While the guest is registering, the campground owner has an excellent opportunity to practice the art of hospitality. This starts out with a smile--whether it is early in the morning or late at night. The owner can provide directions, explain rules and regulations, offer services, and do much to create a friendly welcome.

### **Signing System**

Signs are very essential around a campground. They help with traffic flow and point out the different facilities and services available within the campground.

If you are not a sign painter, don't attempt to make the signs yourself. Your signs are a first measure of the quality of your service. Get some routed wood signs made. The initial cost may be a little high, but they are very appropriate for a campground and will last for years. Don't be too wordy, and don't plaster the trees with signs. An appropriately placed sign on a treated post with an arrow and a word or two on the sign is usually sufficient.

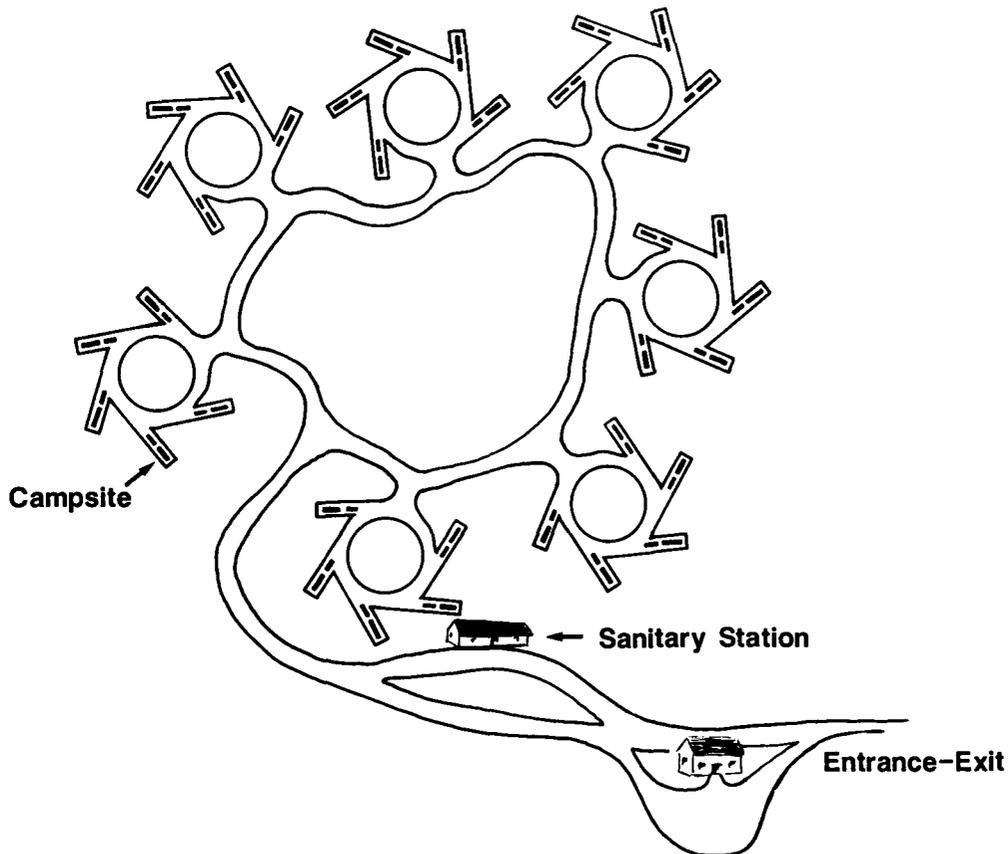
## Foot Trails

The foot traffic through a heavily used campground must be controlled or, within a few years, damage to trees, shrubs, and grass will occur. The best way to control foot traffic is to make well-defined paths between areas that you know will be used heavily. Cover the paths with gravel, black-topping, or wood chips. Steer paths away from exposed tree roots, grass areas you might want to preserve, and unsightly spots. Take advantage of special scenic areas by erecting a bench where guests might rest, visit, or take pictures.

## Sewage System

Here again, the state Department of Health must be consulted before you construct any sewage system. A number of regulations govern the types of sewage systems that are required for different kinds of recreational camping areas.

A sanitary dumping station is another service that needs to be provided in or near the modern-day campground. The health department can provide the specifications for constructing this facility.



This layout avoids overcrowding, has a single entrance-exit for traffic control, and a sanitary station with pullout parking.

Pro-forma Profit And Loss Analysis

Estimated Gross Sales:

	<u>High</u>	<u>Probable</u>	<u>Low</u>
Camper Fees	\$ _____ %	\$ _____ %	\$ _____ %
Groceries, Beverage Sales	\$ _____ %	\$ _____ %	\$ _____ %
Other (game room, firewood, gift shop)	\$ _____ %	\$ _____ %	\$ _____ %
Total estimated gross sales	\$ _____ %	\$ _____ %	\$ _____ %

Estimated Variable Operating Expenses:

Food & Beverage Supplies	\$ _____ %	\$ _____ %	\$ _____ %
Gift Shop and other supplies	\$ _____ %	\$ _____ %	\$ _____ %
Marketing: adver., prom., commissions	\$ _____ %	\$ _____ %	\$ _____ %
Dues	\$ _____ %	\$ _____ %	\$ _____ %
Utilities: heat, light, power, telephone	\$ _____ %	\$ _____ %	\$ _____ %
Laundry, Cleaning supplies	\$ _____ %	\$ _____ %	\$ _____ %
Repairs, maintenance	\$ _____ %	\$ _____ %	\$ _____ %
Administrative Costs: travel, auto, office	\$ _____ %	\$ _____ %	\$ _____ %
Owner, employee compensation	\$ _____ %	\$ _____ %	\$ _____ %
Other	\$ _____ %	\$ _____ %	\$ _____ %
Total estimated variable expenses	\$ _____ %	\$ _____ %	\$ _____ %

Estimated Fixed and Capital Expenses:

Taxes & Licenses	\$ _____ %	\$ _____ %	\$ _____ %
Insurance: property, liability	\$ _____ %	\$ _____ %	\$ _____ %
Interest, principal payment	\$ _____ %	\$ _____ %	\$ _____ %
Depreciation	\$ _____ %	\$ _____ %	\$ _____ %
Other (including owner equity charge)	\$ _____ %	\$ _____ %	\$ _____ %
Total estimated fixed expenses	\$ _____ %	\$ _____ %	\$ _____ %
<u>Total All Expenses</u>	\$ _____	\$ _____	\$ _____

Total Gross Sales	\$ _____	\$ _____	\$ _____
- <u>Total Expenses</u>	\$ _____	\$ _____	\$ _____
Estimated Gross Profit (or Loss)	\$ _____	\$ _____	\$ _____

## Campsite Pricing Strategy

Assumptions: Fifty-unit campground developed new on pre-owned land. Value of land approximates \$30,000; value of improvements for campground approximately \$70,000 not including owner's labor input to construction. Owners have \$50,000 equity and bank loan of \$50,000 at 10 percent interest. Annual payment of interest/principal is \$7,500. Estimate of 30 percent occupancy for first three years on seasonal operation from May 15 to October 10 (150 days total) translates into average rental per site of 45 days. Besides campsites, operator offers gift shop, grocery sales, snacks, and wood for sale. (Figures given in example below have no relevance-- your own figures are what counts.)

<u>Variable</u>			<u>Fixed and</u>		
<u>Operating Expense</u>	<u>Example</u>	<u>Your Figures</u>	<u>Capital Expense</u>	<u>Example</u>	<u>Your Figures</u>
Supplies for sale:			Taxes & Licenses	\$1,000	_____
food, beverage,			Insurance	3,000	_____
gift shop supplies	\$5,000	_____	Interest/principal		
Marketing Costs	1,500	_____	payment	7,500	_____
Utilities	2,500	_____	Depreciation	3,000	_____
Telephone	500	_____	Other		_____
Laundry, cleaning					
supplies	500	_____	Total Fixed		
Repairs, maintenance	500	_____	Costs	\$14,500	\$ _____
Administrative Costs	500	_____			
Owner & Employee			Total Variable &		
compensation	5,000	_____	Fixed Expenses	\$31,000	_____
Other & Misc.	500	_____	Less supplies		
Total Variable			sold--food, gifts,		
Costs	\$16,500	\$ _____	beverage, wood	\$9,000	_____
			TOTAL needed from		
			campsite rental	\$22,000	_____

30 percent occupancy for open season amounts to 2,250 nights occupied campsites. To calculate average rate per site:

$$\text{Average Daily Rate} = \frac{22,000}{2,250} = \$9.76 \text{ (rounded to } \$9.75)$$

$$\text{Your Figures: ADR} = \text{_____} = \$ \text{_____}$$

Business then provides enough cash flow to pay bills, provide modest labor/management return, pay interest/principal payment. An added charge for your equity (this example: \$50,000 @ 10%) should be calculated. This brings average site rent in the example to \$12.00 (\$27,000 + 2,250 = \$12.00).

Increased occupancy, extended season, higher rates, or more sales from other profit centers would all tend to reduce required rates or improve profitability of the business.

## Additional Resources for Campground Owners

Minnesota Department of Health, Section of Environmental Field Services,  
717 Delaware St. S.E., Minneapolis, MN 55440

- Basic health regulations

County health departments, County Courthouse

- Basic health regulations

County/municipal zoning authorities, County Courthouse or City Hall

- Zoning information

Minnesota Department of Natural Resources, 500 Lafayette Rd., St. Paul, MN  
55146

- Division of Parks: design ideas
- Shoreland Management: regulations
- Fish and Game: propagation, utilization of natural stock

U.S. Coast Guard

- Applicable regulations on boating use, regulated waters

U.S. Forest Service, Cass Lake, MN 56633 or U.S. Forest Service, Federal  
Building, Box 338, Duluth, MN 55801

- Use of lease land, forest roads, trail networks, land within the forests

U.S. Army Corps of Engineers

- Harbor construction, shoreland stabilization, regulated waters

Minnesota Office of Tourism, 375 Jackson St., 250 Skyway Level, St. Paul, MN  
55101

- Marketing ideas, appropriate listings

Minnesota Association of Campground Operators, 1000 East 146 St., Suite 121G,  
Burnsville, MN 55337, (612)432-2228

- Marketing, lobbying efforts, educational programs for industry

Tourism Center, Minnesota Extension Service, University of Minnesota, 246  
Coffey Hall, St. Paul, MN 55108

- Development and management advice, educational programs for industry

Small Business Development Center, Minnesota Extension Service, 248 Classroom  
Office Building, St. Paul, MN 55108

- Brochure critique service - no charge

## CROSS-COUNTRY SKI TRAILS

Tim B. Knopp\*

Cross-country skiing has been the fastest growing form of winter recreation in the nation. In Minnesota, a 1983 survey of Twin Cities metro residents showed that 39 percent of those 18 years of age or older were interested in cross-country skiing (over twice the number interested in snowmobiling). A 1984 statewide survey showed that 44 percent of Minnesota households wanted more cross-country ski trails.

Minnesota has just begun to provide for cross-country skiing opportunities. The success of creative packages such as the resort "ski-thru" program demonstrates the potential of this resource. Probably no other state, outside of Alaska, has as vast an expanse of relatively barrier-free, snow-covered terrain. This land base presents an opportunity to develop a comprehensive network of trails that would rival those of Norway and Finland. The resort industry is a critical factor in this development.

Few other forms of outdoor recreation are as dependent on the accommodations provided by resorts, motels, and similar facilities as is cross-country skiing. Even those relatively few skiers who enjoy camping or trekking through undeveloped wilderness will often use lodging facilities as staging areas or destination and rest areas. This overview focuses on what it takes to attract cross-country skiers to a region and to a particular resort. A "breakeven" economic analysis will determine if your resort can successfully tap into this market.

### General Considerations

It is important to remember that not all cross-country skiers are alike. Some are interested primarily in the physical fitness aspects, others the sociability of the sport, and still others the opportunity it provides to enjoy the quiet, serene beauty of the winter landscape. Most resort operators should probably focus on this last group; here is where resorts have the best chance to offer a unique experience. Those who are looking only for exercise or a chance to mingle with other skiers can usually find these things closer to home. However, these should not be overlooked as contributing factors.

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\* Tim B. Knopp is Associate Professor, Dept. of Forest Resources, College of Forestry, University of Minnesota.

The three most important things to a cross-country skier are: trails, trails, and trails. Good and plentiful food probably comes fourth, comfortable lodging fifth, and the "extras", such as saunas and lounging areas, last. Requests for fireplaces, however, do seem to be increasing. The participants in few other forms of recreation are as focused on the activity itself. Additional amenities can be significant, but they are usually incidental to skiing itself.

Trails have two principle attributes. First, the trails themselves; that is, how they are laid out, marked, and maintained. A second, no less important attribute, is where the trails are located in relation to the environmental setting.

This second feature deserves special attention. Much of the trail development for cross-country skiing in the U.S. seems to have lost sight of this aspect. Trails, by definition, suggest a means of making it easier to get from here to there. The term "cross-country" also implies the idea of an origin and a destination or goal. Trails designed strictly as training or exercising devices needn't incorporate these concerns. Some skiers may be content to ski round and around and then head for the showers. Most skiers, however, want more. They would like to go somewhere, to experience nature--to stop and smell the pines.

A common mistake, a result of ignoring the importance of the setting, is to cram too many trails into too small an area. A glance at a map of this kind of system hardly creates the impression of "getting away from it all." The trails are simply too close to each other and offer too little promise of an opportunity to explore the countryside.

This brings us to an important reality. Few, if any, private resort operations will control a large enough land resource to provide sufficient trails on their own. Cooperation with other resort managers, private recreation facilities (for example, golf, stables, jogging trails), and public land administrators is essential. The Pine Beach ski system with spur trails to Cragun's and Kavanaugh's is an example of this partnership. Local ski clubs can also be extremely helpful; they may be better able to obtain easements over private property, and they can assist in actual trail construction.

A token trail system won't do the job of attracting skiers from a distance for extended visits. A minimum level of trail opportunities must be provided. It is difficult to come up with an exact figure. Fifty to 80 kilometers (30 to 50 miles) of trail is probably a minimum for a weekend visit; more trails will be more competitive.

It helps to know your market. The "something for everybody" operation is not always the most successful. Some managers have made the mistake of thinking that they can accommodate all types of activities with little attention to how they interact. Often the spillover from one activity will impair the experience of another--and no one is satisfied. The smaller, specialized resort has a distinct advantage. A small resort can concentrate on one or a few segments of the market, avoid user conflicts, and maximize customer satisfaction. These markets can be more than enough to keep the resort fully occupied, and you won't be competing with the big ones. The guests themselves become part of the appeal. People enjoy associating with kindred spirits; they like to talk about their recreation with others who can appreciate their enthusiasm. Remember that the Twin Cities is one of only a few markets with a sufficient number of cross-country skiers so that mass

advertising is a realistic option.

## Trail Layout and Design

This outline cannot cover every detail of ski trail layout and design. The references listed at the end of this article provide more detailed information. In addition, seek out an experienced individual who can assist onsite with the actual trail design.

Three important aspects of layout and design are: patterns, standards, and sequence of operations.

### Patterns

A general pattern can be considered even before you look at the terrain and the actual site. The objectives are to provide a variety of alternatives and to avoid confusion. Many problems can be avoided by not trying to put too many trails in a small area. Even with proper signing, it can be very disruptive to stop every few minutes to check one's location at a trail junction. Furthermore, it is very difficult for skiers to judge such short distances and, thus, they may not be able to determine which junction they are at. This does not mean that you should not provide one or more relatively short loops for inexperienced skiers or those who want to squeeze in some extra skiing before breakfast.

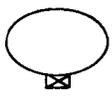
To some extent, trail patterns will be dictated by adjacent landowners and existing trails. The resort operator will, of course, want to incorporate as much as possible of the larger pre-existing system. It would be best if all those involved worked together from the very beginning.

Here, for the sake of illustration, one possible layout pattern will be described. It has a certain inherent logic, it can be developed in stages, and it can be made to fit a variety of terrain conditions. For reference, we can call it the "satellite loop system."

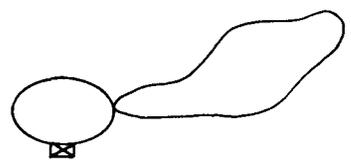
The initial development features a short (1 to 3 km; .6 to 2 miles) simple loop on easy terrain suitable for any level of ability (Phase I). A loop is then attached to the primary trail circuit (Phase II). This loop can provide variety and make use of the special features of the landscape. One possibility is for the trail to go up a valley and return on the ridge or an adjacent valley. Additional loops provide more variety and degrees of difficulty (Phase III). Remember, even those who are intimidated by hills may want to ski relatively long distances and see the countryside. Satellite loops should be separated at intervals along the primary loop in order to avoid confusion and to segregate skiers of different levels of skill. The length (out and back) of the loops can vary from 5 to 30 kilometers (3 to 18 miles). Where feasible, the outer extremities of the loops can be connected and the options multiplied (Phase IV). Connecting trails can be carried from the outer loops to other trail systems or attractive destinations (Phase V).

Many people look upon a resort stay as freedom from the automobile. Ideally, most skiers would like to park their cars at the resort and forget them until they are ready to drive home. A resort that can offer skiing from the door, or a short walk away, will be far more attractive than one that

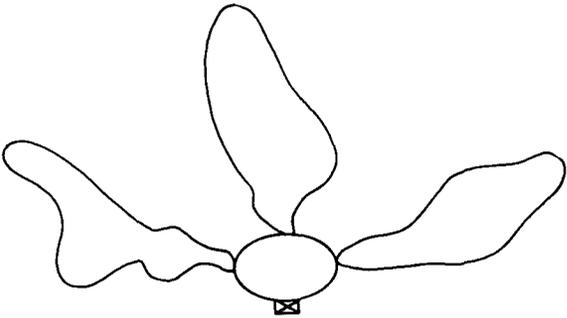
**Phase I**



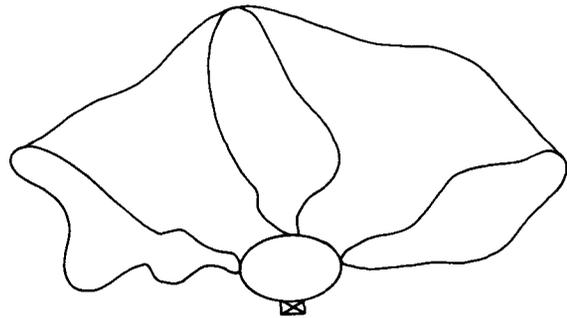
**Phase II**



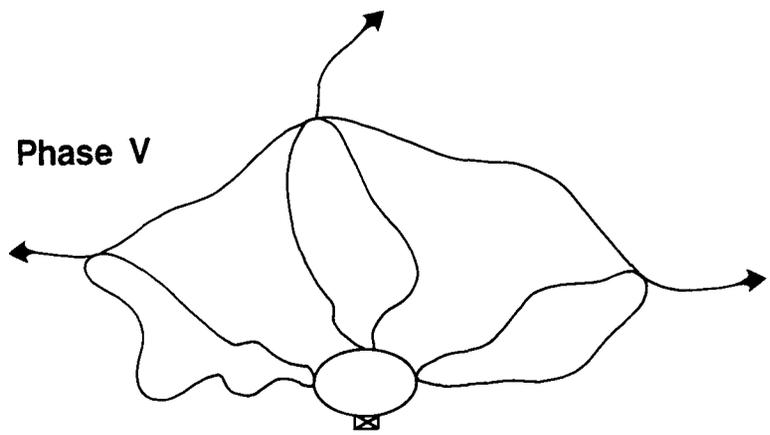
**Phase III**



**Phase IV**



**Phase V**



Satellite loop system.

requires skiers to drive to the trails. The "drive and park" kind of skiing is something they can often find closer to home.

## Standards

By standards we mean the design criteria for the actual trail construction as well as the level of development and maintenance. Although there are differences of opinion and preference, it is reasonable to assume that all trails do not have to meet the same standard of design--there is merit in variety. However, it is important to identify and label the type of trail that is being provided; the skier can then make a rational choice.

Groomed vs. "primitive" trails. Recent developments in the sport of cross-country skiing have increased the demand for highly developed, well-groomed trails, some with tracks, and others packed and smoothed for the skating technique. Many skiers new to the activity know nothing else. But other experiences and opportunities shouldn't be forgotten. Some skiers, and possibly even more in the future, will seek out a more "primitive" kind of trail, one that provides intimate contact with the environment and that is less crowded and more challenging. Untracked snow has a unique appeal. To those skiers who don't mind breaking a track, fresh, undisturbed snow can hold the promise of adventure and more solitude. Also it is well to keep in mind the tradeoffs; more miles of trail can be provided if all the trails are not groomed. On ungroomed trails the main considerations are proper marking and the removal of major obstacles such as brush and windfalls. Bridges and gates may also be necessary.

Level of difficulty is an important element of design. This is usually a function of steepness and the sharpness of downhill curves. It is imperative that at least a portion of the trails be suitable for beginners. These trails should begin at the trailhead and require a low level of commitment relative to distance. On the other hand, a system will not attract large numbers for extended periods unless some more challenging trails are offered. A good understanding of your operation's particular market is essential.

One-way trails. Dense, heavily used trail networks are often marked "one-way" in order to reduce the effects of crowding and the danger of encounters on steep hills. One-way trails are not as appropriate on larger, resort-centered systems where trail segments tend to be longer. In the first place, one-way trails reduce the number of options for the skier. Furthermore, they can increase hazards for cross-country skiers who begin a trail, discover that it is beyond their capability, but persist rather than violate the rules. To maintain safe, two-way traffic and lessen the danger of collisions, it may be necessary to divide the route on steep segments of the trail.

Lighted trails. Winter days are relatively short. A lighted trail close to the lodge can be a significant "extra." It needn't be very long; two to four kilometers is probably enough. Many skiers will enjoy the opportunity to take a short run after dinner in order to work off that heavy feeling that comes from overindulging in good food. A lighted trail has another valuable function: as an aid to the skier who is coming in after dark from an extended trek.

Maintenance. A trail will not remain a trail if it is not maintained. New growth will move in and windfalls will obstruct passage. A regular schedule of monitoring trail conditions and clearing should be established. The fall months are usually the best for routine cutting of brush and limbs-- growth has stopped for the year and working conditions are optimum.

### Sequence of Operations

Here is an outline of the steps for developing a cross-country ski trail system:

1. Obtain base maps and/or aerial photographs.
2. On a base map, locate all points that the trail must pass through.
3. Locate (as far as possible) all existing trails, unplowed roads, recreation grounds and obvious right-of-ways that could be incorporated into the trail system.
4. Locate all barriers and areas to be avoided.
5. Rough out the route on the map, taking into account steps 2, 3, and 4, and previously determined trail patterns.
6. Flag the tentative route on site, making adjustments for characteristics of terrain and vegetation.
7. Describe the treatment required for each segment of the trail.
8. Begin trail construction (usually a phased operation).
9. Draft a plan for signing the trail.
10. Make a final check of the trail and put signs in place.

This checklist should help you to proceed in a logical fashion with a minimum of backtracking.

Maps. United States geological survey maps can be obtained from the Minnesota Geological Survey, 2642 University Avenue, St. Paul, MN 55114; telephone: (612) 373-0223.

The 7.5 minute, 1:24,000 scale maps are best. Ask for an index in order to determine which maps are needed. Aerial photos can usually be borrowed or purchased through the Soil Conservation Service (USDA) or your county extension agent. A stereo viewer is useful for getting the most information from the photos.

Trail points. There are a number of obvious points the trail should pass through: the trail head, scenic viewpoints, and unique forest environments. Linkages to trails outside the immediate planning area should also be taken into account. Existing trails and potential routes (such as logging roads) can also be included; these will not necessarily be incorporated into the final plan.

Barriers. "Barrier" is a relative term. Sheer cliffs and wide, open rivers are close to absolute. Major highways are usually avoided. Gaps in a barrier, such as a highway bridge or underpass, can be noted. Barriers also include such things as marshy areas that remain unfrozen and wet a good part of the winter. Lakes can also be a problem. It is best if the system does not depend on lake crossings that may not be suitable when slush covers the ice. Open, windswept areas and southern exposures that are not as likely to hold snow needn't be avoided completely; nonetheless, these features should be taken into account. Other areas may be avoided because of adverse impact on

the environment. For example, you do not want to route a trail too close to a deer yard where animals are under stress and dependent on a local food supply.

Construction. The actual layout of a trail is more art than science. The initial flagging of the trail route can be moved--the first attempt needn't be considered final. Trails tend to evolve and improve over time. In planning for the actual construction, it is beneficial to have a description of each segment--the kind of vegetation, terrain, and special obstacles that have to be dealt with. This information will be an aid in assigning the proper crew, skills, and tools to the job.

Construction can take many different forms--from D-9 cats and chainsaws to light brushing with hand tools. Bridges, boardwalks, and gates will require special skills and materials. In some cases, almost all of the work can be done with hard labor. Power tools and heavy equipment may be necessary for the construction of high volume, heavily maintained trails.

Signs should reduce confusion to a minimum, while remaining as unobtrusive as possible. All intersections and the trails radiating from them should be identified. Reassurance markers are important wherever it is possible to stray from the trail. On long stretches of trail, it helps to have signs indicating the distance to and from the next junction.

Posting signs is the step that gives final authorization to the trail. Except for lack of snow, it should be ready for use. Additions and refinements can be accomplished over time.

### **Complementary Facilities**

Trails and signs may not be enough. Sanitary facilities have an obvious purpose. Rest sites and shelters can enhance the attractiveness of a trail system. A shelter, especially one that is enclosed and heated, can greatly increase the range of a cross-country skier. The opportunity to rest, warm up, and dry out will entice skiers far beyond the distance that they would otherwise undertake. In the Oslomarka of Norway, Kikut Stuga, at 15 to 20 kilometers (9 to 12 miles) from the trail head is a very popular turnaround or halfway point for day skiers from the city of Oslo.

Special events can be offered at a shelter. For example, a deluxe trailside lunch is a memorable occasion that skiers will talk about and, thus, attract new customers. Overnight accommodations at a remote location, inaccessible by road, provide still another kind of experience. Hut-to-hut skiing has a long tradition in Norway and is developing in parts of the U.S. and Canada. There is no reason that it cannot be made a part of a resort package.

Onsite equipment rental is a convenience that can lure guests. A rental shop can be a major profit center if the trail system is also open for daily use by non-guests, with appropriate trail fees charged.

## Marketing Suggestions

The appended booklet "Cross-Country USA Promotional Handbook" offers guidelines on developing a market plan and ideas for achieving maximum publicity. It is in a "how to" format, including sample headlines and clip art.

Two critical points: printed material is most effective if it includes a good representation of the trail system. An attractive, reasonably large-scaled, complete, and accurate map of the trails is probably the best marketing tool a resort can invest in. Maps that illustrate terrain, vegetation, and special features will be especially appealing. Second, honesty is critical. Exaggerated or misleading claims are quickly revealed, and the negative effects are long lasting.

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- Ontario Ski Council. 1980. Cross-country Ski Trail and Facility Design Manual. Ontario Ministry of Natural Resources. 119 pp.
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- Wisconsin Division of Tourism. 1978. Wisconsin Cross-country Ski Trail Development Guidelines. Madison. 29 pp.

## DEVELOPING A SELF-GUIDED NATURE TRAIL

Carl D. Wegner\*

Most visitors who vacation at Minnesota resorts come from an urban environment. They are unfamiliar with the many fascinating aspects of the outdoors--trees, shrubs, ground flora, wildflowers, insects, birds, and animals. Yet today, with an ever increasing interest in conservation of natural resources, pollution control, understanding of ecology, and maintaining the quality of our environment, most guests are curious to learn more about nature.

In response, many resort operators are developing self-guided nature trails. Some resorts have even hired a naturalist to lead walks. A nature trail provides guests with an opportunity to learn about the natural history of the area. In addition, it is also a source of exercise. As resort owners know, swimming, golfing, cross-country skiing, jogging, and tennis are popular outdoor activities. Recreation studies show that walking is one of the most popular leisure activities.

By allowing guests to see features in their natural setting, a nature trail offers a memorable vacation experience--a unique lure to highlight in marketing.

A self-guiding trail has several advantages. It can serve a large number of people in all seasons, yet does not require the presence and expense of an interpreter. Visitors may walk the trail when they wish and at their own pace, taking in as much or as little of the interpretation as they want. For these reasons, it is favored by those who prefer individual activities to organized group participation. The self-guiding trail is especially enjoyable for families, helping parents explain its features and allowing children the freedom to look and to question at leisure. And it is relatively economical to construct, and can be developed fairly rapidly.

### Types of Self-Guided Trails

#### The Story or Theme Trail

A definite story or theme gives a trail unity and coherence, and gives the visitor a point of reference along the entire route. This is the most

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\* Carl D. Wegner is Itasca County Extension Director, Minnesota Extension Service, Grand Rapids.

effective type of self-guiding trail. Examples of themes are geology, plant succession, human history, natural resource management, and specific habitats (for example, bog/swamp). This organizing strategy increases the visitor's understanding and helps one to remember more.

### **The General Subject Trail**

This trail interprets a variety of features, but does not attempt to show any relationship between them. It is the type most commonly developed, perhaps because it is easiest to plan. Although there are some places where it is justified, the general subject trail should not be developed until careful study proves that no better interpretive opportunity exists in the area. This type of trail tends to interpret the obvious, so it often features general information about subjects common to many places. The danger here is that the visitor may be disappointed if he or she has walked similar trails.

### **The Nature Trail**

This trail is concerned only with identification, not interpretation. The true nature trail is one where plants and other features are labeled with their common and scientific names for the purpose of study by professional and amateur naturalists.

To increase a nature trail's usefulness, some deviation from the standard planning approach may be appropriate. Why, for example, limit the number of labels, as recommended for other trails? Every plant and other natural feature in an area may be of interest to someone. Let the trail wander wherever it needs to go to reach as many features as possible and, if necessary, construct side trails or spurs. In appropriate locations, you might even develop this kind of facility as a nature study area rather than as the more common nature trail.

### **Locating The Trail**

Any tract of woods, grassland or other relatively undisturbed site contains a wealth of information for interpretive trails. You don't necessarily need a large acreage to lay out a self-guided trail, although you probably can find more interesting features on a larger area. If you are adjacent to some state, county, federal or privately owned land, you might be able to obtain a special use permit or easement for trail expansion at little or no cost.

### **Length**

Length depends upon size of the area, topography, and location of points of interest. Optimum length is one-half to three-fourths of a mile or 45 to 60 minutes walking time. If space is limited, you can develop a modified trail along existing paths around the resort or recreational area.

## Accessibility

The trail should be easily accessible from the cabins, recreational area, or a well-marked road. Make sure the entrance is conspicuous and attractive. Post a prominent, readable sign that identifies the entrance and names the trail. The trail's exit should be close to the entrance but separate from it.

## Route

Lay out the trail for one-way traffic (six to eight feet wide), and in the general form of a loop. Where sufficient area is available, a figure eight or double loop provides both short and long walks. If possible, include lowland and upland aspects plus a variety of natural features located at irregularly spaced intervals.

When laying out the trail, avoid:

- \* Steep grades: these are difficult for the elderly and tend to erode easily.
- \* Wet spots: bridge them if they have points of interest.
- \* Monotonous, straight-line trails and sharp corners: gentle bends add to the feeling of seclusion.
- \* Broad paths: these may encourage horse, car, or cycle traffic.

## Selecting Points of Interest

If the trail is of standard length, 50 to 100 points may be identified. On a modified trail restricted to the resort property, as few as 25 features may be noted.

## Types of Natural Features

Select features that are permanent; that is, there should be some guarantee the subject will be around for several years. Unique features mixed in with the commonplace keeps visitor interest high.

Flora. Minnesota has a great variety of trees, shrubs, herbs, ferns, mosses, lichens, and fungi. Names and special characteristics of each are commonly described. The life history of plant associations and the effect of glaciation, wildfire, and human beings' role in plant use and succession are also highlights.

Fauna. Any evidence of wildlife and their habitats is a point of interest--bird or squirrel nests, beaver lodges, muskrat houses, wood duck boxes, badger or fox dens, animal signs or tracks, woodpecker tree holes. Point out the association with evidence seen; it's not necessary for the visitor to view the animal itself.

Geology. Any formation on the earth's surface--lakes, bogs, swamps, streams, glaciated ridges, and boulders--are easily identifiable and tell a story of nature at work.

## **Identification**

Biology teachers, foresters, park naturalists, horticulturists, wildlife specialists, and county agents give expert advice and assistance in properly identifying points of interest. Such service is not part of their regular duties, so you should expect to reimburse them. Show the consultant the general location of your trail. The consultant should point out natural features. If special features are found nearby, you might shift the trail to include these. When first planning, keep the route flexible in order to include the greatest variety of subjects.

Mark points of interest with temporary tags or flagging. Also note the consultant's remarks about each feature for later labeling. Tag some duplicates of common features, but don't label every tree, shrub, or rock along the trail.

Visit nature trails in state parks and observe methods of layout, construction, and labeling. Consult your local library for books on identification of plant and animal life, geology, and camp-craft or conservation.

## **Trail Construction**

After you have determined the route the trail will take, walk over the trail for the final time before starting construction and tie colored plastic flagging to brush and trees along the route. Chainsaws, brush rakes, and brush cutters used in conjunction with proper safety equipment can make the job easier and safe. It will be necessary to clear out brush, side branches, and overhanging branches to a width sufficient for a walker to avoid getting wet on a damp or dewy morning. There's nothing more annoying than getting slapped in the face with a branch. Rocks and logs should be removed from the trail.

Trail surfaces should be fairly smooth but natural; sawdust or wood chips are ideal. Use cement or asphalt only if the trail is intended for the infirm. Catwalks and small bridges over wet spots add interest to the trail. Mark the trail well, but let natural objects guide visitors. Provide trash containers. On long trails, benches and a rain shelter may be desirable.

## **Marking Points of Interest**

### **Signing**

On the side of the trail near the identified feature, drive a treated wooden stake or post. To this, affix the label. Make the message brief, accurate, legible, and easily understood. Some may be amusing or chatty.

Shipping tags make good labels for one season. The standard 3" x 6" tag may be printed in India ink and then dipped in hot wax or sprayed with varnish or clear plastic. You can print larger, more permanent labels on heavier paper and mount them under clear plastic on wood, metal, or masonite

backgrounds. Another innovation--neat and colorful--is to use plastic tape and a label maker. These tools may be purchased from most hardware stores or ordered through mail-order houses.

### Maps and Lists

If you want to use only numbers at stops, furnish a map of the area with a list of the numbered markers and several sentences on what to observe at each stop. The leaflet has souvenir value as a memento of the visit to your resort.

### Final Steps

Some periodic maintenance is essential. After a storm and every spring, check to see if any trees or heavy branches have fallen across the trail. Resprouting brush may be a problem, but this can be killed back by spraying with a brush-killing herbicide. Check the path for safety features, prune overhead dead branches, chop back brush, and remove rocks and branches that could create unsure footing.

Discarded papers and cans are always offensive to visitors. Dump trash containers regularly. Watch for shortcuts or trampling of vegetation, then block travel on these areas. Repair structures promptly. Post signs encouraging woodland etiquette.

Check visitor reaction--ask for criticisms and comments. Be on the alert for innovations, special seasonal features, and methods of interpretation which will help the visitor appreciate natural resources and use them wisely.

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## ATTRACTING WILDLIFE TO RESORTS

James R. Kitts\*

Bird watching, wildlife photography, and animal observation are among the most popular outdoor activities in Minnesota. An article in the June, 1986, issue of Minnesota Monthly, "Where the Wild Things Are: Animal Watching All Around the State," is evidence of this widespread appeal, as is the broad public support for nongame (non-hunted) programs through voluntary contributions to state and private organization.

The opportunity for your guests to view animals in a natural setting could give your resort a unique way to attract visitors and offer you a competitive edge in the marketplace.

Minnesota is blessed with an abundance of interesting and attractive wild animal species. A high proportion of these are species with considerable appeal to recreationists--white-tail deer, bald eagle, timber wolf, trumpeter swan, loons, wood duck, moose, elk, and several others. Many of these can be attracted to specific locations, including your resort. However, in order to attract wildlife, you will need to engage in some wildlife habitat management.

### General Considerations

All animals require four basic life elements--food, water, cover (hiding places), and living space. Together these are known as complete habitat. Absence of any one element eliminates the area from consideration as habitat. The key to successful wildlife management and successfully attracting wildlife is providing complete habitat.

Each wildlife species requires a somewhat unique blend of the life elements, although not necessarily so unique as to be exclusive. It is possible to attract a variety of species to almost any habitat. The trick is to attract the desired species, and not the unwanted animals as well. Success depends on thoroughly inventorying the resources, setting specific goals, and beginning the onsite work only after careful planning.

Minnesota is home to both resident and migratory wildlife. Focus on the desired resident species as the foundation for your project. But remember, they need the habitat 365 days a year. Add only those elements necessary to support migrant species during the season(s) they are present.

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\* James R. Kitts is Associate Professor, Extension Wildlife Specialist, Dept. of Fisheries and Wildlife, College of Forestry, University of Minnesota.

## **Planning the Project**

### **Resource Inventory**

A sketch of your property prepared earlier as part of the planning process shows general grounds features. If you are considering a wildlife project, add details on all vegetation types (alive and dead), marshes, steep bare banks, and rocky cliffs. Make notes of unusual items or attractions such as wolf trees, large snags, den trees, raptor nests, rock piles, natural salt licks, etc. The more detailed the inventory is, within reason, the more useful it will be as an aid to planning habitat improvement.

Construct a list, by season, of animals seen on your land. Add to this list any species seen on adjoining property. These are the animals you can reasonably expect year after year until the habitat changes. Are there any species you would like to see and could expect to appear if habitat were provided? Are there any unwanted species present?

### **Set Goals and Design Project**

From the completed inventory select those wildlife species you wish to assign high priority. A high priority might mean you wish to encourage the presence of a species, or that you want to remove or discourage a species. The next step is to research the habitat requirements of these priority species. Identify key habitat features to be added to or removed from your property.

Information about plants that provide food and cover throughout the year and which match the soil types in your area is particularly important. The public library, Minnesota Department of Natural Resources, Soil Conservation Service, and Minnesota Extension Service can provide this type of information. Professional foresters and wildlife managers can be very helpful in assisting to design a management plan.

Based on your research, make a drawing of the proposed plantings and cuttings necessary to attract the desired species. Use the completed sketch to estimate time and expenses for implementing the plan. Usually the implementation period spans several years. Patience is an absolute necessity. There is no way to rush the development of high quality habitat.

## **Some Wildlife Projects**

### **Plantings**

Some plantings will be necessary. By mixing trees, shrubs, and vines with different growth forms (tall and narrow, short and spreading) and with different growth rates, a well-stratified planting will develop. In most instances, a well-stratified planting will attract more species than a park-like one with few or no shrubs.

A useful guide to keep in mind when selecting plant species is to "follow the lead of nature." Most of the plants should be the same species as those found in the area. Use different or unusual species to highlight rather than to establish a new forest composition. Be certain any plants you purchase are proven hardy for your area. If the cost is within your budget, use container stock in preference to bare-root; growth will be considerably better.

Forest openings are important to wild animals. In heavily forested areas it might be more beneficial to create openings than to make dense plantings. Openings should comprise 10 to 20 percent of the total area. The majority of forest openings should be in the two-to-five acre size, with irregular borders. The area between plant types is called edge. Greater edge leads to better chances for attracting a wide variety of wildlife.

### Snags

Dead and dying trees called snags are very useful to birds as perching, feeding, and nesting sites. A wide variety of mammals also use snags for denning. In Minnesota at least 58 wildlife species need snags as a major part of their habitat.

To be most useful, snags should be at least six inches in diameter and six feet tall. Smaller snags are valuable as perching and feeding sites for birds but are unsuitable as nest structures or den sites.

In addition, snags are classed as hard or soft depending on the stage of decay. Because of their possible commercial value (for example, firewood), hard snags are becoming increasingly scarce throughout privately owned woodlands.

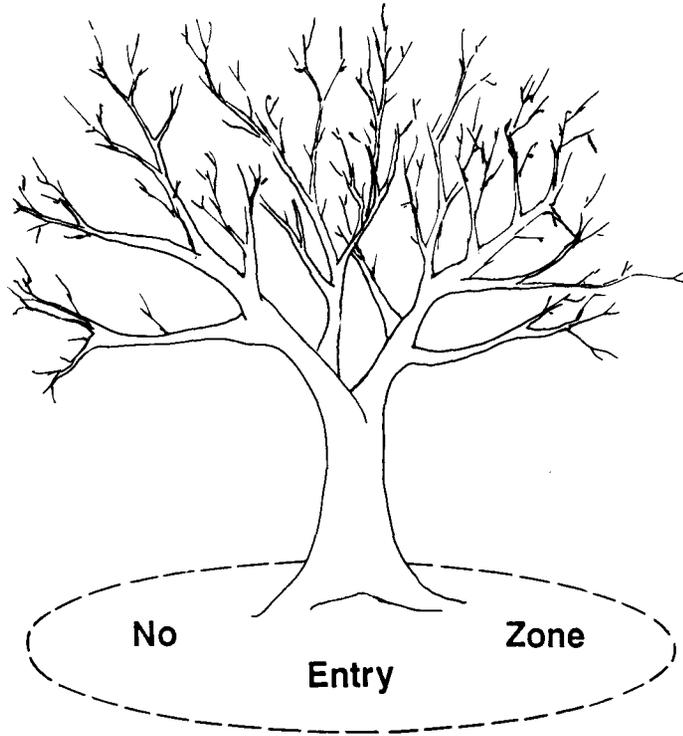
Hard snags are part of a complete habitat for woodpeckers because they nest only in hard snags. Woodpeckers also excavate the cavities in which many other animals nest or den--wood ducks, goldeneyes, flying squirrels, and pine martin.

Presence of soft snags is critical for the majority of snag-dependent wildlife. These snags, too, are becoming scarce because they develop from hard snags which seldom are left standing long enough to soften.

As a general guide to managing woodlands with a concern for snag-dependent animals, consider these recommendations:

- \* Leave all soft snags.
- \* When in doubt, leave the larger hard snags.
- \* Leave about a 1/4 acre clump of woodland permanently uncut for every 5 acres of timber cut and regenerated.
- \* Leave a permanently uncut buffer strip at least 100 feet wide on both sides of streams and around lakes, ponds, etc.
- \* Consider old growth trees a high priority for protection.

Since they are natural focal points for wildlife activity, snags can play a major role in assuring that recreationists get opportunities to observe animals. To avoid accidents, snags should be located in less-used areas of the resort rather than well-traveled areas. As a rule of thumb, never encourage or allow people closer than the maximum crown spread for human safety.



## Water

Like snags, water is a natural wildlife attractant. Here in Minnesota, where we have an abundant surface supply, water can be used effectively to provide easier viewing of wildlife. Noisy areas such as waterfalls and rapids are not very suitable because few wild animals will spend time there. Pools, bays, or slow, quiet stream areas are frequented.

Locating nest boxes and preserving snags in or adjacent to water areas will attract many birds, including tree swallows, purple martin and wood ducks. Steep, bare stream banks may be used by bank swallows, kingfishers, mink, and several other species. These animals are all colorful and exciting to watch and photograph.

If it is appropriate to provide additional water at bird baths or ponds, location is important to the success of your project. Do not locate bird baths adjacent to brush piles or dense ground cover because these provide hiding places for mammalian predators. Tall shrubs or low trees surrounding a bird bath offer protection from avian predators, such as hawks or owls, and provide perching space for birds.

Ponds with surface areas less than 1/10 acre are of little value as nesting or brooding sites. On ponds 1/4 acre or larger it would be effective to install wood duck nest boxes. Loafing logs or platforms should be provided in all ponds. These can be any buoyant log 8 inches or more in diameter and 6 to 10 feet in length. Another option is to construct a 3' x 3' platform so it floats about 4 inches above the water. Cover it lightly with straw, hay or marsh vegetation.

During pond construction, take care to shape the sides with gradual slopes. Much more wildlife will use ponds where 70 percent of the surface area is in water with depths of less than five feet. Shallow impoundments have substantial water plant development that provides the food and cover needed to attract wildlife. Deep ponds and ponds with a high percentage of water over five feet deep are more open, develop less plant material, and attract fewer species of wildlife. However, these ponds are better than shallow ponds for supporting fish populations.

### **Nest Structures**

Bird houses and nesting platforms encourage wildlife to occupy an area. For optimum use, nest boxes must be constructed and erected according to the designs for specific species. Both platforms and nest boxes require annual maintenance--sanitation, replacement of nest materials, and repairs.

### **Feeders**

Bird feeders are an effective way to concentrate wild animals where they can be observed. For best results, match foods and feeder placement to the life requirements of the species to be attracted. For example, goldfinches feed on the oily seeds of thistle; hence niger thistle seed in a tube feeder hung in a moderately open area is excellent.

Spilled feeds attract pests. Attach spill aprons to feeders, and keep feeders a minimum of 50 feet from buildings or wood piles to avoid problems with rats and mice. House sparrows, starlings, and pigeons are attracted to spilled seeds and feeders where seed mixes using millet and cracked corn are used. It is often better to use only one type of seed at a feeding site. The seed attractive to the widest variety of birds is black (oil types) sunflower seed. This seed is also relatively unattractive to the pest bird species.

### **Food Plots**

Plantings designed to provide ready food for wild animals can serve as "living feeders" to attract wildlife.

Like nesting structures and feeders, food plots should be designed and used for a specific purpose and specific wildlife species. The most common and easily managed food plants are corn, sunflowers, sorghum, millet, and wheat. There are also several nectar-producing plants which can be used to attract hummingbirds, butterflies, and moths, which make interesting and challenging photo targets.

There is no "right" or "wrong" design for a food plot. Good gardening practices are essential, but plants can be crowded beyond normal. Locate the plot close to the natural habitat of the species desired, yet arrange it so observation will be easy. One simple feed plot design would include three or more rows of a tall plant (sunflower) in the center. Border this with several rows of an intermediate height plant (millet) and finish with rows of low growing plants. The outside rows could be quite colorful with nectar-producing plants such as salvia, petunia, milkweed, etc. The shape of this

type of food plot is not critical. Circular plots require smaller areas, but rectangles are somewhat easier to plant.

### **Salt Licks**

Sodium is an element essential to the diet of all mammals. Some wildlife acquire it as a trace material in their food. Others, like white-tailed deer and moose, actively seek salt deposits. Summer use of salt licks is high. Salt licks are quite useful in arranging planned encounters between humans and certain wildlife species.

Simply place a commercial salt block in good deer or moose habitat. Locate the block near signs of animal activity where travel lanes appear, or at the edge of a wooded area. The block can be placed on the ground or slightly elevated on a stand.

A "natural" salt lick can be created by filling a burlap sack about one-half full of rock salt. Suspend this where rain can leach the salt into the soil. Animals will eventually locate the salty soil and begin congregating in the area.

### **Drumming Logs**

Ruffed grouse are common through the forested areas of North America. In the spring the males may be heard "drumming", a rapid wing movement and courtship display, as they attempt to attract females and defend their territory against other male grouse. Not many people are fortunate enough to actually see this premier wildlife display, but the use of manufactured drumming logs may make this viewing opportunity possible for some resort guests. Drumming logs without habitat will not attract ruffed grouse, but even in otherwise good habitat, drumming logs often are in short supply.

Drumming logs for ruffed grouse are made by felling or moving a log or logs into the correct position relative to other standing trees. The log on which the bird drums should be 10 to 12 inches above the ground. The actual location on the log where the grouse will stand to drum will be within three feet of a standing tree, called a guard tree. Surrounding habitat should be free of large ground litter and thick underbrush. Drumming grouse need good visibility around the log. Never place a drumming log in the vicinity of conifers. Conifers are favorite perching areas for hawks and owls and provide them with excellent camouflage.

Be patient after your drumming logs are in place. It may take several years before they are used. Once a male grouse establishes a drumming site on a log, he will use the exact spot--his stage--year after year as long as he lives.

## **Market Your Wildlife Attractions**

Thinking about wildlife management as a part of resort operations sounds unusual at first. However, when habitat improvements make bird watching, animal observation, and wildlife photography possible, then your resort has a

special feature you can offer to your guests. Opportunities for wildlife sighting says something to potential guests about the flavor and pace of the resort they are considering.

If the wildlife resources your resort offers are truly distinctive, birders and photographers are a new (generally upscale) target market that you can tap. Because the market is still relatively small, don't rely on an expensive promotion plan. People who are interested in these outdoor activities often belong to formal organizations or read specialized publications, so these marketing channels might be most effective. A bonus of working with this clientele is that the wildlife breeding and nesting activity of greatest interest frequently takes place during the spring/fall shoulder season when resort occupancy drops.

There is no way to guarantee wildlife sightings when you do undertake these habitat improvement activities, but even the chance or opportunity can certainly make for a memorable vacation experience.

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**APPENDIX**

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# Toward a Strategy for Building Shoulder Season Resort Business

Gary Ballman, tourism development specialist

Low occupancy during the shoulder seasons is a recurring problem for most seasonal resorts. Resorts which are nearly full between mid-June and mid-August often see occupancies fall to 30 percent or lower before and after this two month, peak season period. Figure 1 illustrates the magnitude of this problem during 1983 for 19 small resorts in the Longville/Hackensack area south of Leech Lake in central Minnesota.<sup>1</sup>

These resorts, which have 179 rental units, had an average weekly occupancy of 84 percent between mid-June and mid-August. However, weekly occupancy averaged only 44 percent during the five weeks prior to this period and just 36 percent from mid-August through the end of September. This shoulder season business was concentrated on the weekends.

The total amount of unsold product or excess capacity among these resorts during the 20-week mid-May through September season was over 1400 unit-weeks with an estimated gross value of almost \$500,000 (Table 1). That averages to about 76 unit-weeks and is worth nearly \$24,000 in sales per resort. Nearly 80 percent of this excess capacity occurred during the shoulder seasons. Filling the shoulder seasons to mid-summer occupancy levels would have a dramatic effect on resort profitability and, therefore, is a high priority for resorts and the promotional organizations to which they belong.

A first step toward developing a marketing strategy to build shoulder season occupancy is to review a resort's overall past marketing efforts. Regardless of the approaches a resort has taken in the past, it is probably safe to assume that these same approaches will work about as well in the near future as they have in the recent past. As Figure 1 clearly illustrates, the approaches used by these 19 resorts have worked very well for selling mid-June through mid-August (84 percent average occupancy) but not very well for selling the shoulder seasons (44 percent and 36 percent average occupancies).

Since most of these resorts do essentially the same kind of marketing for shoulder seasons as for mid-summer, this suggests that they require *two distinct but related marketing approaches*, one for the two month, peak season and another for the shoulder seasons. For most resorts the peak season strategy can consist of continuing present marketing efforts. As illustrated, this should result in nearly a full house between mid-June and mid-August and below average occupancies in the shoulder seasons.

Three questions immediately surface regarding the shoulder season marketing approach:

- How much is a reasonable amount, in addition to what is currently being spent, to invest in shoulder season marketing?
- What are realistic shoulder season marketing objectives?
- And most importantly, what kinds of shoulder season strategies, products, and markets will be successful?

The remainder of this article will treat the first question. Shoulder season marketing objectives and strategies, products, and markets that resorters have found to be successful will be the topic of an upcoming article in *Tourist Travel Notes*.

What constitutes a reasonable shoulder season marketing budget will differ from one resort to another. However, a simple analysis of past records can provide guidelines. To set a budget, start by finding out how much was invested to sell each unit-week sold last year. This can be done by dividing the total amount spent on marketing last year by the total number of unit-weeks rented, one unit rented for seven nights.

The average marketing investment per unit-week rented during the 20-week period from mid-May through September in 1983 was \$15.88 for the 19 Longville/Hackensack area resorts. Since the average resort among this group had 60 unit-weeks excess capacity during the two shoulder seasons, an additional \$953 would be a reasonable amount for this average resort to invest if the objective was to fill the shoulder seasons ( $\$15.88 \times 60 = \$953$ ). This assumes the same level of shoulder season marketing efficiency per dollar invested as was achieved during the entire season, an assumption which is probably invalid.

This procedure is set forth as a general model only and as a rationale which can be used as a starting point to set a shoulder season marketing budget for a specific resort. Other factors may have to be considered also. For example, it could be argued that much repeat business is not generated by overt marketing activity. Rather, customers return because they like the experience available at the resort. It is only the first-time customers who would be considered in determining the cost of selling each unit-week booked since repeat business is usually high. Following this line of reasoning would raise the average marketing cost per unit-week because the total

**Table 1. Selected marketing-related characteristics of nineteen resorts in the Longville/Hackensack area for 1983.**

Characteristic	Average	Low	High	Total
Number of rental units	9.4	5	16	179
Gross receipts (\$)	36,348	7,000	99,000	690,614
Gross receipts per rental unit (\$)	3,903	1,125	7,460	—
Marketing investment (\$)	1,731	500	5,653	32,894
Marketing investment as percent of gross	4.9	2.1	10.8	—
Marketing investment per rental unit (\$)	193	56	808	—
Cost of marketing each unit-week booked	15.88	4.55	54.13	—
Gross receipts per marketing dollar invested	25.16	9.24	47.82	—
Average weekly occupancy 5/15-9/30 (percent)	60.1	18.9	81.33	—
Excess capacity 5/15-9/30 (unit-weeks)	75.8	33.6	250.0	1,441
Gross value of excess capacity (\$)	23,833	6,197	64,285	452,821

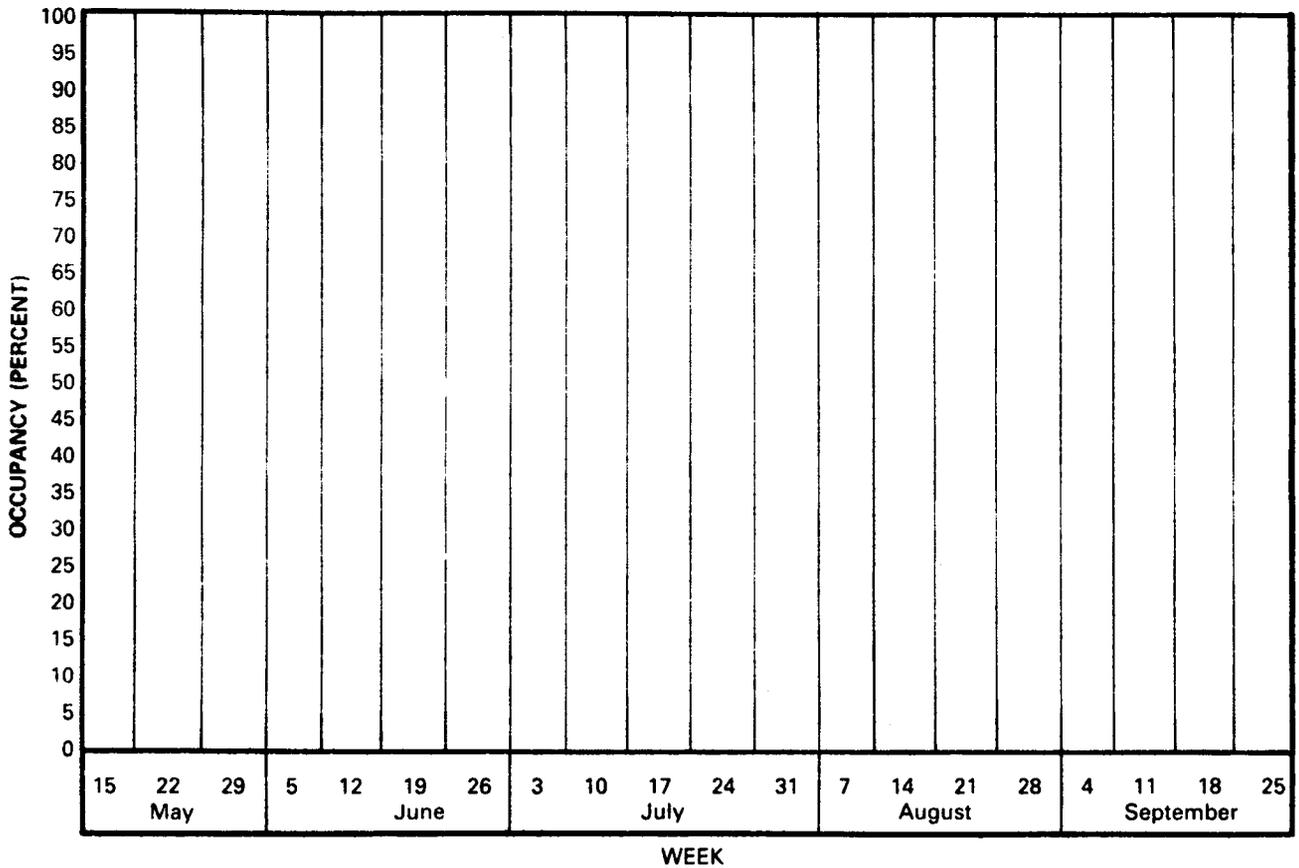


Figure 1. Weekly occupancy of 19 resorts in the Longville/Hackensack area during 1983.

marketing cost would be spread over fewer unit weeks (only those accounted for by first-time visitors).

Another factor which would obviously influence what a particular resorter set as a reasonable budget would be the amount of business to be generated (part of the objective). It would probably cost more to fill the shoulder seasons to 100 percent than to merely increase occupancy up to the seasonal average which is 70 percent for the 19 resorts reported on here.

Regardless of the specific considerations a given resorter

takes into account in setting a shoulder season marketing budget, analysis of past records can provide guidance. One thing is fairly certain, increasing shoulder season occupancies will require greater investments in marketing than what are currently made by most Minnesota resorts.

<sup>1</sup>The author wishes to thank the owners of these 19 resorts who furnished the information used in this article. The data were collected as part of a resort management tour and seminar conducted by the University of Minnesota's Agricultural Extension Service in cooperation with the Leech Lake Chamber of Commerce in September 1983.

## Brochure Critique Service Still Available

Attention Minnesota resort and motel owners, campground operators, canoe outfitters, and related tourism businesses! Is your publicity brochure doing the job you want it to? Does it project a clear, distinctive, appealing image? Is it designed to most effectively communicate your product's benefits to your market? Could you produce a better brochure at a lower cost? You can now get individualized answers to these and other questions about your brochure from an experienced communications professional with the Agricultural Extension Service.

To take advantage of this brochure critique service, call Gary Ballman at (612) 376-3433, or send your name plus the name and address of your business to: Gary Ballman, 248 C.O.B., 1994 Buford Avenue, University of Minnesota, St. Paul, MN 55108.

You will be sent two brief forms to use in requesting a

brochure critique. Return the forms along with three copies of your brochure. A communications professional will then review your brochure and any special concerns you have about it. Within a month you will receive a written critique commenting on your brochure's strengths and weaknesses. Specific recommendations on layout, photos, graphics, copy, and concept will be given.

Since this service became available late in 1983, nearly 100 Minnesota tourism businesses have used it. There is no charge for using the service as funding is provided through the Minnesota Small Business Development Center at the University of Minnesota and the Agricultural Extension Service. Enough funds remain to perform approximately another 200 critiques. They will be done on a first come-first serve basis. When funds are exhausted, a charge will be required to help defray expenses.

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### AGRICULTURAL EXTENSION SERVICE UNIVERSITY OF MINNESOTA

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in requesting a brochure critique. Return the forms along with two copies of your brochure. A communications professional will then review your brochure and any special concerns you have about it. Within three weeks you will receive a written critique commenting on your brochure's strengths and weaknesses. Specific recommendations on layout, photos, graphics, copy, and concept will be given.

There is no charge for using this service as funding is provided through the Minnesota Small Business Development Center at the University of Minnesota and the Agricultural Extension Service. Enough funds are now available to perform 300-400 critiques. They will be done on a first come-first serve basis. When funds are exhausted, a charge of approximately \$30 per critique will be required to help defray expenses.

### TTN Readers: Return Enclosed Card

*Minnesota Tourist Travel Notes* has been on low key recently because of staff changes and budget limitations. Beginning with the next issue, it will again be produced on a regular quarterly basis and will undergo a face lift. We are now in the process of updating our mailing list. If you wish to continue receiving *Minnesota Tourist Travel Notes*, you must complete and return the card enclosed in this issue.

## Good Records Help Direct Advertising Programs

*Fred Boos, general manager, Grand View Lodge, and Gary Ballman, tourism development specialist, University of Minnesota*

In the 1974 winter issue of *Tourist Travel Notes*, Fred Boos, general manager of Grand View Lodge on Gull Lake near Brainerd, reported on how accurate records helped him plan the advertising portion of his marketing program. Here is an update on how accurate records help the Grand View Lodge direct its advertising to the best markets.

Grand View Lodge's record keeping method is similar to that used by other Minnesota resorts. Three of the key elements are:

- 1) Keyed ads which enable an exact count of the responses from each ad.
- 2) Accurate records of advertising expenditures by medium.
- 3) Guest registration cards which include, among other things:
  - the guest's home residence.
  - total amount spent at the resort by each party.

—why each party came to Grand View Lodge, and

—how each party found out about the resort.

At the end of each season, this information is used to evaluate that year's advertising program and plan the next year's.

One of the basic marketing-related

questions answered is: Where is the current market? Table 1 gives 12 years of geographical market records.

The major trend apparent here is that Minnesota, the major market, has produced a larger share of business in recent years at the expense of secondary markets, primarily Illinois. That share has stabilized at

**Table 1. Geographical market breakdown of guests registered at Grand View Lodge for 12 years.**

Year	Home State (percent)								Total
	Minn.	Ill.	Iowa	Mo.	Neb.	Kan.	Tex.	Other	
1960	49.74	11.07	9.18	10.37	3.05	3.61	.97	12.01	100.0
1965	46.08	10.49	7.38	3.72	2.89	1.93	2.64	24.87	100.0
1970	57.98	13.12	8.04	5.54	1.34	2.75	2.23	9.00	100.0
1975	66.90	10.04	6.16	3.73	2.02	2.16	1.68	7.31	100.0
1976	66.68	7.69	6.50	3.53	2.37	2.32	1.13	9.78	100.0
1977	63.51	9.99	6.23	4.11	3.07	2.65	2.60	7.84	100.0
1978	64.76	6.80	5.14	2.08	1.37	1.71	2.16	15.98	100.0
1979	69.22	3.78	3.51	3.16	0.67	3.71	5.13	10.82	100.0
1980	68.05	4.65	5.96	3.09	1.49	2.52	3.43	10.81	100.0
1981	67.65	5.81	4.63	2.09	1.15	2.79	4.59	11.29	100.0
1982	65.96	4.49	5.25	2.36	0.98	3.44	1.39	16.13	100.0

approximately two-thirds of the guest volume. The gasoline supply problems in 1974 and the discontinuing of advertising in some secondary markets are thought to account for this shift.

Another important marketing-related question the record analysis answers is: What is the source of business? The different sources of business for 12 years are given in Table 2. Repeat business is the major source of guests, having accounted for over 50 percent of all business for the last several years. Guest referrals, the major source of new business, consistently account for approximately one-fifth of all business. Repeat business and guest referrals are encouraged by direct mail to former guests asking them to return and bring their friends. Road signs, AAA, and travel agents have accounted for smaller shares of business in recent years.

Grand View Lodge's marketing program includes ad placements in newspapers and tourism promotion organization publications. One form of analysis useful in marketing management is calculating the cost per inquiry (CPI) generated by these ads. The CPI is determined at Grand View Lodge by dividing the cost of ads placed in each medium by the number of inquiries those ads generated. For example, the cost of ads placed in the *Minneapolis Tribune* during 1982 was \$10,000. These ads generated 1,484 inquiries resulting in a CPI of \$6.74 ( $10,000 \div 1,484 = \$6.74$  per inquiry).

Costs other than ad placement associated with generating and handling inquiries from the ads are assumed to be the same per inquiry and thus do not affect comparisons among the several media. Following this procedure for each medium used permits a comparison of how efficient each is in generating inquiries and, therefore, helps in allocating marketing dollars.

One of the most useful analysis for marketing management is determining the return on advertising investment (ROI) for each medium used. The ROI is calculated by dividing the expenditures of guests who found out about the Grand View Lodge through each advertising medium by the cost of ads in each medium. It gives the gross receipts generated at the resort for each dollar spent advertising. For example, guests who stayed at Grand View Lodge during 1982 as a result of the *Minneapolis Tribune* ads spent a total of \$89,500 at the resort. As indicated above, the cost of these ads was \$10,000. Therefore, the ROI from the *Minneapolis Tribune* was \$8.95 ( $\$89,500 \div \$10,000 = \$8.95$  spent by guests for every dollar spent advertising.)

Comparing the ROI's for each medium is one of the most important considerations in selecting advertising media and in allocating advertising dollars among those media. The ROI's for selected media used by

**Table 2. Sources of business for Grand View Lodge for 12 years.**

Year	Source of Business (percent)						Total
	Repeat Guests	Guest Referral	Road Signs	AAA	Travel Agents	Other	
1960	47.3	19.5	1.2	3.2	5.2	23.6	100.0
1965	44.6	20.8	2.6	2.4	6.3	23.3	100.0
1970	52.8	20.2	2.3	4.2	4.2	16.3	100.0
1975	51.6	17.6	.9	5.9	2.8	21.2	100.0
1976	55.4	17.4	1.0	4.4	1.7	20.1	100.0
1977	57.2	18.3	1.2	3.7	1.8	17.8	100.0
1978	56.5	18.7	1.9	4.0	.8	18.1	100.0
1979	61.4	22.8	1.9	1.2	1.3	11.4	100.0
1980	57.5	17.2	1.6	1.5	1.9	20.3	100.0
1981	61.2	18.7	.6	2.0	1.3	16.2	100.0
1982	53.1	18.0	.8	1.4	1.7	25.0	100.0

**Table 3. The return on advertising investment for selected media used by Grand View Lodge\*.**

Year	Medium			
	Minneapolis Tribune	St. Paul Pioneer Press	Des Moines Register	Heartland Book
----- Dollars -----				
1973	7.05	4.21	3.74	
1974	11.69	7.70	2.44	9.76
1975	8.28	7.42	2.98	3.69
1976	4.28	10.48	3.25	7.22
1977	5.35	3.39	(minus)	1.27
1978	6.59	(minus)	2.46	2.09
1979	4.38	4.03	(minus)	1.84
1980	6.03	2.04	(minus)	7.73
1981	4.95	3.91	1.86	6.37
1982	8.95	3.46	3.19	8.20

\*Values reported in this table represent the dollars spent by customers at the resort for every dollar spent advertising in each medium.

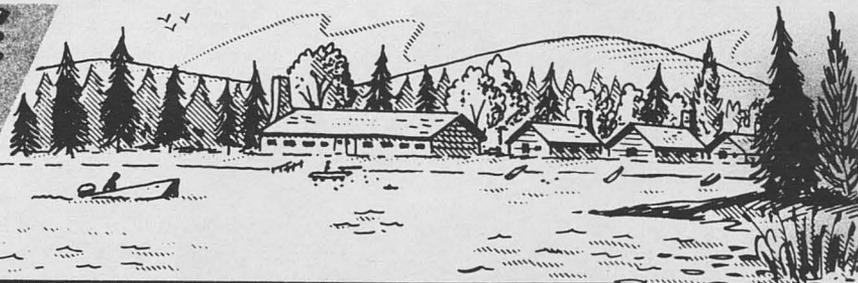
Grand View Lodge over the past ten years are given in Table 3. Over the years, the *Minneapolis Tribune* has been the best consistently high performer, although the *Heartland Regional Book* has produced a very good return in many of the years.

Good distribution seems to be the key to getting high returns from regional books such as *Heartland's*. The Brainerd Chamber of Commerce book, not shown in Table 3, did not produce enough inquiries to even keep track of until 1982 when a new book was produced. The 1982 Brainerd book produced 198 inquiries and a ROI of \$11.14, the highest ROI of any medium that year.

Scanning the ROI's over the last ten years reveals substantial variation in returns from year to year for the same medium as well as among the different media within the same year. This demonstrates why it is best to have a diversified advertising program rather than relying on one or two big performers since even they have down years. By having a diversified advertising program, low returns in one medium can be offset by high returns in another, thus helping to stabilize the overall ROI from year to year.

In 1976, for example, the *St. Paul Pioneer Press* produced the highest ROI, \$10.48, while the *Minneapolis Tribune* returned only \$4.28. The following year, the *Pioneer Press* was down to \$3.39 but the *Tribune* was up to \$5.35. This "diversification principle" follows the same reasoning used by investment counselors who recommend diversified investment portfolios for their clients.

Grand View Lodge's marketing program has included a little bit of everything over the years. Radio has been used many times on a trade out basis with some success, television was tried once in Fargo with no success, and local and smaller town newspapers are used with limited success. Keeping track of past guests and asking them for additional referrals is still the best method that Grand View Lodge has found to generate business



# Minnesota Resort Advertising Programs Vary

Dayton Larsen and Lawrence Simonson\*

## Resort Management Seminar April 3, 4

Reserve April 3 and 4 on your calendar for the State Resort Management Seminar. The location will be Arrowwood Resort, Alexandria, Minnesota.

Reading the ads in certain newspapers and sports magazines and traveling the Minnesota highways and back roads, the motoring public sees occasional signs — reminders that there are resorts and campgrounds nearby eager for business.

Most Minnesota resort and campground operators carry out some promotion and advertising programs to attract guests. They are no different from any other business which is attempting to sell a product or service. And yet, most operators say that advertising is a frustrating activity; they feel they need it, but few know how much or what kind of advertising brings the most return.

## Budgets Range From Zero to Thousands

Some resorters have a zero advertising budget: they rely strictly on an entrance sign, repeat business, and word of mouth. Other Minnesota resorts have annual advertising budgets that run into the thousands of dollars and use virtually every known advertising method.

*\*Dayton Larsen is area extension agent, forestry; Lawrence Simonson is extension specialist, tourist services.*

Because of a general lack of knowledge of what goes on overall in the advertising-promotional efforts of the resort-campground industry in Minnesota, the authors of this newsletter did a study in 1975-76 to identify the many marketing strategies of this industry. The idea was to investigate advertising methods operators most commonly used, the dollars annually spent on each method, and how the operator rated the effectiveness of each method. In addition, information was sought about how first-time guests found out about resorts and campgrounds; where operators targeted their advertising; and how this correlated with the geographic areas when guests arrived. Supplemental information was also gathered on size of operations (number of rental units), gross annual sales, percentage of repeat guests, and length of ownership or operation.

Some of the results relate to the annual advertising expenditures of resorts, the methods used and expenditures for each, and the apparent effectiveness. Subsequent articles in Minnesota Tourist Travel Notes will report similar information for privately owned campgrounds and the remainder of findings relating to advertising programs for resorts.

A questionnaire mailed to a randomly selected number of resorts throughout the state resulted in approximately a 50 percent return. The information gave some excellent insights into the advertising efforts of individual resorts.

The most commonly used advertising methods included: an individual brochure that was distributed in

a variety of ways; direct mail correspondence to previous or prospective new guests; ads in newspapers and magazines; and roadside directional or informational signs. Other, less frequently used advertising methods included: radio and TV ads; booths at sport shows; ads in regional or local tourism lure books; the sale or gifts of advertising specialty items — such as matches, pens, calendars, sweat shirts, posters; and specialized promotion or advertising photography and news items.

Many resort advertising budgets include dues paid to advertising-promotion-oriented organizations such as chambers of commerce, local resort or lake associations, regional tourism organizations, and trade associations.

The annual advertising expenditures increased, as would be expected, in direct proportion to gross annual sales or income. In a few isolated instances some resorts in the \$10,000 to \$20,000 gross income category have higher annual advertising budgets than some \$100,000+ gross sales resorts while some resorts reported they did not spend one nickel on advertising!

## Expenditures Relate to Income

Because annual advertising expenditures usually relate directly to gross income, much of the data reported here are based on gross income categories. For example, table 1 shows the statewide average annual advertising expenditures for resorts for 1974, 1975, and 1976.

Note in table 1 that of the few resorts reporting no expenditures for advertising, all fell in the "under

this year,  
let  
**Minnesota**  
bring out the  
**Voyageur**  
in you.

“\$10,000 gross income” category. These resorts were not included in the statewide average figures. In other words, the 1974 — \$166, 1975 — \$234, and 1976 — \$192, figures include only those resorts which reported some dollar amount for advertising. Overall these resorts spent an average of 3.1 percent of their gross income for advertising. Surprisingly this proportion spent for advertising was nearly the same in all income categories — after eliminating those in the lowest class that apparently spent nothing.

Another set of figures in table 1 needs elaboration. Note that in 1976 all categories (except one) showed less advertising expenditures than in 1975. Resorters received the questionnaire in spring 1976 and were asked to estimate their total 1976 advertising expenses. It is entirely possible that some resorters spent more for the total year than they had anticipated in the spring; however, many resorters said later that 1975 was their best business year. Consequently

they lowered 1976 advertising expenditures.

The average annual expenditures for advertising varied greatly from county to county and from tourism region to tourism region. Resorts in the Arrowhead and Heartland tourism regions spent more for advertising than resorts in the rest of the state.

Table 2 summarizes the various advertising methods used by resorts in 1975, the annual average expenditure per resort, and the average percent of resorts using each method. In this table the expenditures are in two categories — resorts with gross incomes under and over \$50,000. Data received in some income categories were so sparse that a five category division (such as in table 1) was not possible.

Although most resorters include dues paid to local or regional promotional groups as advertising expenses, dues were not included in this report (table 2).

Resorters gave various interpretations to the designation, Roadside Informational or Directional Signs and Resort Brochure. Some prorated the cost of a sign or a bro-

chure for the number of years these items lasted; some included the entire cost of these items because the cost was incurred during 1975; others included no expenses for these items in 1975 because a new sign or brochure was purchased in 1974 (or previously). Consequently, the expenditure figures for brochures and signs may not be fully representative of the average.

Incidentally, the item in the questionnaire relating to signs elicited many comments. Resorters are disturbed in no uncertain terms about the ban on highway advertising signs. The law permits only general directional signs to food, lodging, gasoline stations, and hospitals. Many resorters feel this is among the most pressing problems they face.

The averages in table 2 are just that. For example, as little as \$5 for newspaper ads was reported by one operator and as much as \$15,000 by another large complex. A final report on this study will consider the variations reported in more depth.

Table 2 does not include some advertising methods listed in the questionnaire: TV ads, specialized pho-

**Table 1. Annual resort advertising expenditures (statewide average by years)**

Income category	1974	1975	1976*
\$ 0 to \$ 9,999	\$ 166	\$ 234	\$ 192
10,000 to 19,999	506	662	567
20,000 to 49,999	720	846	906
50,000 to 99,999	1,830	2,118	2,002
100,000+	3,579	4,614	4,373

\*Estimates given by those responding prior to the 1976 season.

**Table 2. Advertising methods used by Minnesota resorts in 1975 (for those resorts reporting the use of each method — average annual expenditure and percent using — by income category)**

Method	Under \$50,000 gross income		Over \$50,000 gross income	
	Average spent	% using	Average spent	% using
Newspaper ads	\$193.73	43	\$ 453.00	86
Magazine ads	130.72	33	362.59	61
Radio ads	116.52	7	332.59	37
Resort brochure	192.30	62	1,033.08	71
Direct mail correspondence	102.48	62	490.45	67
Specialty adv. items	89.90	29	254.74	55
Ads in local lure books	64.31	32	170.73	67
Ads in regional lure books	84.36	18	189.17	59
Directional or info. signs	79.42	41	329.20	39
Participation — sport shows	880.00	4	1,079.17	27

The present law requires removal of many directional signs of this type



tive advertising. A rather small percentage of resorters participate in sport shows as individual exhibitors; however, those who do, feel that this marketing method brings good returns. The high cost of construction of a high-quality exhibit, space rental, and staffing, as well as the guest activities offered, confines this market method generally to only the larger resorts.

From these observations some obvious conclusions can be made about resort advertising programs in Minnesota. Small resorts (usually five or fewer cabins) spend very little on advertising. Large resorts

tography, posters, and special news items. These methods were used by only a small percentage of resorters. Although of very little significance in the total advertising programs throughout the state, nevertheless, they may well be important in individual resort marketing programs.

Table 3 summarizes how resort operators rated the effectiveness of their various advertising methods. This information was not separated by gross income categories because there seemed to be little appreciable difference as to how small and large resorts rated these methods.

Item 3, Individual Sport Show Exhibitor, rates very high as effec-



Resort brochures are the most popular method of advertising

**Table 3. Operators perceived or measured effectiveness of different advertising methods**

Method	Rating*
1. Brochure of own resort	2.5
2. Direct mail correspondence	2.4
3. Individual sport show exhibitor	2.3
4. Roadside direction-information signs	2.1
5. Magazine ads	2.1
6. Special photography	2.0
7. Specialty advertising items	2.0
8. Ad in local promotional lure book	2.0
9. Posters	2.0
10. Newspaper ads	1.9
11. Ad in regional lure book	1.9
12. Special news items	1.8
13. Radio ads	1.6
14. TV ads	1.6

\*On a scale of 1 to 3: 3=Very effective  
2=Somewhat effective  
1=Little or no effect

generating higher gross sales spend large amounts and use a variety of methods to achieve these sales.

### Brochure is a Large Item

A resort's individual brochure usually accounts for one of the largest items in most advertising budgets. A brochure is used by a high percentage of resorts, and it rates at the top of the list as being the most effective means of resort advertising. Rated close behind brochures is the personal correspondence that resorters mail to previous or prospective new guests.

A surprising fact is that a rather high percentage of resorts use newspaper ads, and yet, most resorts do not rate this method very high on the effectiveness scale. Perhaps many resorters are not evalu-

ating the results of newspaper ads. A similar situation exists with individual ads in local or regional lure books. A large number of resorts place these ads in lure books, but again, they do not rate them very high on the effectiveness scale.

In summary, the admonition expressed by Michael J. Etzel and C. R. Michael Parent in the July 1977 issue of *Utah Tourism and Recreation Review* entitled, "Advertising Strategy in Tourism and Recreation" seems appropriate. "There is a tendency to concentrate on the ad

itself in developing an advertising program. This is natural since it is the only tangible product of the process. However, placing ads without first developing achievable, explicit objectives, setting a budget to achieve those objectives, and establishing a program for measuring effectiveness to facilitate future planning is at best a gamble."

In subsequent issues of *Minnesota Tourist Travel Notes* there will be summaries about advertising and promotion programs of Minnesota resorts and campgrounds.

of materials (such as boats, motors, lumber) have risen so much in recent years that increased rates cannot keep up. He is frustrated at coping with the growing maze of required governmental licenses, rules, and regulations. He said the resort industry is not getting adequate support from local and state governments.

#### **Small Resorts Become Second Homes**

*(This publication sadly notes Mr. Madden's recent death, but includes his remarks as pertinent to the industry.)* W. J. Madden, Madden Lodge on Gull Lake at Brainerd talks about the transition from the small resort (as resorts go out of business), to second homes. He notes the change in the resort guest: many of them no longer going to resorts, but camping. But more important, they're staying at the many new full-facility motels that have been built in the cities across northern Minnesota in recent years. He says there has been a definite transition and that the transition will continue; however, he would not label it critical. He says that the traveling public has made this choice.

#### **Hard Work Brings Slim Profit**

Helen Meriam, Meriam's Campground at Knife River, laments the fact that resort operators have never seen the wisdom of developing a powerful organization with some political clout. She also laments the fact that owners of resorts and other local businesses dismiss the need for major tourist attractions in many areas of the state and have not attempted to seek financing to develop such attractions. She also would like to know when the state and the residents are going to begin to recognize that tourism is an industry. She emphasizes, "All industry is not hardhat." She talks, too, about the maze of governmental regulations, licenses, and restrictions hindering tourism. Many of these regulations she finds, contradict each other. She feels very pessimistic about resorting's future in Minnesota. She says she has always been a fighter, but that she is about ready to give up, cry "uncle" and sell out. She is tired of the slim profit margin for all of the hard work.

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## **Resorters 'Sound Off' in Response to Tourist Travel Notes Article**

The last issue of *Minnesota Tourist Travel Notes* contained a discussion of Minnesota's Resort-Tourism Industry in Critical Transition. The authors attempted to summarize the history of the resort industry, its economic contribution, factors affecting decline in resort numbers, and industry problems. Some of the possible resort industry's future alternatives were also explored. In conclusion a number of questions were posed suggesting some future action by the resort industry, governmental decisionmakers, and concerned citizens and business people.

Minnesota resort operators were asked to respond or "sound off" on the problems they face and to offer some solutions. A number of responses were received and a summary follows.

#### **Rates Too Low**

Lyle E. DeBower, Krantz Resort, Deer River, writes that Minnesota resort rate structures are far behind the accommodation rates in other parts of the country and need to be increased to keep the bottom line in the black. He said rate structures should attempt to keep up with inflation and allow upgrading of present facilities. Many of the smaller resorts need to increase the number of units available for rent to improve the profit picture. However, he doesn't see increased rate struc-

tures providing the extra capital needed for expansion; therefore, he sees the need for some kind of low-interest, long-term loans, federally or otherwise insured.

#### **Nonresident Loses**

H. C. Sigtenhorst, Willow Lake Resort, Cohasset, points to the plight of the nonresident or non-homesteading resorter. He contends the nonresident resort owner and operator contributes as much financial support to state and local governments and to local merchants as other resorters. He lists a number of governmental regulations and restrictions that discriminate against the nonresident resort operator. For instance, nonresident classified resorters are not eligible for the real estate tax relief legislation enacted by the 1977 State Legislature (see story elsewhere in this issue). He also mentions his inability, as a nonresident, to obtain a fish filleter's license. He also feels that the present resort industry organizations have been ineffective in encouraging action against restrictions that are eliminating many of the Minnesota resort operations.

#### **Rates Must Match Costs**

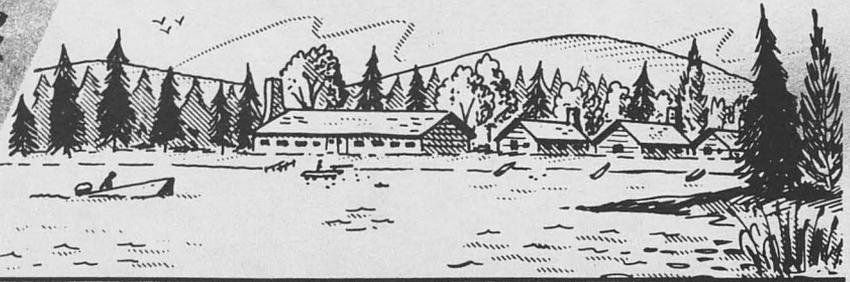
Bob Meisenheimer, Mallard Bay Resort, Clitherall, figures that the cost of resort operations (such as gas, insurance, labor) and the cost

# Minnesota

## TOURIST

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## Notes



AGRICULTURAL EXTENSION SERVICE  
UNIVERSITY OF MINNESOTA

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## Minnesota's Resort-Tourism in Critical Transition

Uel Blank, Larry Simonson and Dayton Larsen\*

**Will Minnesota have a resort industry in the year 2000?**

Given present trends it may be wiped out 20 years from now.

Private commercial resorts contribute so substantially to the state's economy that the authors feel definite steps are justified not only to maintain but to develop resorting in Minnesota.

This entire issue presents information about resorting and suggests future directions. Its purpose is to stimulate thought and discussion. The authors encourage and welcome your comments. But don't stop there, talk with your business community, talk with local and state officials and help GET ACTION GOING!

### INTRODUCTION

Each year there are fewer Minnesota resorts: their numbers dropped one third in the past decade. Second homes, public facilities, motels, and other vacation patterns are replacing them. Resorts make important contributions to Minnesota and the nation in two major ways:

- As an efficient means of access to Minnesota's outdoor recreation resources.
- As an important economic force for many communities and large numbers of citizens.

Despite rapid changes in vacation/recreation patterns, the resort role continues prominent in Minnesota. At the same time resorting is not the total recreation industry: it is one of many services and facilities that make up the recreation industry in this state.

Minnesota's decline in numbers of resorts is in sharp contrast to increased recreation spending by United States consumers and rapid expansion in destination vacation land developments in such areas as Florida, Hawaii, the West Indies, and Spain.

*\*Extension resource economist; extension specialist, tourist services; and area extension agent, forestry, respectively.*

From one viewpoint the lag in Minnesota's resorting industry may be a distinct advantage. The rapid growth in many other areas appears somewhat frantic, and immature. There has been a tendency to overbuild, to the detriment of the site, the natural landscape, the community, markets, and finances. The exploitation that has occurred is now questionable, especially considering resource and energy limits. Having escaped serious clutter, Minnesota can calmly and rationally ask, "how can an outdoor recreation system be shaped that will best

fit the decades ahead and what is the role of resorts within it?"

Minnesota's resort industry has a large number of small operations which developed during the early days of automobile travel in the 1920's and 1930's. They were right for that time. In recent decades many individual resort operations and a few resorting communities have sharply altered their physical plant, services, and marketing program. Yet, much of the industry retains its 1930's characteristics which appears to be a disadvantage in the 1970's. The resort industry's contributions need updating to fit 1970's resource management and market needs.

### THE RESORT CONTRIBUTION

Resorts tie in with Minnesota natural resources and commercial services and public facilities to make the outstate travel-recreation offering. They serve two basic functions



Resorts provide one of the most efficient means of access to Minnesota's natural recreation resources.



Nearly all economic sectors of a community can benefit from tourism.

as a major means of access to Minnesota's natural recreational resources and an important part of their area's economic base.

#### Access to Minnesota's Natural Recreational Resources

Without resorts Minnesota's lakes and woods would be out of reach of many. Only those able to own second homes, or with inclination and time to undertake camping would have access.

A 1974 study of Lake Minnewaska near Glenwood showed that resorts provide access with efficiency and in harmony with the free enterprise system. "Efficiency" here refers to the costs of the primary resource-lake frontage and returns in people-access or use and/or dollar income to the community. In Minnesota second homes and public facilities provide the major competition. Resorts annually provided 8.3 person days of use and \$76 of income per front foot of lakeshore compared with 2.7 person days of use and \$15 for second homes. In many ways public facilities are complements to resorts rather than competition: comparable figures are not available.

#### Economic Contribution

Resorts contribute economically just as other producing sectors do by providing employment, tax base, and profits.

Commercial facilities are necessary for the state or local community to capture income from travelers or those who use recreation facilities. There must be a "package" of goods and services for sale that can

be purchased from the host community. If this "package" is dominantly primitive, it usually generates a low dollar flow. Most public services and facilities tend to be publicly subsidized and generate low revenue.

A proper mixture of resort facilities, other commercial offerings, primitive recreational services, and public services is necessary to satisfy the wide range of current recreation demands and to create a destination image. These may all be complementary; within this offering package, resorts often provide the appeal and a service leadership role.

Resorts attract people from outside the state and local community and generate "new" money.

In the Lake Minnewaska study, referred to earlier, 40 percent of resort guests came from outside Minnesota, compared to 14 percent for users of public landings, and 6 percent for second home owners. Similar findings were made in a 1970 study in the Lake of the Woods and Rainy Lake Area where nearly 60 percent of second home owners had permanent homes within the three-county area. Minnesota's resorts do attract vacationers from outside the state who spend money here.

#### The Resorting Experience

Resorting covers a wide range of human interests and needs. Minnesota resorts are traditionally thought of as lakeshore based with fishing dominant. But there are winter resorts that originally were built around downhill skiing, and urban resorts that provide indoor, usually

poolside, recreation. "Activity" is not always the proper term since many resort guests consistently indicate "relaxing" as their primary interest.

One-emphasis operations are increasingly difficult to find. The former fishing resort may now offer family recreation. Often golf courses and tennis courts are as important as the fish catch and many guests find that socializing with other guests is of prime importance. Many summer-type resorts stay open year around. They may cater to the beauty of the outdoors in autumn and emphasize crosscountry skiing, snowmobiling, ice fishing, an indoor pool, and congeniality in winter.

#### SIGNIFICANT FACTORS AFFECTING RESORT VACATIONING IN MINNESOTA

##### The Observed Problem—Fewer Resort Operators

Despite the special qualities of a Minnesota resort vacation, resort operations have been leaving the scene at the rate of about 100 per year over the past 8 years.

1967 - 3,007 resorts

1975 - 2,182 resorts

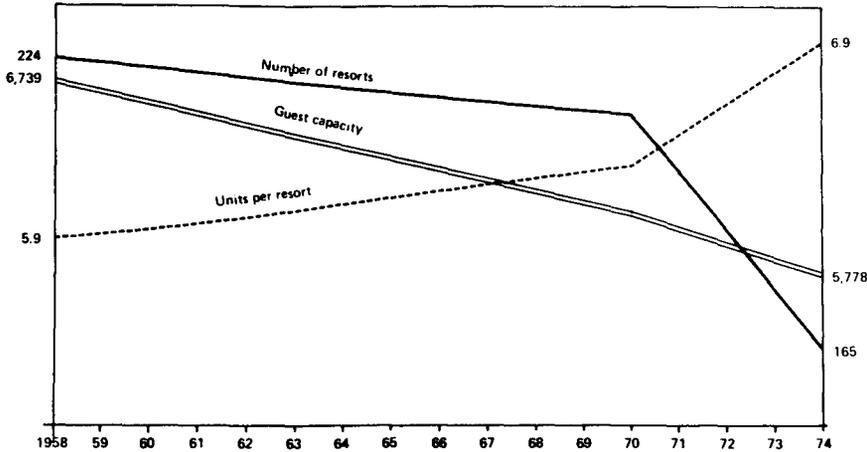
This trend is not unique to Minnesota, it is also occurring in Northern Michigan and Wisconsin where the industry has a similar character. Unlike many industries where decline in numbers might mean growth in size of surviving businesses, little of this consolidation is taking place. The average number of resort rental units has changed little from about 7.0 in 1959 to 7.5 in 1977. Figure 1 shows the specific trends for an important resort area, Itasca County, from 1958 to 1974.

This trend threatens a possible disappearance of the resort industry as it is today due to a number of cost and market factors.

##### Cost Factors

One capital cost (among the major factors in rapid escalation of the internal costs of resort operation) is the price of lake frontage, estimated in some places, to have increased fourfold from 1965 to 1975. An average resort has 800 feet of lakefront so this factor is significant in purchase. Construction costs have also

Figure 1. Itasca County resort trends from 1958 to 1974



risen, elevating capital costs for new ownership or upgrading.

High capital costs are not only barriers to resort ownership, they influence annual fixed charges in such things as interest for debt servicing and corresponding tax rises. During the 1965-1975 decade there was an estimated threefold rise in tax charges per foot of water frontage. The 1977 Minnesota Legislature recognized this problem in passing resort real estate relief legislation to assist smaller resorts.

Operating costs also have risen, primarily in energy prices. Resorts require some heat in most seasons and consume large quantities of electricity. Costs of supplies and labor have also increased.

### Market Factors

Repeat business runs 70 - 80 percent for many resort operations. This assures customers year after year and indicates satisfaction, but it may limit market growth and profits. Overemphasis on one kind of clientele limits growth and profits are limited when the family type attachment to long-time clientele means reluctance to raise rates.

A 1973 rate structure study found many resorts with rates well below \$100 per cabin per week. These cannot be justified in the face of rising costs.

Compounding the problem of rising costs, Minnesota's resort industry faces a dynamic market of competing vacation/recreation areas and activity patterns.

Minnesota, Michigan, and Wisconsin enjoyed a corner on the resort recreation market of the 1920's and 1930's. It was the start of mass vacation travel based on mobility of cars and, in the 1920's, rising personal incomes. Many beautiful lakes, abundant fish and wildlife, and naturally air-conditioned climates were their exclusive claims.

The growth period for Minnesota resorts markets revived immediately after World War II, but began to founder with the market/competitive postwar factors by the end of the 1950's. Some of this competition included:

- Artificial lakes in the Tennessee and Cumberland Valleys, the Ozarks Mountain area, the Dakotas, states such as Oklahoma and Texas.
- Effective mechanical air conditioning equipment.
- Popularity of fun-in-the-sun places such as Florida, the Gulf Coast, and the Southwest.
- New vacationing patterns in the family automobile. Average resort stays dipped from 3 weeks in the late 1940's to well under 1 week currently. Gasoline shortages of 1973-74 appeared to reverse the trend toward long automobile tours, but it is too early to fully predict energy availability and its relationship to family vacationing.
- Interest in camping and growth in camping facilities. Camping is a form of resorting and resort operations have partially adapted with at least 40 percent of Minnesota resorts now renting campsites.
- Rapid growth in ownership and use of lake front homes. Usually these are located in the same kind of high amenity areas as resorts. The demand for private private lakeshore frontage, both for year around and second home use, is a major



A resort of the 1920's. Are Minnesota resorts now heading for extinction?

factor in escalating lake frontage prices. Conversion of resorts from commercial operation to second home colonies occurs commonly.

- Air transportation development for long-distance travel.
- Massive new investment in vacation/recreation destination facilities in the U.S. and worldwide.

Although Minnesota's resort industry has upgraded the quality of its facilities and recreational offerings, change in the Minnesota resort industry has been slow compared with market demand and development in many other areas. The 1930's character persists because it has not had the heavy infusions of new large capital which has accompanied spectacular growth elsewhere.

### **Increasing Public Control of Recreational Resources**

While private commercial resorts in Minnesota have decreased, governmental control of recreational resources has increased, mainly because of increased public demand for recreational resources, the pressure of use, and the conflict among alternative uses for land and water. Governmental management is a necessary complement to private outdoor recreational services to maintain resource quality and make it available to all citizens. But part of the effect is to make government compete with private and commercial offerings for recreational activities. Recreational resources under public management in Minnesota include:

- The National forest recreational sites in the Superior and Chippewa National Forests. The Boundary Waters Canoe Area is administered by the Superior National Forest.
- National Monuments (Grand Portage and Pipestone).
- Voyageur's National Park.
- St. Croix Wild and Scenic River, and moves to designate other Minnesota rivers as "Wild and Scenic."
- State statutes designate all water surface as state owned and managed.



"Fun fishing" and learning lake ecology best fit the needs of many of today's families.

- State forest lands have developed trails and campsites.
- Withdrawal of many state and county lands from sale to private owners.
- New park and open space acquisitions by state and local governments.
- Shoreline Zoning Act, combined with county and other zoning and land management jurisdictions.

Altogether, in 1974, about 25 percent of Minnesota's land area, or 12 million acres was publicly administered (federal, 3.2 million acres; state, 5.8 million acres; county, 3 million acres).

### **THE MINNESOTA TOURISM MYSTIQUE**

Minnesotans take their outdoor recreation seriously. Attitudes held by resort owners, resource managers, and citizens are gradually changing, but many that still persist tend to limit the living quality and tourism potential of Minnesota resources.

#### **Frontier Mystique**

Minnesota is a relatively newly settled territory. It still has vast areas that are sparsely peopled. Many of its citizens and public agency staff still view it as a frontier (or

retaining many frontier attributes). Attitudes resulting include:

- A persistent view of a full fish creel as the desired activity. Some resort operators still suggest that guests will be able to go home with bulging ice chests. Citizens complain if they feel fishing and hunting is poor. Natural resources managers see their major job as the management of fish and game for harvest, and do not discourage such consumptive uses.
- Fishing has a continuing, possibly even increasing role in Minnesota recreation—but not pursuit of fish in pounds or numbers. Appropriate emphasis is rather on fishing as pleasure, a skilled sport, and a way to understand ecology.
- A demand for first tier development of most prime waterfront sites by private citizens. Refusal to accept, or at best slow acceptance of, off-shore development.
- Heavy emphasis on types of activities such as trail use, camping, etc., that are often low-budget, i.e., many such activities generate little tourist



Many resorts have emphasized pounds of fish caught.

income for the host community.

- A common view that the fishing-camp model of the 1930's is the most desirable for resorts. Changing resource pressures, market demands, and costs make this nearly impossible.

### Competitive Stance between Resort Operators

Some operators still view their neighbor resorter as their most severe competition. They see any business captured nearby as lost to them. They fail to realize the most severe competition is other areas and activity patterns. One result is lagging cooperation and communication within the industry—in fact only about 5 percent of the total Minnesota industry belongs to the Minnesota Resort Association.

### Resorts and Tourists vs. the Rest of the Community

Few communities understand tourism as a community business. They forget tourists need all the at-home services while on vacation. Tourists buy from all segments of the host community and all retail segments share in the tourist industry. Resorts are not the sole vacation industry. This mistaken view

may even cause antagonism between resorts and the rest of the local business community. In contrast, since nearly all businesses can gain from tourism, there is need for mutual support and sharing of the hosting and marketing roles.

### Public-Private Recreation Facility Antagonism

Some resort operators view public facilities as their most dangerous competition. Public agency staff may be scornful of the commercialism of private enterprise resorts.

### Net Negative Results of These Tourism Attitudes

- There is conflict among resort operators, communities, and public resource managing agencies where cooperation would be the best service to the local economy and to the vacationer.
- Without adequate tourist information resources and services in a community, tourists are left floundering and often become an annoyance to local residents as they do their own exploring and compete for natural resources and prime sites. More likely, tourists fail to recognize communities' attractions and sail right through to

spend their dollars where a community has prepared for their needs and makes them feel welcome. Lacking things to sell, the community loses much of its potential tourist revenue.

### RESORT TYPES APPARENTLY NOT WELL SUITED TO MINNESOTA

Two resort industry patterns seem poorly adapted to the Minnesota setting: the very small and the very large.

#### Very Small Resorts Each Operating Relatively Independently

This describes much of the present industry. It is declining due to competition of recreation/vacation growth in many parts of the world.

#### Very Large Miami/Waikiki Type Resorts

This is the fate of much highly desirable vacation/recreation resources. Few such developments have been attempted in Minnesota. This may be an advantage. Minnesota can learn from the errors of other vacation areas, and in being overlooked has escaped the serious exploitation and despoilation that has overtaken other areas.

Large scale resorts can accommodate a volume of customers and can offer the much-needed, varied sales package. But they have drawbacks:

- The tendency toward absentee ownership with little concern and limited economic benefits for the local community and state.
- The tendency toward overbuilding. This appears to occur through a combination of architectural ambition to design monuments and investment philosophy that *bigger yields better profits*.
- They overbuild and dominate the natural site.
- They overbuild the market so that market development is often uncertain or requires heroic procedures not compatible with a desirable destination image.
- They overbuild the finances available to the developers.



Large scale resorts appear poorly adapted to the Minnesota setting.

The net effect is an unacceptable rate of financial and operational failure. This effect is almost global, giving the resort industry an unnecessarily unfavorable financial image.

Two kinds of large-scale resort operations have had a relatively high success ratio:

- Those in strongly favored and already developed market areas such as Miami and Hawaii.
- Those that are part of a chain operation. The combination of experienced management and a relatively small proportion of total investment at any one site makes for viability.

#### POSSIBLE RESORT INDUSTRY ALTERNATIVES

What kinds of private resort operations have the best chance of economic survival in Minnesota? The following are considerations:

- Natural resource quality must be maintained.
- The scale and variety of services need to be developed to be competitive in today's tourism market. This is necessary to develop an adequate destination image.
- There must be a systematic marketing program which integrates community, area, and

state efforts and which is in addition to that of the several private firms.

- There must be increased cooperative effort among private resorts and with the rest of the community.
- The overall community can benefit from an adequate tourism industry.
- Medium size resorts seem to be the most economically viable. These have usually grown to medium size after a period of testing.

What are some alternatives for the future?

#### CONTINUATION OF PRESENT TREND—SCENARIO 1

There would be few private resorts left in 15-20 years. The past 10 years point in this direction unless private and public interest turns it around. Recreational access would be provided through service center accommodations such as motels, fragmented small private holdings such as second homes and year around lake homes, and public facilities. The nonland owning citizens and visitors would be forced to accept the terms of public facility offerings which might be either of two types, or combinations:

- Relatively primitive type of public facilities which would narrow the state's appeal to those who want them. It could result in high public costs for those using Minnesota's outdoor recreational resources, and relatively low tourist income because of the small sales package (little food, lodging, and other services).
- Large scale publicly financed lodges could be developed to cater to those not wishing a primitive experience. (Ohio, Kentucky, and Oklahoma have gone this route).

#### COMMUNITY COMPLEX: SMALL RESORTS—SCENARIO 2

In this alternative, viable operation of relatively small resorts evolves (figure 2). Resorts, small, yet twice the size of the present 7.5 average, or 15 units, would still be too small, individually, to support the varied services needed to attract and serve the modern visitor so this would be done cooperatively by the businesses, community and/or by public provision. A possible division of responsibility for the tourism/recreation services might be as follows:

**Resorts**—lodging, food or food preparation facilities, boats, guides, private promotion, limited play and entertainment services (beach, playground area, possibly tennis court).

**Cooperative Provision of Tourism/Recreational Services**—Various forms of cooperative ownership and participation would be developed among resorts, other hospitality and retail businesses, local government, and the community in general. The purpose of this organized activity would be to offer a full range of visitor services including:

- Interpretation (nature, history, economy).
- Organized tours.
- Golf, swimming.
- Major marinas.
- Theatre, art.
- Range of food and evening entertainment.

Information and promotion.

Group business.

Local winter sports.

Community events and festivals.

**Management of Major Natural Resources**—Overall this would be the responsibility of state and local government. A major tourist destination area could be developed. It could appeal to sophisticated present-day market tastes and develop a sufficient range of appeals for market scale to be increased and the operating season lengthened.

### COMMUNITY COMPLEX: INTERMEDIATE SCALE RESORTS—SCENARIO 3

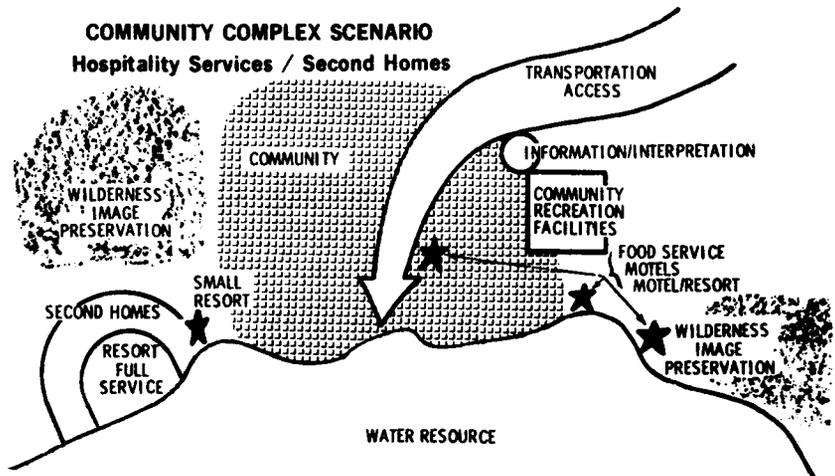
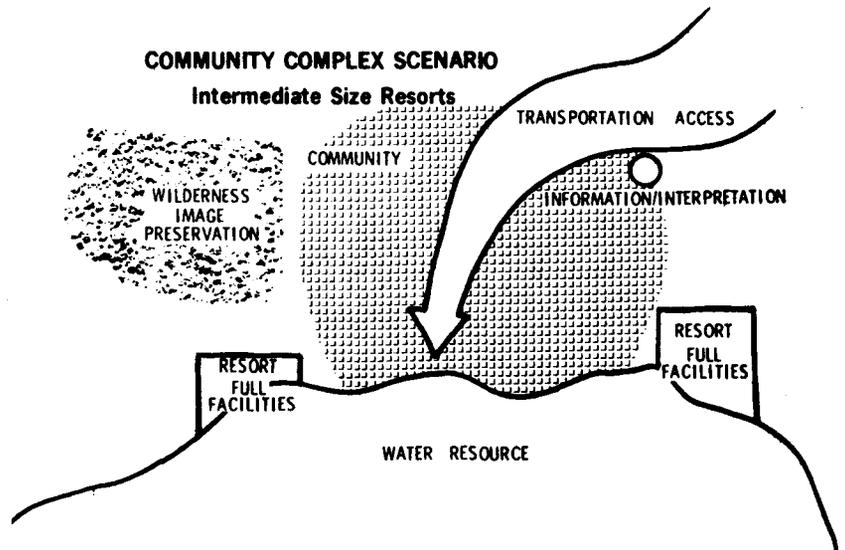
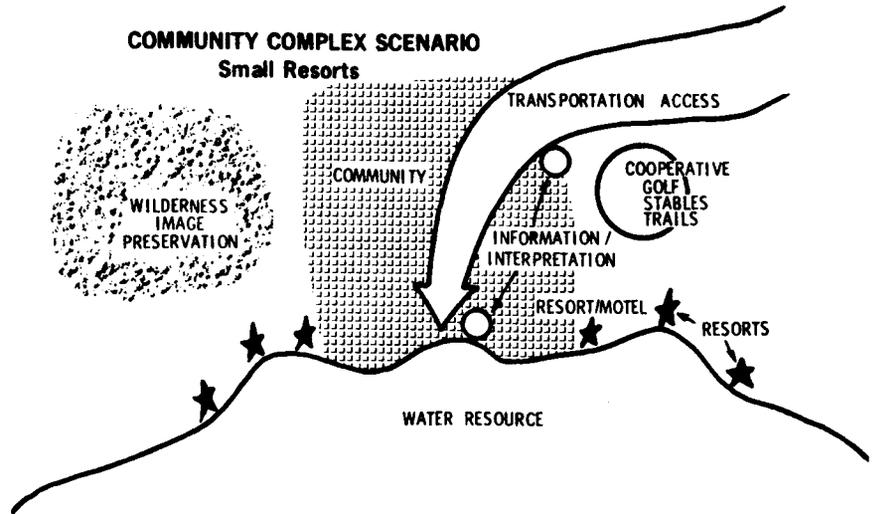
Services are provided by intermediate-scale resorts operating in conjunction with the community (figure 3). Most needed recreational facilities such as group business, golf courses, major marina operations, tennis, riding stables, large scale promotion could be provided by the resorts themselves. Resorts would be carefully designed and scaled to the unique environment and rarely be more than two stories tall.

Communities would provide other basic services and living quality. Communities would also share responsibilities for general information/promotion and for theatre art, culture, and recreational facilities. However in this scenario the lead could be taken by one or more intermediate resorts. Resorts may provide adequate dining and evening entertainment facilities and/or these may be separately available through other hospitality service types.

Larger public units such as county, state, and federal agencies would monitor the quality of resources. They would provide public investment in recreation, reservation, and preservation features that extend beyond the local area.

### COMMUNITY COMPLEX: MIXED—SCENARIO 4

This is perhaps the most likely of all future resort industry alternatives (figure 4). It blends the two immediately preceding and adds second homes. The hospitality and recreational services would be provided in a combination of ways:



some by cooperative community effort, some by the intermediate scale resorts. There would be specific reservation and preservation of land in public hands to maintain special features such as vistas, wilderness and open space. Areas would be reserved for year around and second homes in high amenity settings, possibly in cluster arrangements, which would provide access to water, but a less cluttered water front arrangement.

**MINNESOTA RESORT INDUSTRY: Action for the future**

This issue of Tourist Travel Notes is intended to stimulate thought and discussion about Minnesota resorts and the larger tourism/recreation industry. The resort industry serves at least four major purposes:

- It is a means of livelihood and satisfaction to owners, operators, and employees.
- It is important to communities' (local-regional-statewide) economic base.
- It provides efficient access to recreational resources and enables visitors to realize quality-of-life experiences in affordable ways in Minnesota's lake/forest areas.
- Minnesota resorts often serve as the destination image for tourists.

The industry can survive and thrive in the future if market demand for this unique vacation experience grows. What is necessary for this to happen?

Doing nothing will lead to continued erosion of the industry, loss of income to Minnesota communities, and less satisfactory outdoor recre-

ation access for citizens. Attention to reasons for decline by the resort operators, community leaders, elected officials regulating bodies (public agencies), and concerned citizens can lead to solutions. The following questions suggest problems and solutions:

- Is the resort industry's message clear to each community? Resorts benefit from tourism, but this spills over in larger ways to retail businesses and all segments of the economy. A healthy travel industry helps a community provide a wider range and quality of services than it could otherwise afford.
- How can each community organize to provide the necessary services, and facilities to attain its tourism potential? Both public agencies and private interests share in this responsibility. Public agencies have primary roles in land and water use regulation and public land management and preservation. Private interests, primarily, provide services and accommodations.
- What systems of information/direction and promotion are needed? Does the community have a coherent information/direction program? Is it coordinated with promotional programs at the regional and state levels? Private firms selling services to travelers also have a role: this includes not only resorts, campgrounds, restaurants, auto services, and motels, but all retailers.
- Is there a solution to sky rocketing water frontage values? This causes severe capital cost problems. As high amenity

lands continue to grow in value, further means must be found to prevent taxation from becoming confiscatory to the resort industry. The family resort real estate tax relief legislation enacted by the 1977 State Legislature was a significant step in this direction.

- Can especially-adapted financing be provided? Much lip-service to financial assistance programs for recreation businesses has been given in the past. Is it now time for federal and state programs to be revised to provide more effective support and loan guarantees for worthy enterprises? If so, what are the most useful ways, and through what agencies should this be accomplished?
- Can federal attention to tourism help Minnesota? The stature of tourism is growing as evidenced by the Federal Task Force for tourism activity, the proposals before the state legislature to restructure the state tourism service, and the generation of new information about the industry through research interests. Resort tourism needs to be sure its voice and needs are represented.
- Can the management training and information generating system be more effective for resort operators? In a systematic way can the internal economies of resort operation be better understood and this information be applied to existing operations, those that seek to expand, or new investors seeking entry? Can resort product pricing keep ahead of inflation and rapidly rising resource values?

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