
Differences In Owning Business Or Paying To Be A Franchise Owner: Owning A Campground As A Business

In this paper I'm going to discuss the differences in owning my own business or paying to be a franchise owner. I will discuss the benefits and disadvantages of paying for the cost of a franchise in contrast to generating the capital and all the work it would take to be a sole proprietor of the of your business. I will also discuss the franchise of my choice, Kampgrounds of America (KOA). I will look into the lower level of investment since the corporation lists 3 different levels of franchise. Lastly, I will look into how these factors pertain to owning a campground as a business.

According to Business Wire, "More North Americans are discovering the benefits of being outdoors, they're committing more time to camping each year. It went on to state "More than 7.2 million households in the U.S. have started camping in the last 5 years to a new high of 78.8 million according to the 2019 N.A. Camping Report. With an almost 75% growth, the most growth since 2014." (Camping is on the rise, 2019) Kampgrounds of America have been in business for approximately 50 years, starting in 1962, they now have over 500 campgrounds across the U.S., including 33 in Canada. KOA provides 3 different choices, which are different levels of investment or different levels designations of your choices of what level you want to run. The first level is a KOA Journey campground, the second is a KOA Holiday which has more amenities, one of which is a KOA Patio and Deluxe Cabins with full bath, and the third is a KOA resort with amenities which include a pool. The third is basically a camping destination, it has everything you want right on the campgrounds themselves. What KOA provides with the lower levels franchise, after you pay the initial franchise fee of \$30,000, which includes technical consulting and design assistance, signage, training for you and a partner, if you have one, for 5 days in their training facility in Montana. However, if you already run an existing campground, KOA offers a conversion opportunity to convert your privately-owned campground into a KOA franchise for a cost \$11,250, which is a less than half of the start from scratch franchising fee. They also provide an on-site business development consultant, and proprietary management software. It seems like they give you plenty of physical and online resources to help you succeed. You also have to pay for the \$1500 administrative fee and a 10% royalty and advertising fee. KOA offers a lot of the same assistance to both situations although some of the requirements would be different. They have certain requirements that you have to fulfill before you can become a franchise owner. Starting from scratch, you need to have a net worth of \$1,000,000, liquid assets of \$500,000, 10 acres of land, and you have to develop your land to be able to fit 75 RV campsites and 15 other campsites, which are for tent camping, pop-up, and conversion camper camping. The total average cost for start-up, according to the information for the KOA website, is \$1.8 - \$2.25 million. (Campgrounds & RV Parks for Sale, n.d.) According to KOA's CEO Arthur M. Peterson "to build a new campground today it's about \$10,000 a site, not including land. It's an expensive proposition. You can only afford to build in key markets. The days of building in the off-the-beaten-path locations are gone and there are so many state and federal regulations you have to cope with now on top of that cost." (Goldberg,1998)

Some of the pros for owning my own campground is that I would have all the creative control for my campground. I can have anything I want to pay for, develop or build, such as a pool, laundry machines, WIFI, a store, bathrooms, shower facility, propane sales, food sales. Also, the

materials to build some of those things, you can have whatever entertainment you want to pay for such as various arcade equipment and outdoor activities, like tetherball, arcade games, basketball court, a park area for kids with inflatables, maybe an area to view movies, maybe a paintball area. However, many of these things can also be listed as cons to owning your own campground. You have to pay all the vendors and companies, and equipment for upkeep for these things, any of the food items or merchandise you sell at say, an ice cream or food stand, also since you are selling food you have to deal with the state health board, for anything you sell at your camp store. You and you alone are totally financially responsible for every piece of merchandise that is in that store or on that property that wasn't yours to begin with. You have to develop the property and campsites yourself. You have to work to create your own customer base. And you have to build your own brand. Although, if you're lucky maybe you would have the opportunity or the luck to have property near a lake also, which elevates some entertainment situations.

When you pay for a franchise, some of the logistical problem are taken off your shoulders so you don't have to worry about them at all like less effort for branding, your customer base is coupled with an existing brand so you don't really have make as much of an effort working at either one of those aspects. A lot of this stuff is pre-packaged, its already an established and proven business model so the hard work and effort is already taken care of. And you have support and education from the franchiser themselves. But, the relief from the stress of wondering if this is going to work, is already answered for you, you have to pay a lot of money for that comfort, the total cost according to the company themselves is pretty steep. You have absolutely none, or very little, creative choices for your campgrounds. If the franchiser doesn't have an arcade, or basketball court in the franchise agreement then you cannot have one on the campgrounds. If they don't allow fresh food sales, then you cannot have them, or propane sale. Basically, it seems to me, that it hampers your ability to generate extra cash flow besides certain things you sell or can offer for sale through your camp store which also hampers your ability to generate extra revenue besides the base line profit. Even though you keep everything you generate from store sales you still have to pay the vendors or wholesalers for all of that merchandise also.

After looking through and researching this information, I believe I would prefer to have my own business, not a franchise. My reason for that is simplicity. I don't feel I need to rush anything to run with the big dogs, so to speak. I want to own a business, but my goal would be to maintain my lifestyle. I want to be successful, but my idea of success is to sustain my lifestyle similar to what it is now and not have to answer to anyone besides the bank and various vendors. I don't want to have to owe everyone I can think of, the bank, the vendors, the franchiser. That specific aspect doesn't seem like it would be worth all the money I would have to go into debt for. And, also, it doesn't seem like a very smart financial choice in the first place. I would probably try to get my own 10 acres plot and then develop it the way I wanted offer what amenities I want and put the necessary funds up but not go broke to be over the top. I understand all the finances add up, but I think there are alternative ways to advertise and still get a customer base and a brand recognition in a particular industry. For example, in my opinion, I don't think that the majority of my revenue from a campground would be from a nationwide campaign that would include my name or something representing my campground, I think it would help but I imagine a lot of the revenue from my campground would be from a local ad campaign or maybe regional. Understand, I know camping is nationwide, and KOA is actually pretty much continent wide, but from my own experience, a lot of the campers I have had the pleasure of meeting have been statewide or regional, from the surrounding states. Very few times have I run across

campers from other parts of the nation. To me its not unheard of, just not that frequent of a situation.

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