Trends affecting our Industry
over the next decade and beyond

Introduction

There are important changes occurring both in the customer market and in terms of how business operates that everyone in our Industry needs to understand.

This fact sheet draws on some of the key findings of the detailed 60 page report that all State and National Associations in the Caravan and Camping sector commissioned from the national Managing Partner of KPMG Demographics, Bernard Salt.

The study focused on four areas –

1. Generational trends	2. Demographic trends
3. Retail trends	4. Workforce trends

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Generational Trends

The KPMG report identifies two key opportunity market segments for the coming decade. They are each large and growing segments that hold a natural affiliation with camping and caravanning experiences. Current economic forces and the conservative "belt tightening" consumer sentiment contribute further to the appeal.

The post-war "**baby boomer**" babies are now aged 52 to 67 years old - and starting to retire. The camping and caravan industry has always had a strong foot-hold in the retiree market, but will need to adapt to the special needs and preferences of this generation who are wealthier, better educated, more active and have higher demands in terms of quality service at a good price.

During their life-times, this group may have followed the hippie trail to London, enjoyed a holiday tradition of annual car and camping trips with their own children and they will likely have visited the Gold Coast and theme parks, and stayed at coastal resorts. More recently, the baby-boomers have been part of the move towards taking short breaks and cheap airfare trips to both domestic and international destinations, perhaps including indulgent experiences, day spas and retreats. New "glamping" style products will appeal to some of the baby-boomers, who hold a disproportionately high share of the country's wealth.

The baby-boomers are concerned about succession planning, superannuation, investments and the welfare of their Generation Y children, who are now aged 22 to 37 years old.

Generation Y (born 1976-1991) are at, or entering, the young family-life stage. This group have grown up in smaller families, have enjoyed prosperous times and well-off parents. As a generation they have embraced the holiday concepts of Schoolies and Gap years and they have big expectations of holidays. However, they are financially stretched due to the high costs of housing and are looking for affordable family holiday options.

For our Industry, the Baby Boomer & Gen Y target markets are quite complementary in terms of the seasonality of their holiday-taking - with Young Family Life/Generation Y likely to be increasingly influenced by school holiday periods and the baby-boomers offering a more even pattern of demand for holiday accommodation throughout the year.

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Prepared by CCIA/MHIA, this fact sheet provides an extracted summary of the findings from KPMG's report for the Caravan Group dated 19 July, 2013 (Impact of Demographic Change on the Future of the Caravan, Camping and Manufactured Housing/Manufactured Home Village Industry, 19 July 2013). KPMG's findings should be viewed in the context of the full KPMG report, which is available from CCIA/MHIA. The KPMG report was not prepared for the 'Trends affecting our Industry over the next decade and beyond' document and should not be used as the basis for any business/investment decision.

Trends affecting our Industry
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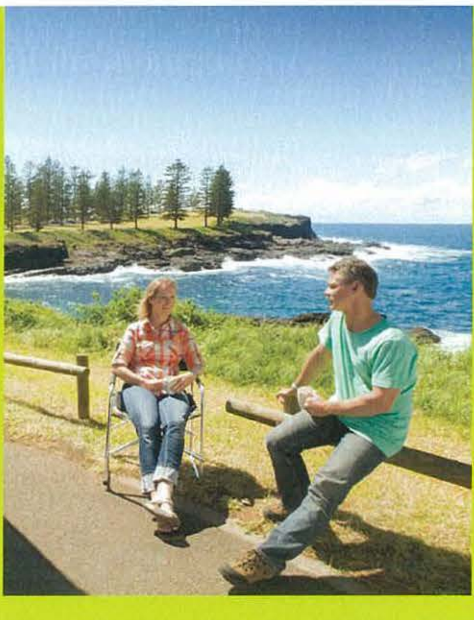
Demographic Trends

The aging of the Australian population will influence our Industry over the next decade (2011-2021) in several important ways.

- The number of **0-19 year olds** (children and teens) is set to grow by half a million over the decade to reach 6.2 million in 2021. The Industry will need to continue to be market leaders in terms of services and facilities for child-friendly family holidays. Keeping up-to-date about what children and teenagers like to do and providing quality in-park experiences for them will be vital.

- The size of the **20-29 year old** age cohort (who are focused on education and career-formation) will grow at a slower rate than it has been, probably slowing demand for tent-style camping.
- The young family (**30-39 year**) cohort will expand by over half a million. People in this group are financially stretched in terms high residential costs and are seeking affordable housing options as well as affordable family-friendly holiday options. They are very likely to be dual income families where both partners are seeking a break from routine and looking for products aimed at ease and convenience.
- The established family age cohort (**40-54 year olds**) will remain the second largest age cohort - with nearly 5 million people in this age group by 2021. There will be more single-parent households among them, and the attraction of kids clubs and activities that allow the parent/s to relax will be important.
- The active seniors age-group (**55-69 years**) which has driven recent growth in the industry will expand by a further 0.8 million. There are opportunities to promote cross-generational camping and caravanning; for example accommodating three generations of a family, or children staying with grandparents. There will be more lone-person households driven by single mature females (either widowed, separated or divorced) providing a value-driven segment with specific needs for safety, security, companionship and sociability. The affordability and safety offered by manufactured home estates may well suit the needs of this market.

- The retirees age-group (**70-79 years**) will also expand by around 0.7 million to a total population of around 2 million. Core activity limitations (including communication, self care and mobility) among this group can be a barrier to participation in camping and caravanning. It will be important for the Industry to focus on the design of parks, cabins and other products, and to consider services to assist this group such as assistance for people setting up campsites and packing up. Many in this age-group may look to access capital in their homes and downsize to new, lower maintenance properties, such as manufactured home villages.



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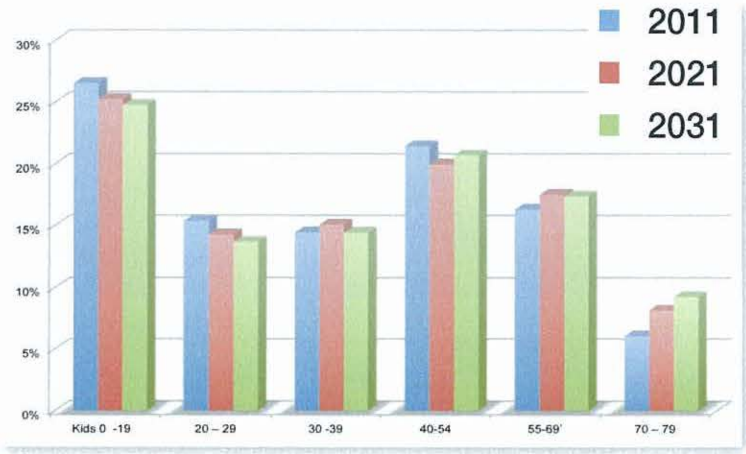
Different age composition of the market 2011 vs 2021 vs 2031



Age Group	2011	2021	2031
0 – 19	5.7m	6.7m	6.2m
20 – 29	3.3m	3.5m	3.7m
30 – 39	3.1m	3.7m	3.9m
40 – 54	4.6m	4.9m	5.6m
55 – 69	3.5m	4.3m	4.7m
70 – 79	1.3m	2.0m	2.5m

Overlaid with the age-related trends, are some other important demographic trends influencing the Industry.

Migration is increasingly projected to be the key driver of Australia's population growth over the coming decades and the main sources are increasingly Asian countries. The ethnic and cultural composition of the Australian population is evolving to one with a greater Eastern influence. It highlights the need to target and attract new ethnic groups to the experiences offered by our Industry.

A similar trend is occurring among **international visitors** - the new and growing source markets are in the East. Over the last decade, Chinese visitors have been the largest growth market for Australian tourism and this trend is predicted to continue. However, Asian visitors currently have a very low propensity to stay in camping and caravan accommodation (TRA Caravan & Camping snapshot, 2012). As Asian visitor markets mature, there will be more independent visitors presenting an opportunity to lift participation rates. For example, academic research has found that Chinese visitors undertaking RV trips tend to be younger, more adventurous, connected to technology and seeking a unique travel experience compared to other Chinese visitors (Mao-Ying Wu & P.Pearce, JCU). International visitors tend to favour higher quality caravan and camping accommodation such as self-contained cabins (IBIS World 2013).

There may be opportunities to **increase participation** among Asian-born/culturally linked Australians by changing the perception of camping. Migrant aspirations tend to centre around building a middle class life in Australia and there may be the perception that camping has connotations with living in poverty (e.g. without four walls). Altering this perception, and heightened awareness of the more prestigious 'glamour camping' experiences will be an important step in developing the market.

Retail Trends

The ABS Household expenditure Survey (2009-10) shows that Australians have enjoyed a rise in real living standards over the recent period, but they have also increased their savings rate and become more 'value conscious'.

Expenditure on mortgages, rents and education now takes up a larger share of wallet, while the share spent on recreation has remained flat. It appears that the retail aspects of our Industry have done well within the broader recreation category, with spending on caravans up by 277% between 2003-04 and 2009-10, and spending on camping equipment up by 109%.

There may be considerable scope for further growth if international trends are considered. Just over 5% of Australian households have a caravan, trailer or motorhome, compared to 10% in the US, 11% in Europe and approximately 20% in the Netherlands (IBISWorld 2013). Caravans have been driving the growth in Australian manufacturing of towable recreational vehicles, but there has also been strong growth in camper trailers and towable pop-tops (RVM Australia). Self propelled RVs (campervans and motorhomes) are estimated to make up only around 5% of the total fleet of recreational vehicles in Australia, but there is strong market potential among the active seniors market who may have more time and money on their hands.

Retailing is increasingly done online, growing by an average of 25% per annum over the five years to 2013.

It is predicted to grow by 11% per annum over the next five years (IBISWORLD, 2013) with higher rates of growth occurring in the seniors age-group that have had the lowest internet penetration rates to-date.

Workforce Trends

The demographic trends described here will impact the supply-side of the industry as well, and a separate analysis was undertaken to identify issues for the purpose of workforce planning. The following key points were discovered:

- There has been some growth in the overall employment levels in the industry, driven by retailing rather than park management.
- The retail side of the caravan and camping industry is very male-dominated:
  - Sport and camping equipment retailing (67% male)
  - Trailer and caravan dealing (70% male)
  - Motor vehicle or caravan sales (85% male)
- Given that the key customer market is not skewed to males, identifying strategies to improve gender diversity may be an important focus for the sector.
- Caravan and camping ground managers more closely reflect the 'normal' gender mix in the workforce (53% male; 47% female). This sector faces a looming issue with aging of the workforce as half of the workforce is aged over 50 years, which is almost double the proportion in the Australian workforce as a whole (28%).

Strategies focused on recruiting younger manager couples into the parks, together with knowledge transfer, succession and retirement transition planning will be important.

A key target for holiday park management recruitment might be younger couples because of the flexibility and lifestyle opportunities for those with young children, as well as the match with the customer group age range.

What does this mean for me?

Everyone in the industry needs to think about their market mix and the age profile of their customers and consider the customers' changing needs - particularly the young family market, active seniors, and Asian customers.

What improvements are needed to service these groups that have the potential to drive the future growth of our Industry?

How can the industry make it easier for customers who are increasingly looking for ease and convenience?

How to deliver value for money?

How to reach the customers who are increasingly booking and buying online, and while they are on the move?

Caravan/Holiday park owners also need to think about their workforce succession planning. Who will take over when they retire & what needs to be done to up-skill or recruit staff? They may need to innovate to stay ahead of the market for child-friendly experiences and aging retirees with core activity limitations. How well are they monitoring customer satisfaction? What level of repeat business do they have? Are they missing out on reaching new customers who are booking on-line?

The Camping and Caravan Trade (dealers and manufacturers and retailers of camping supplies, accessories, caravans, camper trailers and motorhomes) need to play close attention to the trends in on-line retailing and their implications for stores and showrooms, and consider formulating an on-line strategy. They will also need to reconsider the gender mix of their work-force and how to attract and retain more female staff.

The **Manufactured Housing and Home-village** sector needs to consider further tapping into the retiree market and meeting the needs of lone-person households. A key need is also to improve the perception of manufactured housing amongst stakeholders and to continue to work to break down planning, regulatory and access to finance barriers. There is a need to promote the affordability and diversity of products.

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