

## Lingering Concerns in the RV Market Post 2011 and COVID-19

In 2008, the world was thrown into turmoil due to the financial crisis that ultimately led to the Great Recession of 2009. During this time, a number of leading indicators were gauged to determine what was the cause of such a calamity. Economically speaking, two consecutive quarters of GDP decline, is the general rule of thumb or good indicator of recession, and in 2009 the country was squarely in decline due to a financial crisis.

Oddly, the RV industry has been a leading indicator of recession and is watched closely by economists in determining the likelihood of a downturn. It may seem odd, but when you consider Maslow's Hierarchy of Needs, a strong case for the basic psychological needs of food, water, shelter and warmth, could be supplanted by RV; given it technically covers at least two of those on the list.

With that said, priced anywhere from \$12,000 upwards to \$300,000, or more, depending on model and options, if consumer confidence takes a hit, so shall the RV market. The last three recessions were preceded by a decline in the RV market, according to research generated by the RV industry (RVIA). This phenomenon was observed prior to 2008, there was another dip in 2011, and 2019 showed yet another slight dip from the industry's highpoint two years prior.

Post 2011, the country's recovery was fledgling under a new administration and the economy was not in full bloom as unemployment at the time was still around 9.1% with nearly 14 million Americans still out of work. Consumer confidence was not high, and disposable income was simply not in the cards for the RV industry. The industry as a whole was left grappling with what the future might hold. A good deal of research was performed around the same time that revealed interesting characteristics about the industry, demographics, and demand that still provides foreshadowing and influence into how the outlook looks now. It was a formative period that shaped how the RV industry is viewed today.

Given that, the RV industry's rebound from the last recession ran through 2017, when the industry broke a record. The industry in 2017 sold 504,599 units, was the eighth consecutive year of growth since the bottom of 2009, and represented a 200% growth rate, according to RVIA's annual report of 2017. Overall, growth in RV's since the last recession has tripled. The industry has shown strong performance, but since 2017, it has seen two consecutive years of declining growth, leaving many to question what the industry holds given the COVID-19 pandemic, when a recession seemed imminent.

As a whole, the RV industry is an important component of the US economy. It employs more than 600,000 people, pays out over \$32 billion in wages, contributes \$12 billion in federal, state and local taxes, and has put Indiana on the map, thanks in large part to the amount of manufacturing and thought-leadership that exists in Elkhart.

Today, the RV industry represents a change in key demographics, compared to years ago. Known for creating adventure and great outdoors experiences, RVs and towables, enable Millennials (ages 24-39) and Gen-Xers (ages 40-54), the ability to experience more about what camping and RVing has to offer, in terms

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of alternative travel experiences. More than 25 million people go RVing every year facilitating the ability to hike, boat, camp, swim, fish, and travel, unlocking national parks and campgrounds across North America. The majority of RV's are manufactured in the US, so the industry plays a significant role in the livelihoods of almost 100 million people annually. So what is the outlook and is there a lingering effect from 2009, that might be repeated due to COVID-19?

Dealers need to remain competitive in terms of the services they offer and how they target their customers. Despite the current situation which has created a general softness in many industries, dealers must get creative to overcome the downturn and remain competitive. The pandemic has seen a number of cottage industries be created based on the needs of medical workers, first responders, or individuals looking to create a social distanced enclave for a family or friends.

It's safe to say that the country is in for some rocky days ahead, but that doesn't mean that a return to normalcy is years away. The big difference between 2009 and now, is that in 2009, that was a cash recession, whereas this time around we are in a self-imposed, safety shutdown. The economy will recover and things will return to normal.

Here are some key tips to consider that could go a long way in preserving the health of the RV industry:

- **Consider alternatives to selling:** Given the financial outlay that an RV represents, dealers might consider offering rental options. Rentals offer a great alternative to a purchase, and enable customers that might be on the fence about purchasing an RV the opportunity to experience what an RV has to offer. Catering and customizing the customer's experience could put additional revenue in the dealers pocket, while creating the experience of a lifetime for a customer. These actions could lead eventually to a purchase or make renting an RV an annual experience.
- **Implement Concierge Services:** leverage staff members or a 3rd party to implement a call center to respond to requests or to be available before, during, and after the rental or purchase has been made, to solidify the customers experience and to create a lifelong customer.
- **Digital is king!:** 70% - 80% of any buying decision is generally performed online, as buyers are extremely savvy in researching, comparing, and utilizing online resources to make purchase decisions. If your dealership is not technologically savvy, enlist the assistance of a 3rd party digital marketing agency.
- **Create Virtual Tours:** given the importance of an RV purchase, don't lose out on the ability to still provide tours and show the uniqueness of your inventory. Provide visual floor plans, as well as tours on key features that differentiate your inventory from the competition. During the crisis customers may still not be comfortable going into a showroom, so bring the showroom to the customer.
- **Sanitation and Disinfection Services:** given the concern about the spread of the virus, why not offer sanitation and disinfection services. What greater way to create peace of mind and drive the customer experience, by offering a service that cleans and sanitizes their vacation RV or their purchase.

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