



# RVs ON A ROLL

By Tom Schuman

Industry Nears  
Record Production

At the third annual RV Industry Power Breakfast in mid-May, there was no shortage of optimism. There are many reasons for all involved in the recreational vehicle business to maintain those smiling faces.

- A third consecutive year of double-digit increases in units shipped in 2014 (a 11.1% hike to more than 356,000). Gregg Fore, master of ceremonies for the breakfast and president/CEO of Elkhart-based supplier Dicor Corp., anticipates in excess of 380,000 units this year. Doug Gaeddert, general manager of Forest River RV (a Berkshire Hathaway company), predicts that number to reach 400,000-plus in 2017. The current record is 390,000 in 2006.
- If manufacturers are producing, dealers are selling. A first-of-its-kind survey from *RVBusiness* magazine and GE Capital Commercial Distribution Finance found that 95% of North American RV dealerships were profitable in 2014. Growth exceeded 10% for nearly six in 10 dealers with 23% of those reporting gains of more than 20%. More than 44% foresee expanding, either organically or through acquisition in 2015 with 75% expecting staff growth.
- Suppliers, from Dicor to Dometic Group and hundreds of others in Elkhart County and around the country, are benefitting from the resurgence. Drew Industries, for example, reported 2015 first-quarter net income nearly \$4 million above the same period in 2014. The primary reason: a 29% increase in net sales in its RV segment.

Goshen Mayor Allen Kauffman, offering opening remarks at the breakfast at the Northern Indiana Events Center, part of the RV/MH (Manufactured Housing) Hall of Fame in Elkhart, notes how he saw both the rubber and mobile home industries thrive at one time in his hometown. “RVs – I don’t think there is an end for this. I look for it to stay strong for a long, long time.”

**All in the family**

Derald Bontrager is CEO of Middlebury-based Jayco and 2015 chairman of the Recreational Vehicle Industry Association (RVIA). Both Fore and Gaeddert are recent past chairs of the industry group, which has more than 50 staff members at its national office in Reston, Virginia, and four at a satellite office in Elkhart. An expansion of that Elkhart presence to add staff and training capabilities is in the works.

Bontrager was 11 years old when his father, Lloyd, started Jayco on the family farm in 1968. It has grown from 15 employees and sales of 132 fold-down camping trailers in that first year to being the nation’s largest family owned and operated RV manufacturer today. That includes more than 2,000 employees and the recent 180,000-square-foot addition of a facility to produce its high-end Entegra Coach luxury motorhome that sells for between \$250,000 and \$650,000.

In his event remarks, Bontrager cites consumer confidence, low interest rates, stable gas prices and the ongoing Go RVing marketing campaign as some of the reasons this is an “industry I’m excited to be a part of.”

In an interview after the breakfast, Bontrager recalls those early days. “My introduction was being around it every day and every night, 24/7; it was part of our family. We did a lot of camping when I was a child, even before we started the business.”



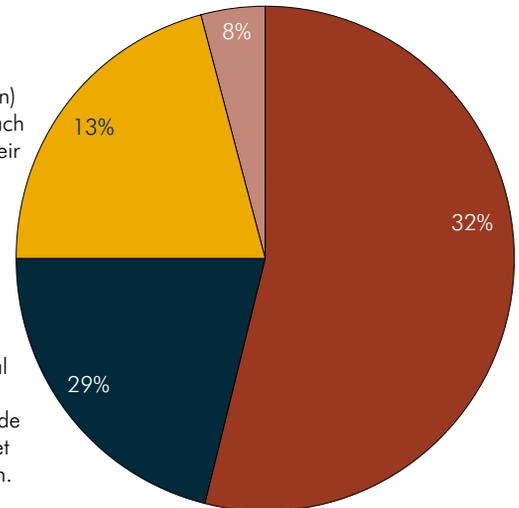
Recreational vehicles come in a variety of forms, with owners often upgrading to advanced accommodations.



**Room for Growth: Camper Choices**

Twenty-six percent (27 million) of total households camp each year. In 2014, these were their accommodations of choice:

- Tent
- RVs
- Cabin
- Other



Of the nearly 61 million total campers, the vast majority intend to purchase or upgrade equipment with an RV market potential of nearly 40 million.

Source: Kampgrounds of America: 2015 North American Camping Report

**Industry Numbers**

- 12,000-plus RV-related businesses employ more than a quarter million Americans
- 8.9 million households own an RV
- Typical RV owner: 48 years old with annual household income of \$62,000
- RV owners ages 35 to 54 posted the largest gains in ownerships rates – from 9% in 2005 to 11.2% in 2011
- New RV price ranges: \$5,000-\$22,000 for folding camping trailers; \$6,000-\$55,000 for truck campers; \$8,000-\$95,000 for conventional travel trailers; \$43,000-\$200,000 for Type C motorhomes and \$60,000-\$500,000 for Type A motorhomes

Bontrager majored in aviation in college and had plans to be a pilot. "I came back to work here in the summers. When I got out of college, I changed my career path, if you will, got involved and here I am." His brother, Wilbur, led company operations for 19 years (and remains chairman) before Derald became CEO in 2013.

With nearby Warsaw the acknowledged "Orthopedic Capital of the World," the same applies for Elkhart County – where approximately two-thirds of all North American RVs are produced. Bontrager believes that number may have reached its peak as expansion is taking place in other areas.

If there is one buzzword in the industry in addition to growth, it's consolidation. It's taking place in all areas – manufacturers, dealers and suppliers – with leaders seeing no end to the trend.

"In the recession, we saw consolidation for reasons we didn't like," shares Randy Potts, chairman, CEO and president of Winnebago Industries. "Now, it's for other reasons."

### In search of workers

According to RVIA, more than 12,000 industry businesses have combined annual revenues in excess of \$37.5 billion. The association notes that more than half of the workforce (approximately 280,000 people) was subjected to layoffs as shipments plummeted from 390,000 in 2006 to less than 166,000 three years later. A 46% rebound in 2010 (see chart on Page 28) was followed by modest growth a year later and then three straight years of double-digit expansion.

Bontrager admits, "I thought it would take longer. I expected growth but more modest 3% to 4% growth. I think it speaks to the innovation and entrepreneurship in the industry and our lifestyle. In today's busyness, people just need to get away."

Gaeddert was less surprised. "I anticipated a pretty fast snapback. The demographics, the stars lined up right. (The rapid growth is) probably not way off what I thought, and it's going to continue to improve."

The rebound brought many of the former workers back into the fold but also necessitated the need for new talent. As in many industries today, that can be a challenge.

During a roundtable discussion, a Forest River executive pointed out that the company is breaking ground in several U.S. locations because of labor issues. Don Clark, president and co-owner of less than three-year-old Grand Design RV Co. and its nearly 700 employees in Middlebury, said, "We plan to stay in the area. This area is where the RV industry know-how is. We're expanding in Elkhart County."

Bob Martin of Thor Industries points out this irony. "In the recession, we were the poster child for unemployment (at nearly 19% at the time). Now, we're at virtually zero."

Fore believes the current 5% unemployment figure actually equates to full employment.

"The problem we have this time is that even though we've got more people in the workforce, some of them are not employable. Their life skills are worse; their aptitude skills are level at best. The people we're bringing into the workforce don't understand working in manufacturing operations – it's foreign to them. Having to be there at 6 o'clock in the morning, five days a week, 50 weeks a year – they don't think in those terms."

Bontrager counters that the experienced labor pool (plumbers, electricians, construction workers) within the region has allowed Jayco to continue to attract enough of those workers. In more technical areas such as engineering, the company has had to reach outside the RV industry.



Derald Bontrager (left) was 11 years old when his father started Jayco on the family farm in 1968. Nearly 750 attendees at the RV Industry Power Breakfast in mid-May received industry updates, including a panel discussion featuring top industry executives.

## Around the world?

Two days before the Power Breakfast, RVIA teamed with Indiana Gov. Mike Pence (on a trade mission to China) to host a reception at the U.S. embassy in Beijing. In a press release, Pence indicated the event “showcased three Indiana-made RVs and highlighted the great potential China holds for both domestic and American RV manufacturers.”

Richard Coon, the soon-to-be-retiring president of RVIA, tells the industry audience in Elkhart: “Your big worry is how to produce more, not ... is the business going to go away. A large part of the future rests with international markets. The lure of RVing is not an American thing; it’s a people thing.”

In a later interview, Kevin Broom, director of public relations for RVIA, adds, “Expanding markets overseas is certainly a priority of RVIA and it’s an opportunity for the industry to find new markets for the use of its products. We’re working with Chinese officials to try and bring down some of the trade barriers – tariffs and regulatory hurdles.”

Bontrager and Fore, current and past RVIA chairs, support their association but don’t envision large paybacks.

“I don’t see it as super-critical. Part of it is our shipping costs are so high,” Bontrager explains. “Currently, we probably export a couple thousand units annually into China. At some point, and it’s starting already, companies in China will be able to produce their own products. It’s going to make it very difficult for U.S. manufacturers to compete. The opportunities are really more for partnerships with manufacturing, wherever it is in the world.”

Fore: “I’m not a big fan of Asian initiatives. If you wanted to build an RV in China today, every part you need is already in China. I don’t see where that provides any benefit to U.S. suppliers to provide parts to China to assemble RVs. I don’t see a market opportunity for us. I’m not going to sell anything in China. The RVIA believes there are ongoing benefits to get standards aligned with U.S. standards.”

## Friendly rivals

Nearly 750 people (more than double the inaugural year) attended this third annual industry gathering. Fore says the goal, an important one, remains the same.

“We wanted to find a way to drive information down deeper in the RV supplier community. The top executives have always been active in the industry association and have access to that information,” he outlines. “We said, ‘We’re going to have this breakfast; we want you to bring your next level of people. We want to share those same things you have access to, and we’ll do it in three hours.’ I think you can see from the room now (10 minutes after the close). If it was a social event, they’d still be hanging around. They’re not; they’re gone; they’re back to work.”

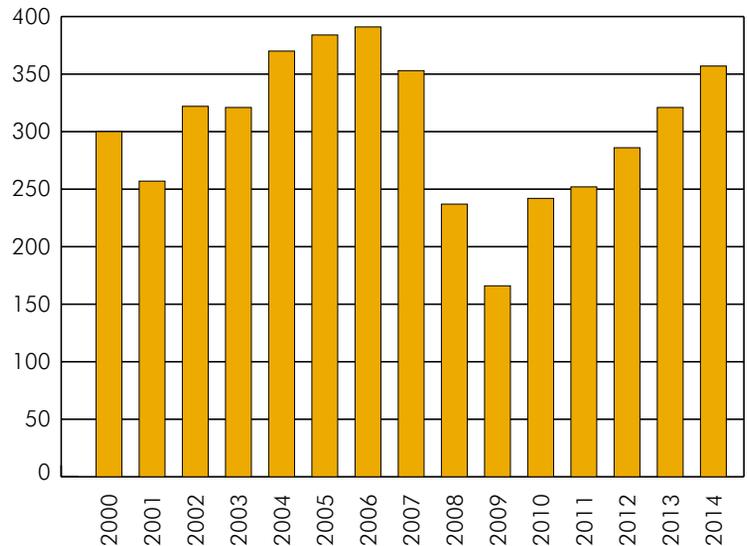
There is a unique dynamic with so much of the industry concentrated in one geographic area. The same people competing for market share are colleagues in their communities and true friends.

“It’s really a tight-knit industry,” Bontrager shares. “We see each other at the grocery store; we see each other at the restaurants. In many cases, we do things together socially after work. From 8 to 5, so to speak, it’s gloves off and we try to take each other’s business or grow our own business. It’s a unique situation but as I always say, ‘There’s plenty for everyone.’ ”



## Riding the RV Roller Coaster

RV Unit Shipments (in thousands)



Gaeddert terms it probably the most unique aspect of the industry, with one example being a joint charitable foundation between two of the top competitors. He uses a sports analogy to make his point.

“It’s like two teams that play each other over and over but they respect each other. We all try to do the right things the right way for the right reasons, and we all try to give back to the community,” he details. “That’s a large part of what you heard today. They look forward to this afternoon’s game. They’re going to try their best to win, but they like the team they’re playing against too.”

Fore credits the industry’s founding fathers, who showed his generation the proper way to both compete and collaborate.

“We’re at the end of that second generation – my counterparts are people I’ve known for 30, 40 years – and beginning the shift to a new generation. We learned it growing up: You can compete and smile and shake hands. We all have a common belief in the good of our industry.”

At age 65, Fore isn’t quite ready to back away from the business he loves. He says he will be around as long as his health permits.

“It’s a fun time to be in the RV business. My partner and I always say we wish we were 15 years younger.”

Gaeddert says everyone benefits. “We’re having fun (in the industry) and we’re providing fun (for our customers).”

**RESOURCES:** Recreational Vehicle Industry Association at [www.rvia.org](http://www.rvia.org) | Derald Bontrager, Jayco, at [www.jayco.com](http://www.jayco.com) | Gregg Fore, Dacor Corp., at [www.dacor.com](http://www.dacor.com) | Doug Gaeddert, Forest River, at [www.forestriverinc.com](http://www.forestriverinc.com)