

# Ski and Snowboard Resort Industry

Winter 2022

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**Lundquist College of Business**



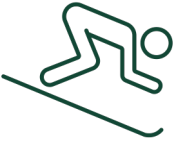



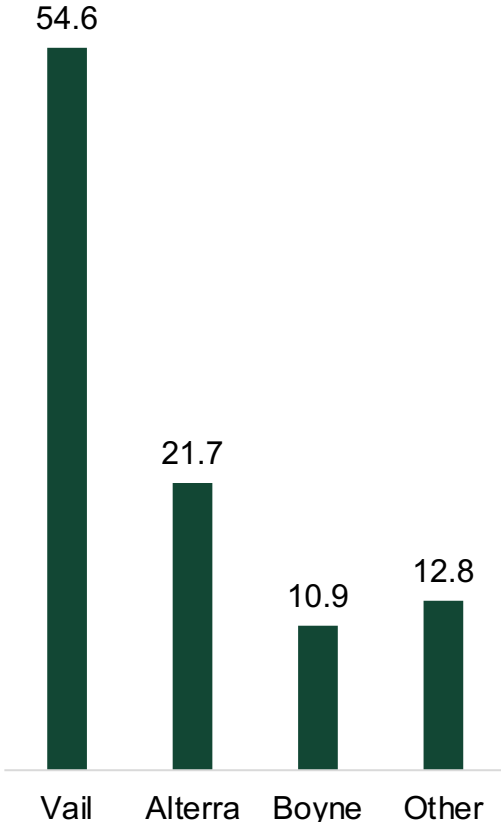
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# Industry Overview

## What are Ski and Snowboard Resorts?

Companies that operate ski areas and equipment such as ski lifts. These companies often provide food and beverage service, equipment rentals, and ski instruction along with ski areas.

| Industry Statistics   | Key Drivers of Growth   | Market Share by Firm   |      |                  |      |      |         |      |       |      |       |      |
|---|---|--|------|------------------|------|------|---------|------|-------|------|-------|------|
| <p><b>Number of Resorts</b><br/>462</p> <p><b>2021 Market Size</b><br/>\$3.47 Billion</p> <p><b>2021 Revenue</b><br/>\$2.5 Billion</p> <p><b>Projected Annual Growth Rate</b><br/>6.7%</p> <p><b>Barriers to Entry</b><br/>High</p> | <div data-bbox="710 496 1232 696">  <p>Participation in Sports</p> </div> <div data-bbox="710 711 1232 911">  <p>Vacations</p> </div> <div data-bbox="710 925 1232 1125">  <p>Precipitation</p> </div> <div data-bbox="710 1139 1232 1339">  <p>Disposable Income</p> </div> |  <table border="1"> <caption>Market Share by Firm</caption> <thead> <tr> <th>Firm</th> <th>Market Share (%)</th> </tr> </thead> <tbody> <tr> <td>Vail</td> <td>54.6</td> </tr> <tr> <td>Alterra</td> <td>21.7</td> </tr> <tr> <td>Boyne</td> <td>10.9</td> </tr> <tr> <td>Other</td> <td>12.8</td> </tr> </tbody> </table> | Firm | Market Share (%) | Vail | 54.6 | Alterra | 21.7 | Boyne | 10.9 | Other | 12.8 |
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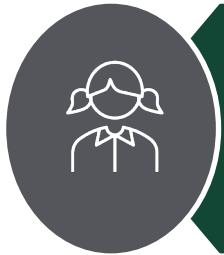
# Changing Skier Demographics



Baby Boomers Aging Out

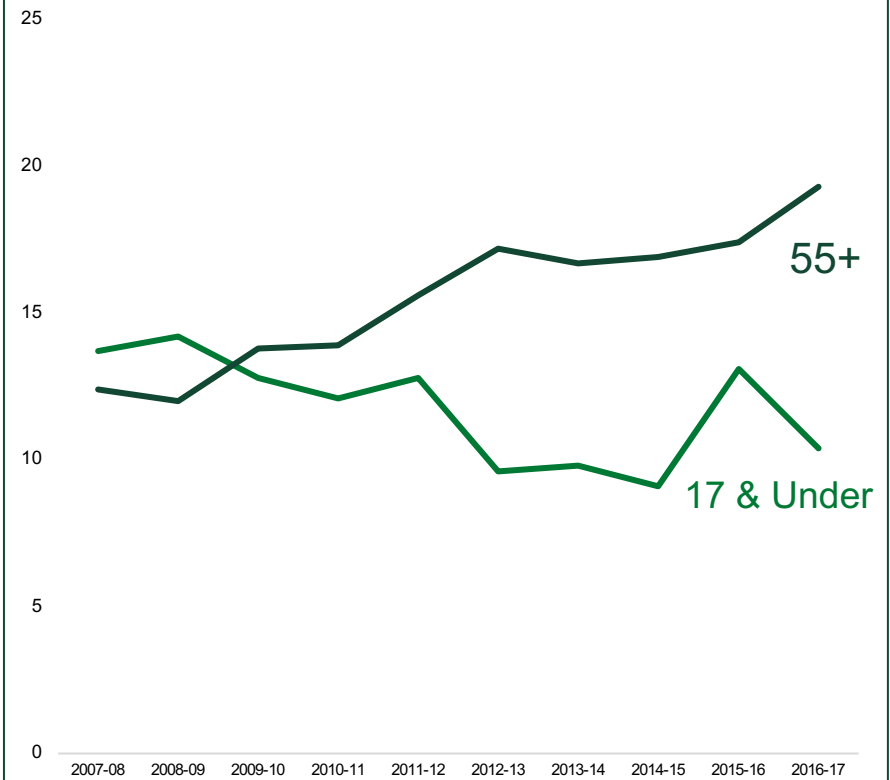


Millennial Stagnation

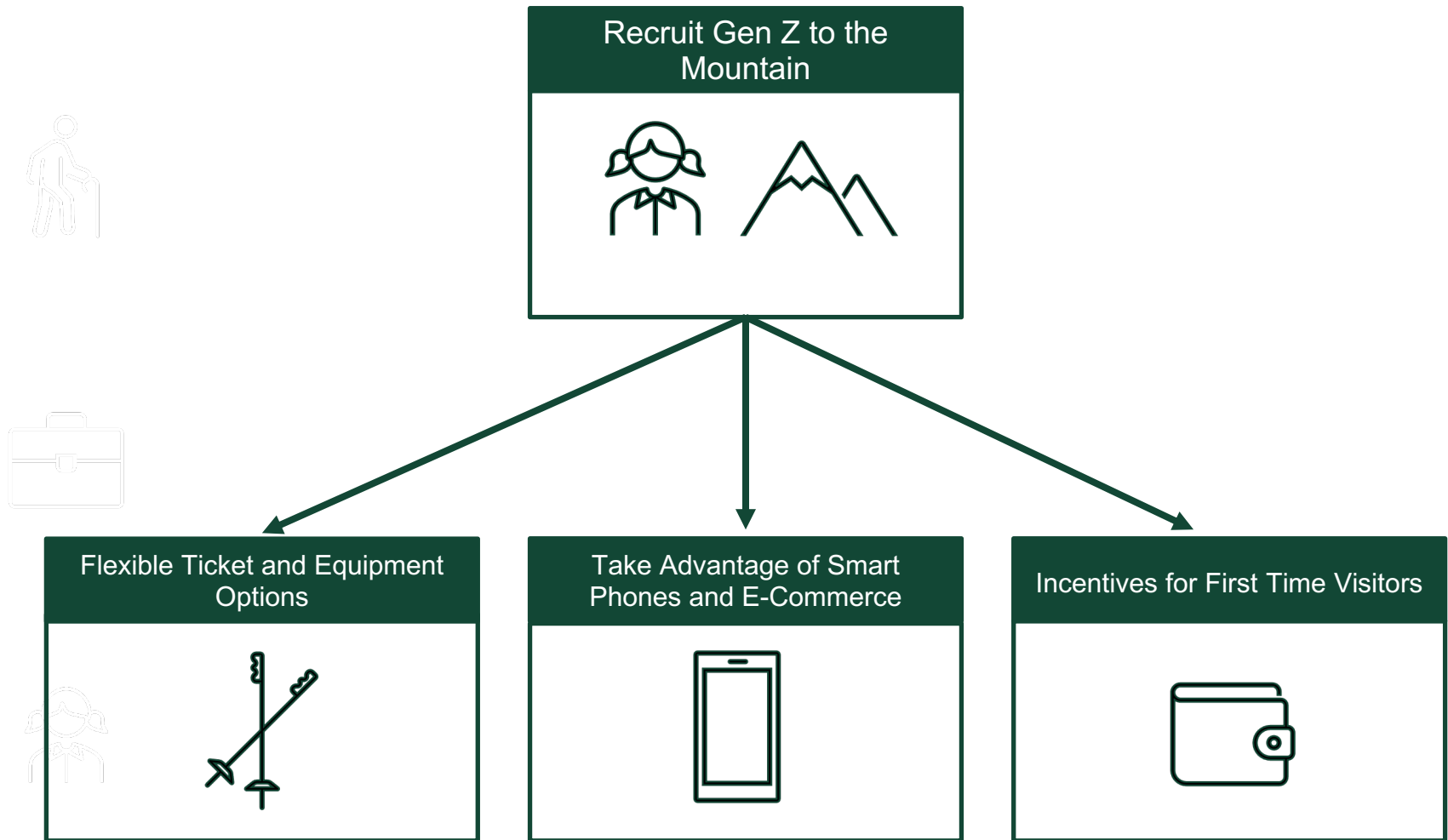


Failure to recruit Gen Z

## Change in Market Share by Age



# Addressing Changes in Skier Demographics



# Changing Climate

## Main Issue

The entire industry is dependent on low temperatures and high amounts of precipitation. Increasing temperatures and changing climates have led to less snowfall and higher temperatures.

### Short Term Issues



**Shortened Season**



**Poor Snow Quality**

### Long Term Issues



**Resort Closure**



**Industry Failure**

# Addressing the Changing Climate

## Short Term



**Artificial Snow**



**Research and Development**

## Long Term



**Climate Pledges**



**Lobby Legislative Bodies**

## **The Impact of Climate Change and Changing Consumer Demographics on Ski and Snowboard Resorts in the United States**

### **Background**

The U.S. Ski and Snowboard Resort industry is a subsection of the tourism and recreation industry. This industry is composed of 462 resorts that operate a variety of ski areas including ski lifts that can be accessed via day pass “lift tickets” or season passes (NSAA). These resorts commonly turn a profit by supplying housing and accommodation, food and beverage, equipment rental services, and ski instruction services along with access to ski areas (Le). The industry generated \$2.5 billion in revenue in 2021, which was a 6.16% decrease from 2020. This was primarily due to the COVID-19 pandemic which closed resorts while also leading to decreased travel and per capita disposable income (Le). These factors are key external drivers of growth to the industry and help explain the loss in revenue. Due to projected increases in traveling and vacation, the industry is expected to see annual revenue growth of 6.7% in the years of 2021-26.

Due to high barriers to entry, such as high cost of resort development, a limited number of suitable sites, and government regulation, there are a few major companies that dominate this industry. Technological advancements, increased infrastructure costs, and the COVID-19 pandemic have added to this trend by incentivizing further consolidation in the industry over recent years (Le).

Vail resorts originally consisted of 3 resorts in Colorado and later transitioned into purchasing other west coast resorts in the early to mid 2000s. In 2019, Vail acquired Peak Resorts adding 17 resorts located in the eastern United States to Vail’s properties

(Vail). Vail transformed the ski resort industry in 2008 by releasing their “Epic Pass”, a one purchase season pass giving skiers the ability to access all Vail resorts an unlimited number of times with no further cost. Alterra Mountain Company was created in 2017 when affiliates of KSL Capital Partners and Henry Crown and Company purchased Intrawest, Mammoth Resorts, and Deer Valley Resort consolidating 12 ski resorts under one ownership group (Alterra). One year after its conception, Alterra rolled out the “Ikon Pass” in direct competition to Vail’s “Epic Pass” with access to all its resorts and some of its partners including Boyne Resorts. Boyne Resorts was founded in 1947 and has maintained solid growth through present day including a strategic alliance with Powdr Corporation (3.4% market share) in 2014. In 2018, Boyne partnered with Alterra to have its resorts included on the “Ikon Pass.” The unaccounted for 12.8% market share is comprised of individual resorts or small ski hills.

### **Industry Threats**

One threat to the ski and snowboard resort industry is the environment and effects of the changing climate. The entire industry is entirely dependent on the amount of precipitation and low temperatures so that snow will fall and stick to mountains allowing resorts to open. About 95% of the United States’ land surface has seen increased temperatures by around 1.5 degrees Celsius, and the number of cool nights has decreased (Scott). This trend has been increasing recently as the four warmest January’s on record through 2020 were in the years 2017-2020 (Secon). Over time the temperatures across the United States and the world have been increasing leading to a decline in the fraction of precipitation that is snow compared to rain (Scott).



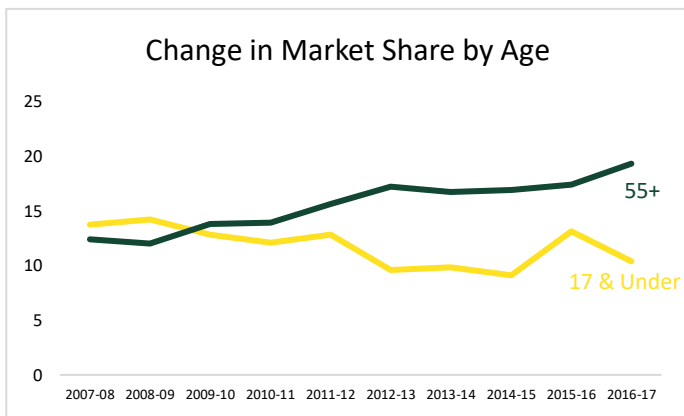
This is a major issue for the industry in both the short and long term. One issue in the short term is that the ski season starts later and ends earlier, limiting the window in which resorts can operate and generate revenue. Many skiers are used to beginning the season around Thanksgiving but now many feel lucky if resorts are open that early (McAvoy). One big worry is that the shortened season may start to impact Christmas and New Year holiday vacations, which would cause resorts to lose out on revenue during their largest week. Many people directly involved with the ski resort industry almost solely rely on the holiday period to make most of their money (Scott). Furthermore, the quality of the snow is decreasing, leading to less enjoyable skiing experiences for customers. Slushy snow during the day followed by ice during cold nights can lead to more injuries and poorer skiing experiences especially for beginners.

In the long term, environmental concerns lead to major questions regarding skiing's viability past the turn of the 22<sup>nd</sup> century. The bleakest studies project many ski resorts will not be able to operate in the year 2090 (Zook). Forecasts suggest fully eliminated snowpack below 6,000 feet of elevation and a reduction of above 60% in total snowpack by the turn of the century in the Sierra Nevadas. Rapid temperature changes in the United States hurt ski resorts' year-to-year operations and pose the threat of industry annihilation as early as 2100.

Another threat to the ski resort industry is the changing age demographics of skiers. For years, baby boomers were the largest contributor by generation to the ski industry. Baby boomers led resorts through massive growth in the 1970s and 1980s while continuing to be loyal consumers into the 2000s (Condon). But as this generation has gotten older, they have started to ski less. For example, in the 2005-06 season

baby boomers accounted for 31.1% of skiers nationwide compared to 14.8% in 2018-19 (NSAA). This is significant because, as baby boomers have aged, they have continued to generate large portions of revenue for the industry. The average number of anticipated days on the slopes was 9.1 for skiers and riders 65 years of age and older (Condon).

While baby boomers are growing older and hanging up their skis for good, millennials and Generation X are not picking up the slack. Older members of Generation X are not contributing as much as the baby boomers did at the same age and millennials don't ski as often, take shorter trips, and don't have the spending power of



baby boomers to make up the difference. One projection estimates that for every baby boomer that gives up skiing, two millennials are required to generate the same revenue (Snowbrains). Older skiers are spending

less while still making up a similar percentage of the total skiing population. 96.6% of Generation Z has yet to ski or snowboard, and the generation makes up 10% less of the entire skiing population than millennials did 15 years ago when they were of similar age (Accesso).

### Addressing Industry Threats

One way ski resorts have addressed the short-term threat of decreasing temperatures and decreased snowfall is the creation of artificial snow. In recent years, ski resorts have used ski cannons or snow lances to create artificial snow (Bink). The

basic function of these devices is to blow out water with compressed air that freezes and falls to the ground as snow (SnowTrex). Techniques such as these have been crucial in extending the length of ski seasons by keeping the resorts open.

Unfortunately, the large amount of energy and natural resources required to operate these machines is harmful to the environment, potentially exacerbating issues related to climate change. Further research and development into this technology, including energy efficient snow guns, is an important avenue for resorts to explore in the short term.

Due to difficulties measuring damage from emissions and variability in climate projections it is hard to know exactly when and how ski resorts will be affected by changing climates in the long term. Many resorts are taking climate pledges regarding clean energy and emission abatement that aim to slow and potentially stop rising temperatures. Further investment in these areas may prove beneficial in keeping resorts open in the long term. This combined with a large effort to lobby national and global government to prioritize climate initiatives may be the industry's best hope for survival. Convincing legislative bodies to take on an increased role in regulation may be the quickest way to increase emission abatement and stop the rapid temperature increase.

To address the issue of changing skier demographic, the industry must focus on marketing to Generation Z and have more success recruiting them to the mountain. Reaching younger generations is extremely important for any industry especially once one considers that Generation Z makes up the largest share of the global and U.S. population (Accesso). 70% of today's skiers and snowboarders started when they were

16 or younger, making it extremely important to reach this target market sooner rather than later (Accesso).

Resorts can reach Generation Z by making the skiing experience more flexible and accessible. Generation Z are avid users of mobile devices and users of e-commerce, making them prime targets for new forms of selling the skiing experience and renting ski equipment. Many resorts now offer discounted in-advance tickets and new apps that turn the resort experience into a one-step process. Another technique resorts can incorporate is virtual queuing, which allows customers to avoid lines and maintain physical distance in a pandemic to purchase food and beverages or rent equipment. To make up the ground lost on baby boomers, ski resorts must take advantage of the opportunities provided by Generation Z.

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