

# Winter Sports

## *Industry Snapshot*

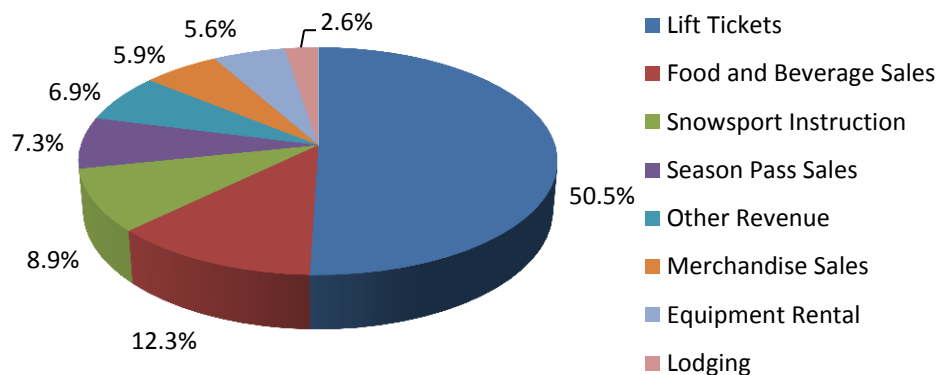
*October 2010*

## Industry Segments

This industry is made up of establishments that provide customers with skiing and snowboarding facilities. Operations include ski lifts, equipment rental, ski and snowboard instruction, merchandise sales, lodging and food and beverage services. From 2010-2015, the industry is expected to grow at an annual rate of 2.0%. This is a decline from the 3% average annual growth seen from 2005-2010. <sup>1</sup>

The following is a breakdown of the product offerings and service segmentation for the ski and snowboard resort industry in the United States. <sup>2</sup>

### Products and Services Segmentation (2010)



## Industry Data

Region visits in the Pacific West have decreased by 10.88% since the 2005-2006 ski and snowboard season. Visit declines can also be found in the Southeast, Midwest, and Rocky Mountain regions. The Northeast has seen a growth in visits over the last four seasons of 9.79%. The following table estimates annual visits by skiers and snowboarders to ski areas, on a regional basis.

<sup>1</sup> [IBISWorld Pty Ltd.](http://www.ibisworld.com), "Ski and Snowboard Resorts in the US." New York: IBISWorld. January 2010. <http://www.ibisworld.com>.

<sup>2</sup> [IBISWorld Pty Ltd.](http://www.ibisworld.com), "Ski and Snowboard Resorts in the US." New York: IBISWorld. January 2010. <http://www.ibisworld.com>.

Estimated US Ski Industry Skier/Snowboarder Visits by Regions (in Millions) <sup>3</sup>					
Season	Northeast	Southeast	Midwest	Rocky Mountains	Pacific West
2008-2009	13.730	5.664	7.247	19.974	10.738
2007-2008	14.261	5.204	8.099	21.324	11.615
2006-2007	11.801	4.888	7.200	20.849	10.33
2005-2006	12.505	5.839	7.787	20.717	12.049

The following chart outlines participation in skiing and snowboarding in the US. This information indicates that the snowboarding population on average is much younger than the skiing population. Male snowboarders' mean age is 23.4, making them, on average, 10.2 years younger than their skiing counterparts. Female snowboarders have a mean age of 25.6, which is 10.1 years younger than the mean female age for skiers. The majority of snowboarders participate in the sport occasionally (4-9 days a year), while skiers are very diversified in their participation but with the majority of them (37.3%) participating in the sport infrequently (2-3 days per year).

Skiing and Snowboarding Participation (2009)		
	Skiing <sup>4</sup>	Snowboarding <sup>5</sup>
Percent of Population	2.6%	2.3%
Mean Age Male	33.6	23.4
Mean Age Female	35.7	25.6
Age 24 or Younger	66.3%	29.3%
Frequent (10+ days)	25.9%	23.6%
Occasional (4 to 9 days)	36.3%	55.7%
Infrequent (2 to 3 days)	37.8%	20.7%

## Success Factors<sup>6</sup>

**Cost Control:** Due to high fixed costs associated with this industry, it is important that the expenses are accurate and in-line with projected revenue.

**Economies of Scale:** Reduced costs per skier and higher profits are seen by operators who run extensive support facilities and several ski runs to increase traffic and visitors.

<sup>3</sup> RRC Associates, "Kottke National End of Season Survey 2008-2009," *Final Report Table 6*, 2008-2009.

<sup>4</sup> "Downhill Skiing Participation," *National Ski and Snowboard Association*, <http://www.nsaa.org/nsaa/press/nsga-ski-09.pdf> (October 26, 2010).

<sup>5</sup> "Snowboarding Participation," *National Ski and Snowboard Association*, <http://www.nsaa.org/nsaa/press/nsga-snbd-09.pdf> (October 26, 2010).

<sup>6</sup> [IBISWorld Pty Ltd.](http://www.ibisworld.com), "Ski and Snowboard Resorts in the US." New York: IBISWorld. January 2010. <http://www.ibisworld.com>.

*Good Snow Making Facilities:* Snow making facilities provide even cover and extend the length of ski season when snow falls are lower than desired. This helps to draw in customers during the entire ski season.

*Easy Access for Clients:* Affordable transportation costs, easy accessibility, and good roads will help to draw in visitors especially during the day.

*Location to Population Centers:* Ski areas located near major population centers do especially well and can attract in-state visitors more frequently.

*Various Service Offerings:* Successful ski areas offer a wide range of snow activities for all individuals.

*Lift Ticket Pricing:* Most ski areas obtain 50% of revenue from lift ticket sales. Strategic pricing of lift tickets will target certain demographics and can extend the life of the ski season.

*Effective Marketing Campaigns:* Successful small ski areas may focus on building a strong loyal customer base, while larger ski areas may target vacation or destination skiers.

## **Risks and Challenges<sup>7</sup>**

*Weather Condition Vulnerability:* A ski area's success is contingent on the amount and timing of snowfall. Drought and warm weather can inhibit a ski area from making enough snow, and too much snow can prevent skiers from traveling to the mountain.

*Demographic Challenges:* The typical customers are active families with children and age 34. However, this demographic is predicted to grow relatively slowly at 6 percent over the next ten years, while in that same timeframe the US population as a whole is expected to grow 10 percent. The population age 65 and older is expected to grow 36 percent.

*Dependence on Affluent Customers:* Skiing is an expensive sport, making the industry traditionally dependent on higher income consumers. The average ski ticketer per-day costs \$50-\$100. However, much more is typically spend skiing per day considering expenditures on food, services, and other incidentals.

*Barriers to Expansion and Entry:* Limited land is suitable or available for the development of ski areas. Additionally, the use of public land requires a lengthy process and several government approvals. In either case, significant capital investment is required for the development of the land and operations.

*Declining Demand:* Participation in the US skiing industry has declined 5.5 percent from 2008 to 2009. Many consumers have shifted to safer and less expensive sports.

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<sup>7</sup> First Research, Inc. 2007, "Ski Facilities." Austin, TX: First Research. August 23,2010. <http://www.firstresearch.com>.

*Costs of Energy:* A large amount of energy is required to run the equipment in the ski area. Crude oil prices can fluctuate more than 30 percent and electricity prices can drastically vary as well. These price fluctuations dramatically impact the variable costs for the ski area. Additionally, high gas prices impact the amount of visitors coming to the mountain.

*Customer Safety Concerns:* Consumers are becoming more concerned about ski area safety, especially as it concerns children. In a typical year, there are nearly 40 snowboarding and skiing fatalities and more than 40 serious injuries. Many injuries and deaths are attributed to stationary objects like chairlift supports and trees.

## Trends<sup>8</sup>

The increasingly warmer climate has affected ski areas. Warmer weather has created slushy snow for the early and late season, and created an overall shorter ski season. Ski areas are also dealing with new environmental activism groups. Many ski areas are posting public awareness signs to advertise their ski area's low emissions. This is being done in response to consumer activists concerned about the global warming effect on snowfall. The industry groups have established guidelines for greenhouse gas emissions for ski areas. Additionally, trends have developed in this industry regarding alternative energy sources. Several ski areas are beginning to use alternative energy sources like green power to decrease power costs. Some alternative energy sources include: biodiesel fuel, wind turbines, and solar panels.

Risk management and safety have also been a growing industry focus. Safety initiatives and guidelines have been developed by the ski industry to address current legal and consumer concerns. Industry lobbying efforts have been successful, but about 25 percent of states don't have ski area safety laws. To incorporate additional revenue and attract more customers, many ski areas are offering alternative forms of skiing. Alternative types of skiing include: Snowcat Skiing (large-tractor like equipment to take advanced skiers on backcountry trails) and Heli-Skiing (using helicopters to take skiers to off-trail locations).

## Consumer Demographics and Expenditures

Two-thirds of skiers are under the age of 45 and are typically young. On average they tend to be more affluent and have a median income of \$71,000 annually. They are 30% more like to be single males. The average skier also tends to be an enthusiast of tennis, boating, sailing, running, bicycling, jogging, wines, and real estate investments. Skiers travel internationally and domestically, often as members of frequent flyer programs.<sup>9</sup> In Washington \$17,772,021 was spent on Winter Sports Equipment in 2010.<sup>10</sup>

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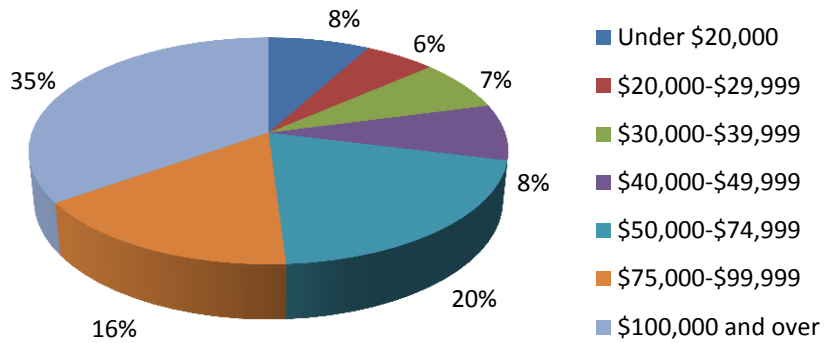
<sup>8</sup> First Research, Inc. 2007, "*Ski Facilities*." Austin, TX: First Research. August 23,2010. <http://www.firstresearch.com>.

<sup>9</sup> SRDS Media Solutions, *The Lifestyle Market Analyst* (Equifax, 2007), p.966.

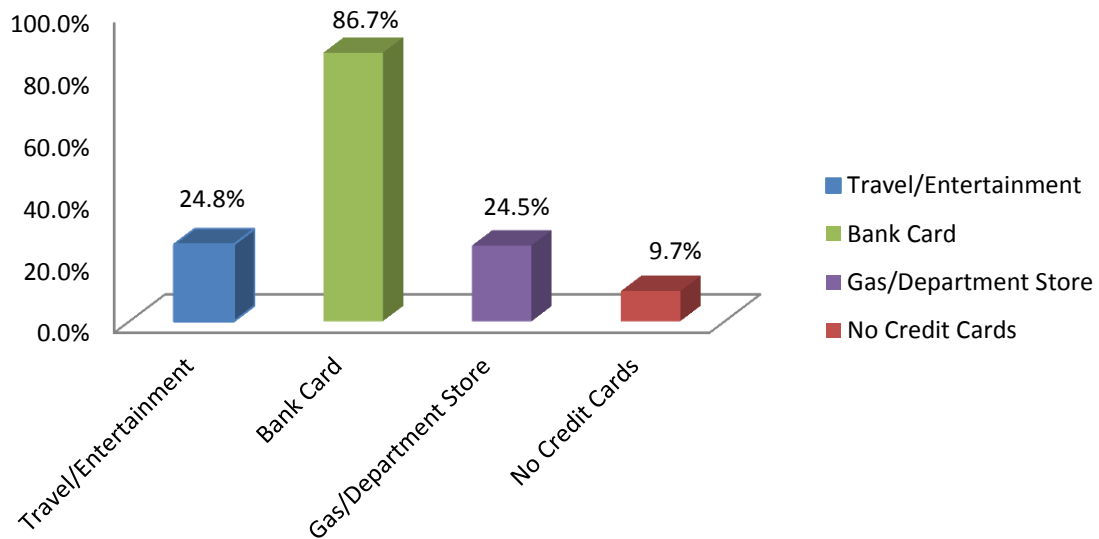
<sup>10</sup> ESRI Business Analyst Online, "Washington" *Recreational Expenditures*, (October 25, 2010). [http://bao.esri.com/?from+bao\\_mainpg](http://bao.esri.com/?from+bao_mainpg).

The following are some additional charts outlining demographics related to skiers<sup>11</sup>:

### Snow Skier Household Income

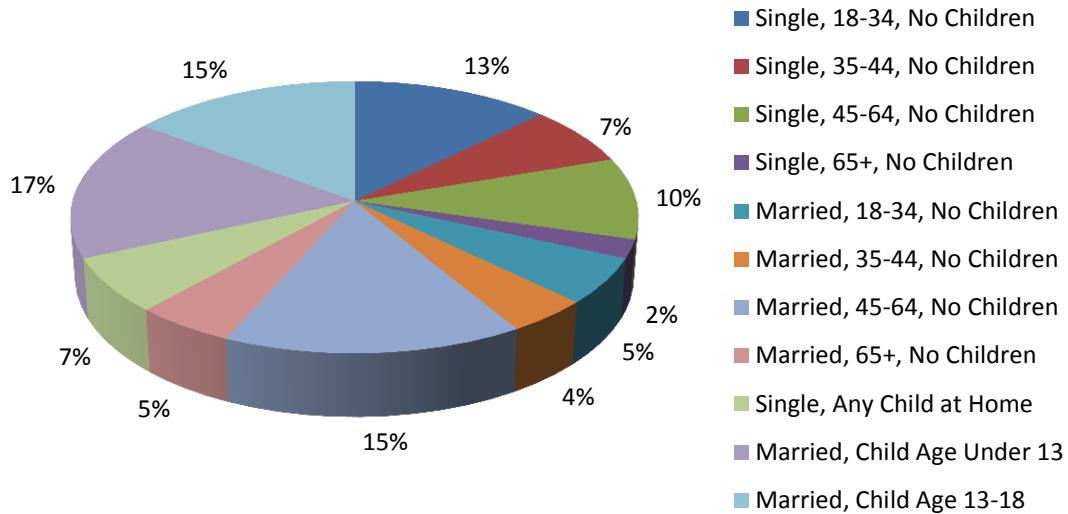


### Snow Skier Credit Card Usage



<sup>11</sup> SRDS Media Solutions, *The Lifestyle Market Analyst* (Equifax, 2007), p.966.

## Age of Head of Household (Skiers)



### Financial Information<sup>12</sup>

The following are financial benchmark information for ski facilities.<sup>1</sup> The benchmarks and ratios are based on financial statements of 1,284 companies, 321 of which are small businesses. Small businesses are defined as having sales less than \$1,462,408 annually.

### Company Benchmark Information Ski Facilities

	<i>Aggregate</i>	<i>Small Company</i>
<b>Income Statement</b>		
Net Sales	100.0%	100.0%
Gross Profit	83.5%	83.5%
Operating Income	3.9%	3.4%
Net Profit After Tax	-1.1%	-1.6%

<sup>12</sup>First Research, Inc. 2007, "Ski Facilities." Austin, TX: First Research. August 23,2010. <http://www.firstresearch.com>.

	<i>Aggregate</i>	<i>Small Company</i>
<b>Balance Sheet</b>		
Cash	5.9%	6.2%
Accounts Receivable	2.5%	0.3%
Inventory	1.0%	1.0%
Total Current Assets	10.6%	8.1%
Total Fixed Assets	74.9%	74.3%
Other Non-Current Assets	14.6%	17.6%
Total Assets	100.0%	100.0%
Accounts Payable	2.0%	1.4%
Total Current Liabilities	26.9%	33.1%
Total Long-Term Liabilities	11.0%	12.6%
Net Worth	62.1%	54.3%

	<i>Aggregate</i>	<i>Small Company</i>
<b>Financial Ratios</b>		
Quick Ratio	0.8	0.68
Current Ratio	1.25	1.26
Current Liabilities to Net Worth	19.0%	12.0%
Current Liabilities to Inventory	943.0%	508.5%
Total Liabilities to Net Worth	47.0%	36.0%
Fixed Assets to Net Worth	100.5%	89.0%
Collection Period	13.4	0.9
Inventory Turnover	46.4	30.2
Assets to Sales	147.0%	126.0%
Sales to Working Capital	2.6	1.4
Accounts Payable to Sales	3.0%	2.0%
Return on Sales	1.0%	0%
Return on Assets	0%	0%
Return on Investment	7.0%	10.0%
Interest Coverage	1.4	0.9