

## **Trends in the World Market for Winter Sports What will the resorts of the 21st century look like?**

Eric Guilpart,

### **Introduction**

Skiing is a worldwide phenomenon practiced on every continent on a wide scale. Tens of millions of skiers throughout the world clock-up approximately 400 million skier days each year.

Skiing is not a sport reserved only to a small minority of young people in top physical form. The very young and the very old can ski. Somewhat like golf, it is a "lifestyle", a veritable philosophy.

The wide-scale practice of skiing in Western countries dates from the 1960s. A great number of ski resorts were created to accompany this phenomenon. These were built at various altitudes and to various dimensions and adapted to local culture in order to meet the needs of primarily local, i.e., national customers.

After 40 years of growth, skiing and snow sports in general appear to be tapering off in Western countries and in Japan. This slowdown makes it necessary for resorts in these countries to change the way they grow and to get closer to their customers.

Moreover, new customers are seeking access to the joys of winter sports. The rate of persons practicing winter sports in emerging economies (Eastern Europe, Asia, South America) is extremely low and a number of resorts are in the planning stages in these countries.

Can we use the lessons of the past to modify, when possible, the way we organize and manage ski resorts? At the same time, how can we best profit from 40 years of experience in realizing these new projects? These two questions are closely linked. I will first address the issue that we might call "the ski equation", that is, what are the indispensable factors ensuring that a ski resort can exist and how must we constantly adapt to changes?

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The second part will attempt to look into the future. From what we know about the probable changes in our clientele (their demand for quality, the return to nature, the quest for new sensations, increased emphasis on safety) and of our environment (ecology, economy, globalization, the growth of competing leisure practices), what are the key strengths that a ski resort must have or most acquire in order to exist for another 40 years?

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#### 1 -- The Ski Equation

The growth of a ski resort is the result of a combination of three elements:

-- a customer who likes winter sports in an agreeable setting,

-- a group of economic players, including lift operators, hospitality professionals, ski schools, restaurants, sporting goods shops, etc., who--together or individually--offer a product: a vacation in the snow

-- a favorable environment: snow, a slope, an economic outlook which encourages leisure practices, leisure time.

These three elements evolve in parallel, sometimes independently one from the other, often in a correlated fashion. To make an exhaustive list of the possible evolutions would be both boring and pointless. I suggest looking at only the most important ones and to draw the consequences for adapting the organization of ski resorts.

#### 1 -- The Customer

It may seem paradoxical to imagine that we could build winter sports facilities without first being sure that there will be customers to use them, but projects have been devised, put on the drawing boards, and even built without first carrying out the serious market studies. Fortunately, this is rare, but it has occurred. I have been asked sometimes to study projects for the creation of ski lifts and slopes in areas which were very difficult to reach or in regions where there were very few skiers within drawing range. Though it may be technically possible to build lifts on a slope, the first thing to take into consideration is the availability of customers.

I would like to remind that the customer is the key factor in our business. Without customers to use our facilities, we would not exist.. Our business is not to operate cables, pylons and pulleys. Our business is -- first and foremost -- to satisfy our customers. In order to provide them satisfaction, naturally, we first have to know them.

CDA is the world leader in ski area management with over 10 million skier days each year. We survey more than 35,000 customers each year, every day of the season. Questions deal with every aspect of the services which we offer: welcome at the ticket offices, the lift, the descent, other services available at the resort, and prices. The

satisfaction of our clientele is the only way to measure the quality of our services. What have we learned from our surveys? More than we had thought.

It was through asking our customers, for example, that we learned that their number one concern is the descent! You can offer them the most efficient, comfortable and fastest lifts possible, but if the quality of the slopes is mediocre, the customer is unhappy. He doesn't come to go up the lifts, though he pays for the ascent. He comes for the descent.

You can run the numbers for your own resorts, measure how much you spend to bring your customers up and how much you spend for their comfort during their descent. In France, and throughout Europe, more than two-thirds of expenditures are made on lifts. Though these expenses are often justified, many of our resorts have become involved in an "arms war".

The problem here is to determine what offers the best value for our customers for a given cost to us. That is, how much the customer is ready to pay for a given service. Our surveys allow us to measure not only customer satisfaction but also the value our customers place on each one of the services we sell. We can then adapt our expenditures so as to provide them with greater satisfaction--the greatest added value--at the lowest cost for the company.

Moreover, at CDA, every day we see that we don't have **a** customer but **many customers**. The size of our survey allows us to analyze very specific segments. Our customer segmentation helps us better understand their motivations and behavior. Quality surveys allow us to design typical customer profiles.

Thus, for example, we must look into the motivations of snow board lovers, which are not the same as those of skiers -- their lift needs are different. Surface lifts, which are very common in Europe, are not adapted to their use, and moguls are more of a problem. If you have these kinds of customers you must adapt your lifts and your slopes -- and your restaurants and other facilities -- to their needs.

Winter sports are mostly practiced by young men (65 percent). Women are more sensitive to the cold and generally less interested in vertical drops and athletic feats. If you want to entice them into your resorts, you must offer more comfortable and better adapted facilities -- why not heated lifts? If your clientele is made up only of men this won't be necessary. After 50 years of age, the percentage of persons skiing drops considerably. If your clientele is aging and the demographic trends are not favorable, you must adapt your facilities or seek new customers.

Another example, learning winter sports requires properly adapted slopes as well as properly adapted lifts. In our CDA resorts we have a number of gondolas built on platforms elevated by pilings with stairs for access. This type of construction was less expensive. However, we are re-working the access and eliminating stairs because our

customers explained that it was very difficult to walk up stairs with skis, especially for children.

Winter sports fans must be relatively affluent. Because winter vacations are usually quite short -- one to two day's in Japan, three or four days in North America, and up to one week in Europe, it is necessary to have a large and relatively affluent population within several hours of the resort. A snowy mountain serves no purpose if no one can get to it easily.

At the same time, if lift tickets are too expensive because the facilities are too vast or because the clientele doesn't have the financial capacity to pay for the services, you run the risk of having people come to see but not to ski.

Finally, we must not forget that our customers are changing, they're more and more sensitive to different leisure packages on offer everyday. Also their motivations change according to their age, health, family composition, income, etc.. Getting to know the customer through continued surveys and offering new products to attract him should be the No. 1 preoccupation of every ski resort manager who wants to see his company survive. Technical issues, such as the choice of equipment, which are often major worries for executives, seem to me to be secondary to customer follow-up.

## **2 Products and Services**

After having talked about customers it is obviously necessary to talk about what we sell, i.e., our products and services.

Our customers come to enjoy the feeling of downhill slopes. For a long time, especially in Europe, we were satisfied simply to take them up the mountain. Our cable transport technology was focused on the way up.

A vacation in the snow is not made up only of skis or snowboards. A successful winter vacation combines rapid, comfortable transport, lodging facilities that are well adapted to winter and offering good value, a clearly presented offering of products and services, a varied offering of restaurants, sporting goods shops with fine equipment, entertainment, etc..

A ski resort which wants to survive must provide all of these services to its customers. The predominant model during the boom years of skiing was an all-in-one offer: a single player handled every aspect of the overall offering to the customer, including lodging, restaurants, ski lifts, ski schools, entertainment, etc.. Most of the time, real estate development and sales were also part of their activities.

This type of organization was necessary to ensure coherent development (including road access, utilities, parking, etc.) for entire new villages in mountain regions. This could only be profitable if the investor had control over the entire project. By the same

token, overall quality control for all services could only be assured by a single service provider.

We still often see this type of organization in North America, but rarely in Europe today. When we created CDA 10 years ago, we decided that instead of trying to do everything on a single site, it was preferable to specialize on one core business -- ski area management -- on several sites. This decision went against the general current at the time and was not always understood. We have analyzed all of the businesses that our subsidiaries carried out and we realized that the dimensions of our resorts (with over 20,000 beds, and more than one million skier days per resort) did not allow us to be professional in several activities.

Thus we "de-consolidated" our resorts by selling to professional operators, i.e., hotel chains, restaurant operators, real estate agencies, etc., the activities which were not part of our core business. We were thus able to develop considerable savoir-faire in our business, based on the experience gained in our nine major resorts, including one in Italy.

Is this the most efficient model today? Undoubtedly yes, considering our results. In a businesses as difficult as ski area management, where listening to customers and meeting their needs must be balanced with numerous technical constraints such as security and regulation, I believe that it is preferable to focus on what we do best and to subcontract to other professionals what they do better than us.

Operating a ski area and running a restaurant or hotel have nothing in common. Total management of a large resort does not lead to economies of scale. In fact, once a certain magnitude is reached, the opposite is true.

In my opinion, the model of a "totally managed" resort is only justified in the launch phase (which nonetheless usually takes several years), when returns on investment are very different according to activity and the major development works can only become profitable after all operations have been completed. But even in this case, models do exist which allow control over development without having to invest in very specific and risky operations such as real-estate promotion. Control over land and building rights, for example, is a key element in the future development of a given site.

Coherence and continuity in service quality during a stay at a ski resort is essential to establish customer loyalty and must be carefully monitored. In the event that there is not a single management unit -- as I recommended earlier -- this coherence must be insured through the total commitment of all partners involved, based on a quality charter. This must be carried out very early on and must also be applied to new partners, where possible.

To sum up, the products and services offered to customers must fulfill their desires, be sold at a price which offers value both to them and to the service provider. This optimal

service must be given by professionals, and it seems to me impossible to claim to be professional in too many different areas.

### **3- The Environment**

A good product and customers are not sufficient to insure the future of a ski resort. A favorable environment is also necessary. By "environment" of course I mean a natural environment, but also a favorable economic environment.

How many resorts throughout the world have been built on sites which were poorly adapted geographically? Once again we often forget that the customer is seeking skiing sensations in an pretty location that offers a change of scenery.

Our raw material, snow, exists only if it is cold. The higher you go, the lower the temperature, so the conditions are more favorable for snowfall or snow making . This natural fact is too often forgotten and a number of ski resorts were built at altitudes where snowfall is too undependable. New sites which are opening throughout the world must absolutely take this reality into account.

Our customers, for the most part, love wide open spaces. In France we were able to test that one of the primary criteria for selecting a ski area is its size: even if the customer cannot ski all of the runs, he prefers to go to a resort which offers the greatest choice possible.

Finally, the environment must be as beautiful as possible and offer a true change of scenery. There are a few examples in the world where equipment makes skiing possible in the city itself. In Japan for example. But these are exceptions. For the most part, winter sports lovers are seeking revitalization -- a mountain that is bigger than a hill -- and, obviously, a non-urban environment. I can give you one very concrete example. A few years ago, a ski run was set up in the middle of Lyons, a city with a population of over a million people and a high percentage of skiers. This facility never gained a customer base because the local inhabitants preferred making the two-hour car trip to go to real mountains.

The environment is not only natural. There is also the economic environment to consider. At CDA, we have been able to establish a direct correlation between the number of visitors to our resorts and household consumption levels. A growing economy is a key factor for abundant ski visits. On the other hand, leisure spending -- including winter sports -- is the first to be reduced during economic recession. The intense capitalization required in the business of ski area management and the time necessary to depreciate the facilities make it absolutely necessary to carry out prior analysis of the overall economic conditions of a country in which a resort is projected.

Everywhere in the world where winter sports are a major activity, the country itself has a solid internal ski market. There is no example of a country that can depend only on foreign skiers. So we must first analyze the internal market.

To conclude this description of "the ski equation" we must bear in mind that the three elements -- the customer, the product, and the environment -- often change in combination and very rarely independently. The future of ski resorts, either already in existence or to be built, must be analyzed through the constraints weighing on these three components taken together and not separately. This analysis must be up-dated as often as possible to take into account a world which is changing ever more rapidly. Listening to customers, adapting products and services, and being aware of the changing environment -- these are three essential elements which ski resort managers must always bear in mind.

## **II- What is the future for resorts in the 21st century?**

The coming of the year 2000 is an important step for the Western world. I'm not going to talk about the problems generated by adapting computer systems for the Year 2000 bug, rather, the psychological aspects of this change. This gives us the opportunity to take measure of the past and to project ourselves into the future. Forecasting is tricky business: from what we know about probable changes in our customers and our environment, what are our key strengths and what must a ski resort acquire in order to exist in 40 years time?

### **1. Changes in Our Customers**

It is a commonplace today to say that we're living in a constantly changing world. Traditional models for segmenting populations into well-defined socio-professional categories are becoming less and less operational. Not only do people shift from one category to another more frequently, but also their behavior is no longer as typical as in the past. It is nonetheless possible to draw general lines in developed countries which will possibly have an impact on the future of our societies. CDA has observed these trends in qualitative and sociological studies carried out in France. Extrapolating these results to other countries seems possible with a few modifications to adjust to cultural specificities.

The first trend which we see in winter sports customers is a return to individualistic values-- within small groups, mostly in families. Group trips are still popular among foreigners, because they allow lower prices. Single day ski trips for groups -- for example ski clubs in buses, or youth groups-- for the same reason. But our customers seem to want to be alone in small groups. They are switching from a "do it for me" phase to a "do-it-yourself" phase, that is from an all-inclusive package to an individualized, item-by-item approach.

This trend has an important impact on our activity. Skiing is a sport involving a lot of people but practiced by individuals who form small groups in order to do so. This desire for a friendly atmosphere can be seen in customers' preferences for lifts carrying four to eight persons and their relative dis-favor with high-capacity gondolas, for example. By the same token, drag lifts are not favored because they are uncomfortable and solitary.

Various types of lodging must deal with similar problems. In the '60s and '70s, large condominiums were built in French resorts. At the time, customers focused on practicality and economy. These buildings, which counted as many of 700 apartments, have lost favor to smaller, "people-friendly" buildings. Nothing guarantees that today's trend will continue 20 years from now, but housing units have a 50 year lifetime -- in Europe at least. So that the possibility of modification has to be "built-in" wherever possible.

Today's customer is seeking new and different experiences -- this is the second major trend. The birth of mass-market skiing 40 years ago is due in part to the fact that it was new and fashionable. In the 21st century, people will want to be individualistic--to distinguish themselves--and to try different things from their neighbors. The difficulty will be to offer new products and services so that they will continue to come to resorts. The best way to keep or to gain these customers who want to try everything is to offer the widest range possible.

The appearance of snowboards a few years ago generated calls to create new products and services by bringing new customers, most of whom were younger and some of whom had never skied before. Today, a number of our customers are both skiers and snowboarders and are also interested in other forms of winter sports. These customers value freedom, strong sensations, and emotions. The poor success, in Europe at least, of skating rinks in resorts is an indicator of our clients desire to try different experiences from what they are used to.

Finally, we can also indicate the increased emphasis placed on quality and security. This is true for all aspects of life but especially for leisure activities. Possible selection of leisure activities is extremely large and service quality is a key factor in customer choice. Once again, it is an absolute necessity to go in the direction of the customer through questionnaires and surveys. But, in terms of customer satisfaction, if we don't move forward, we move backward. Customers become quickly accustomed to a given level of quality and this must constantly be increased to maintain the same level of satisfaction.

We must not be mistaken as to quality standards. I think that quality certification according to ISO norms is not the right standard--customer satisfaction is the only measurement of the quality of product.

Security is also in ever-increasing demand, even though this may seem to go against the notion of freedom mentioned earlier. We were extremely surprised, in our customer surveys, to learn the than customers' chief fear when they take chair lifts for gondolas is that they fall! For professionals such as us, what is obvious, is a fear so strong among many of our customers that it might keep them away.

## **2. Changes in Environment**

There are two major types of probable changes in our environment: the relationship with nature and its conservation and the international economic environment.

Our activity is practiced in an exceptional natural setting -- this is one of our strengths. In a number of countries, regulations concerning nature conservation are more and more strict and in some cases threaten the very existence of winter resorts.

Restrictions placed on the construction of new, more efficient ski lifts, or snow guns, because the natural balance of fauna and flora would be threatened or the overall natural environment would be damaged are illustrations of this. This is a reality and a threat which we must deal with -- though we can fight with words, we must recognize that this is a serious, long-term trend that we have to take into consideration in our growth policies.

In this area, an ounce of prevention is worth a pound of cure. The solution must be based on prevention, teaching, discussion, and negotiations with all concerned partners: administrations, nature conservationists, neighbors, etc.. Experience has shown us that the earlier we deal with these issues, the greater the chances that our projects will succeed.

Changes in the political and overall economic environment are sometimes more difficult to discern. Equally so, as far as our business is concerned, climatic changes.

No economic activity can claim to be sheltered from major changes in the economic environment, whether favorable or unfavorable. The trend is toward globalization. A drought in Australia can have favorable consequences on the income of American farmers and indirectly generate greater consumption of leisure activities in United States. The boycott of France to protest nuclear testing had a measurable effect on visits to French ski resorts from some European countries in 1997. Lack of snow in a given year at Christmas has an impact on the following Christmas. When a major leisure park opens in one country, leisure activities in other countries, including skiing, may be temporarily affected.

I could give an infinite number of examples to prove that leisure activities -- and skiing in particular -- are especially sensitive to external events. Obviously, we can't foresee everything. All of them do not have the same probability of occurring and nor the same impact on our business. However it is the responsibility of every ski resort manager to look into the future and at his environment. The nature of our business, the amount of long-term capital required, and the impossibility of moving our resorts or converting them into something else make it necessary for us to monitor our environment very carefully and to project various scenarios in order to deal with the events which we have identified as the most likely to occur.

One final environmental risk poses a potential threat: global warming appears to be a certainty in the long-term. The 1990s have been the warmest decade of the century. It

seems foolish to expect a decrease in gas emissions and the greenhouse effect, because this question is so politically sensitive, especially in major industrial nations. The fact is --global warming is a threat. Its impact is still difficult to identify in each part of the world. For us, the best solution appears simple -- altitude. The higher we go, the colder it gets. To me, the future appears rosier for higher altitude resorts than for lower ones.

## **Conclusion**

The future of ski resorts depends on the capacities of their owners and managers to listen to their customers and to adapt to a constantly changing environment along with providing good products and services.

Resorts appear and disappear each year. Those which have the greatest chance of remaining in business for the 16th Congress of the OITAF--in 2047--are those which will have adapted themselves. High altitude resorts, offering their customers what they seek:

- today, a diversified leisure package focused on snow sports, combining the highest quality and the greatest security,
- tomorrow, our customers may have other demands, our environment will surely have changed and therefore our products and services will have to be adapted to these new conditions.

The capacity of each one of us to be in tune with the world around us and to adapt seems to me to be the single most important strength necessary for the 21st century.