



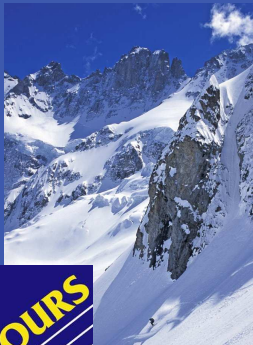
Roadmap data
Heterogeneous models

Data Analysis
Adapting strategies to models

SYMPOSIUM ZERMATT - Gilles GUYOMARD - CONTOURS Chief Executive



A Bird's-Eye View of European Alpine Markets



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INTRODUCTION

- Before attempting to take a panoramic snapshot of ski slopes in Europe it is useful to keep in mind the observation made by the French Tourism Ministry:

"According to the country, the documentary data bases, calculation and measurement methods are not the same, and are at times even very heterogeneous within the same country... The upshot is that although coming up with a quantified "panoramic" view of the European winter sports offer, which was one of the key issues of the study, proved impossible, it has become one of its strong recommendations..."

- Despite this somewhat discouraging introductory observation, but to which we subscribe, we will attempt to come up with a "roadmap" based on some simple facts and figures.



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Roadmap data

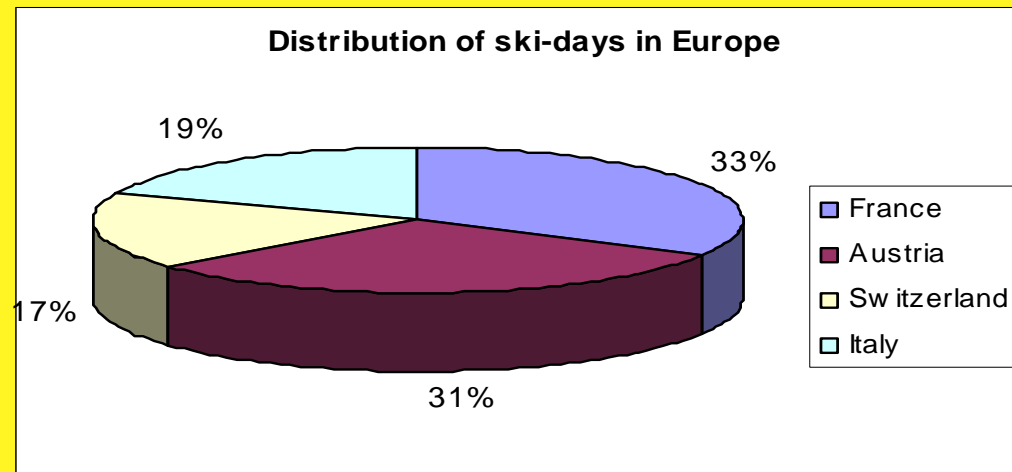




ROADMAP DATA

SKI DEMAND

- Some 80 to 100 million people around the world are skiers (source: France Neige International).
- 250 million ski-days are sold in Europe every year (of which 150 million in the 4 leader countries).



Source: DEATM



ROADMAP DATA

SKI OFFER

- The four European leaders have approximately 1,600 resorts, upwards of 11,000 ski lifts and can serve 10,500,000 people/ hour.

	Resorts	Ski Lifts	Flow
France	22%	34%	35%
Austria	36%	27%	32%
Switzerland	21%	20%	13%
Italy	21%	19%	20%
	100%	100%	100%

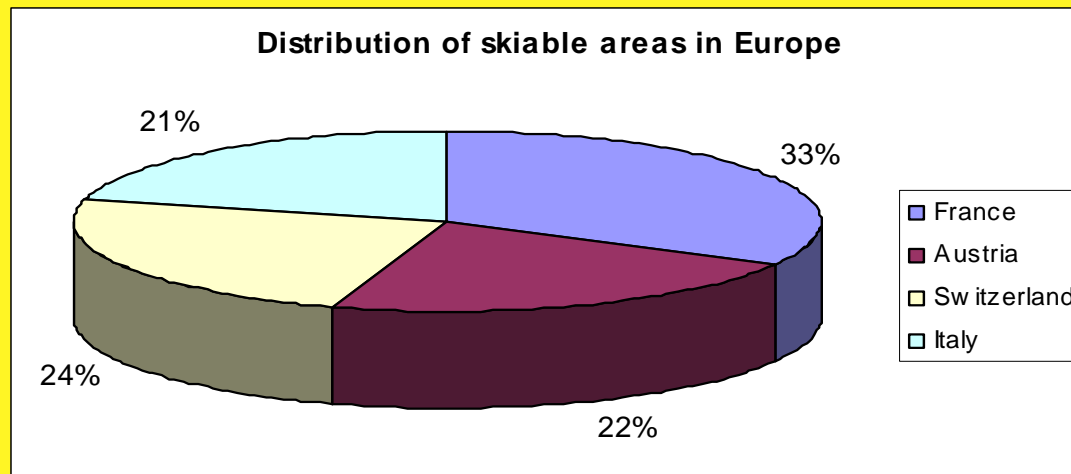
Source: Stratégie marketing Savoie – Haute Savoie 2006/2010.



ROADMAP DATA

SKI OFFER

- The four European leader countries have approximately 356,000 hectares (879,695 acres) of skiable areas.



Source: DEATM



ROADMAP DATA

SKI PRICE

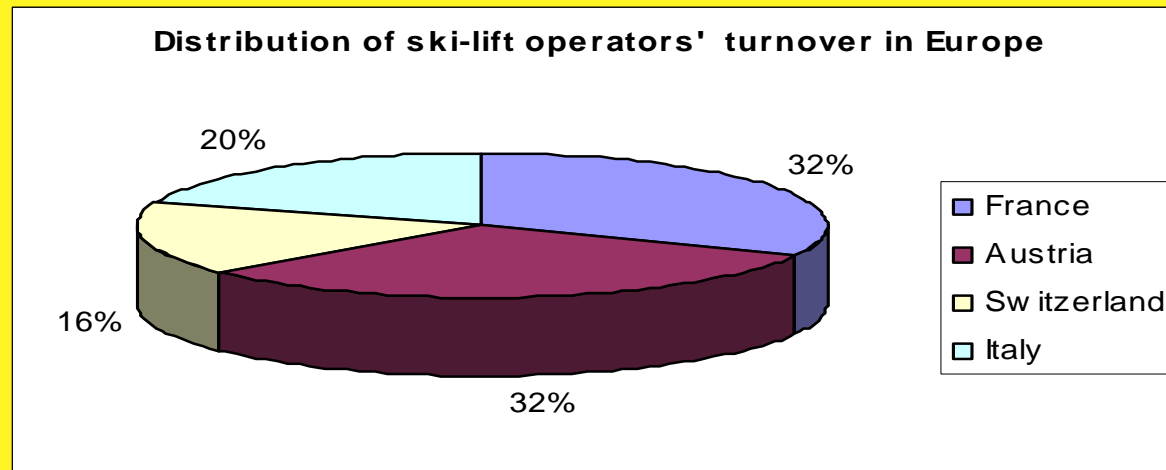
- In the four European leader countries, the average ski pass list price is around 30€ for most skiers. This price varies enormously from one resort to another and from one country to another.
- The average price of a ski day (turnover/days) is discounted by around 60%, i.e., an average rate of about 18/19€ (by way of reminder this figure is of 24€ for the Cie des Alpes).
- A 2004/2005 DAILYSNOW.com study shows the following differences between the principal European countries:
 - France: 100 (reference base)
 - Italy: 101
 - Austria: 101
 - Switzerland: 116



ROADMAP DATA

SKI TURNOVER

- Ski-lift operators in the four European leader countries have aggregate annual turnover of approximately 3 thousand million €.



Source: CDA

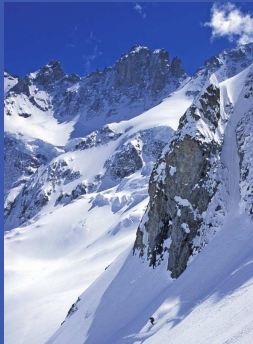


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Data Analysis





DATA ANALYSIS

ANALYSIS OF SKI RESORT SIZE

- Based on the foregoing data, we can identify various resort models:
 - **Austria:** many resorts (area, number and capacity of ski lifts), with the highest average capacity per lift in Europe.
 - **France:** 40% less resorts than in Austria, but of almost twice the size (area, number and capacity of ski lifts).
 - **Switzerland:** as many resorts as in France, but of a size (area, number and capacity of ski lifts) more on par with Austria than France.
 - **Italy:** as many resorts as in France, but of a size (area, number and capacity of ski lifts) more on par with Austria than France.



DATA ANALYSIS

ANALYSIS OF SKI RESORT ACTIVITY

- Based also on the foregoing data, various resort models can be identified:
 - **Austria:** 90,000 ski-days per resort, i.e., 45% more than the European average per hectare.
 - **Italy:** 90,000 ski-days per resort, i.e., slightly above the European average per hectare.
 - **France:** 150,000 ski-days per resort, i.e., the European average per hectare.
 - **Switzerland:** 80,000 ski-days per resort, i.e., 25% less than the European average per hectare.
- With the exception of Switzerland which confirms its “wide open space” model, all the countries have a ratio from 14 to 16,000 ski-days per lift (i.e., 15 hours per season of maximum theoretical capacity).



DATA ANALYSIS

ANALYSIS OF SKI RESORT PRICES

- The differences between the four European leader countries are not very significant, Switzerland being the only destination differentiating itself by its significantly above-average prices.
- Applied per skiable hectare, these differences are even more marked, showing France's competitive "ski" advantage:
 - France: 100 (reference base)
 - Austria: 159
 - Switzerland: 135
 - Italy: 169



DATA ANALYSIS

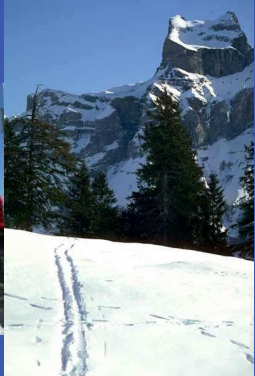
ANALYSIS OF SKI RESORT SIZE

- Based on the foregoing data, various resort models can be identified:
 - **France:** the turnover by ski lift is approximately 240,000€.
 - **Austria:** the turnover by ski lift is approximately 300,000€.
 - **Italy:** the turnover by ski lift is approximately 270,000€.
 - **Switzerland:** the turnover by ski lift is approximately 200,000€.
- This is where France pays dearly for its competitive advantage, and maybe Switzerland for its high prices!



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Heterogeneous models: the French case





HETEROGENEOUS MODELS

Heterogeneous models

- A country data analysis highlights very contrasted situations between countries.
- But, even within a same country, the models diverge even further.
- The French example allows illustrating the extent of such variations by analyzing the respective market share of the top 15 French ski-lift operators (classified on the basis of turnover – source: Montagne Leader).

N.B.: these 15 operators represents 5% of French ski resorts.



HETEROGENEOUS MODELS

Weight of top 15 French leaders

- The 15 French leaders represent 60% of total ski-lift sector turnover.
- Their turnover per ski-day is on average close to 23€ while the national average is roughly 18/19€; this means that for 95% of ski resorts, the turnover per ski-day is about 8 to 10€.
- The turnover per day of opening for the 15 leaders is on average 265,000€ as compared to the national average of 75,000€; meaning that for the other 95% the turnover per day of opening is less than 30,000€.



HETEROGENEOUS MODELS

Origin of the customers of the 15 French leaders

- About 95% of the business of the 15 French leaders is generated by ski stays (stay-overs at ski resorts or in the hinterland).
- 90% of French ski resorts' foreign customers go to the 15 French leaders, 40% of whose customers are foreign.
- The percentage of persons coming from/returning to their principal residence to ski for the day increases concomitantly with the decrease in the size of ski resorts (in small resorts close to cities/large urban centres it can represent the large majority of skiers).



HETEROGENEOUS MODELS

Marketing implications of this situation...

- The 15 French leaders operate on a European stay-over market.
- The other resorts operate at best on a national stay-over market, and at worst on a regional one-day ski trip market.
- However, customer expectations are diametrically opposed on those markets:
 - On international markets, the quality of the “ski product” is essential, and price sensitivity is low.
 - On “proximity” markets, the quality of the “ski product” is far less important, while price sensitivity is high.



HETEROGENEOUS MODELS

Heterogeneity of models and territorial strategies...

- The foregoing data clearly show that the ski sector is dominated by a small number of players, operating in a market situation that is in sharp contrast to the average situation.
- Despite this, across Europe, this business continues to be viewed in terms of territorial strategies, which are increasingly at a remove from the reality of the economic activity they aim at supporting.
- This situation is, of course, explained by considerations that are more political than economic.



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ADAPTING STRATEGIES TO MODELS

Fragility of the small resort model...

- Faced with significant investment challenges (renewal of installed base of aging ski lifts, tracing of tracks not always rational, not enough snow etc.), small and medium-sized resorts have a volatile and price-sensitive customer base.
- This being the case, few will survive without local government intervention.
- Although not the topic of this analysis, it would doubtless be interesting to know how this intervention currently takes place in European countries, and up to what point it is compatible with Community rules on intervention by public authorities in the field of competition.



ADAPTING STRATEGIES TO MODELS

Strength of the large resort model...

- Conversely, for the most part, large resorts have working tools that do just that, with customers who are committed skiers and not very price sensitive.
- Everything would be just fine if there was sufficient renewal of this customer base, so that “taking market share off a neighbour” would simply represent the “last frontier” in marketing terms.
- Unfortunately, this is not the case, and large resorts will all have to figure out how to attract new skiers in an unfavourable context.



ADAPTING STRATEGIES TO MODELS

On the need to really get to know your customer...

- The fact that Regional Authorities and States develop territorial strategies based on a refusal to differentiate between resort models makes political sense.
- The fact that the most powerful resorts and their ski-lift operators subscribe to such strategies doesn't.
- In the years to come, concrete understanding of the characteristics of ski resorts' customers, in particular of their consumer habits and satisfaction with the different services offered, will be a prerequisite to the implementation of effective marketing strategies, both in investment and organizational (services, prices or promotions) terms.



ADAPTING STRATEGIES TO MODELS

On the need to really get to know your customer...

- To put it differently, it is somewhat absurd to come up with rough and ready (“ballpark“) marketing strategies for ski-lift operators generating annual turnover in excess of 10,000,000€, in resorts with a business volume of around 50,000,000€.
- The difficulty in deciding to invest 0.2% of turnover in market research, in rational and ongoing observation of customers, is not a financial difficulty. Rather, it is explained simply by the difficulty from shifting from a 1970s “creative management” mindset to an “optimization management” mindset, which will be that of the decades to come.