

# 2010-11 Ski/Snowboard Industry: Season Wrap-up



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MARTINSVILLE, N.J., May 10, 2011 /PRNewswire/ -- In most parts of the U.S., skiers and snowboarders alike enjoyed superb conditions this past season. Many resorts, particularly those in the Western U.S., reported snowfall totals that were well above average, with some surpassing all-time records. For the most part, meteorologists attribute these totals to the la Nina weather pattern. These robust snow totals, combined with a later-than-usual Easter holiday, allowed many resorts to stay open weeks later than in prior years. It is interesting to note that while some resorts pride themselves on staying open deep into the spring and late-season skiing is prized by skiers/snowboarders, a later closing date does not always produce markedly higher profitability for the resorts. Although avid skiers/riders may continue to come out later in the season, the more casual enthusiasts generally begin to divert their attention to other activities when the mercury begins to rise. Overall though, it seems as though it was a strong year for the snow sports industry.

Although national totals are not yet available, early indications are that total skier days should be up in the low-to-mid single digits. Supporting this, Vail Resorts recently reported a 3.9% rise in skier days for the year, with ticket revenues and spending in ancillary categories such as dining, ski schools, and retail/rental coming in even stronger. After relying heavily on discounting in prior years to support demand, ticket prices seem to be edging back up and are likely to increase further next year, potentially indicating that resorts believe that the rebound in the industry is trending towards self sustainability. Resort lodging also seems to have had a solid year, with occupancy in the Western U.S. up 6%. Likewise, pricing in this segment also seems to have stabilized, with average daily rates increasing 1% over last year.

Echoing the gains by the resorts this season, snow sports retailers had a strong year, tallying sales of \$3.3 billion. This number broke the all-time sales record of \$3 billion, set during the 2007/08 season. Furthermore, it seems that price stabilization has occurred in the retail market, with sales growth outpacing unit growth by 4 percentage points. Leaner inventories allowed retailers to avoid some of the deep discounting that typically occurs towards the end of the season. Additionally, leaner inventories last year meant that stores had less carry-over merchandise to discount and sell this year. Considering these efficiencies, margins for equipment and accessories rose 10%, while margins for apparel edged up a more modest 4%.

Even considering the strength in the overall snow sports retail market, the youth segment has performed even better, with sales up 19% over the past year. Retailers and resorts alike see the huge growth potential in this area and recognize that bridging the gap to the next generation of winter sport enthusiasts will be key to the industry's long-term health. To capture this growth potential, equipment manufacturers have been developing new lines aimed at the "tweener" market that feature similar designs to those of the adult lines, but at a more modest price point. Resorts are getting in on the action as well, increasing youth-focused programming and other attractions geared towards getting young people out to the mountain. Other resorts have introduced GPS tracking systems that allow parents and instructors to locate children on the mountain and give users the ability to download run data at the end of the day. Another movement in the youth camp is the push for safety, with New Jersey becoming the first state to mandate helmets for skiers/riders aged 17 and under. Interestingly, some helmet manufacturers have expressed opposition to expanding such laws, arguing that mandating what constitutes a "good" helmet would be more beneficial considering that 74% of those in the age group already utilize a helmet of some sort.

As the economic recovery has picked up steam on the backs of accommodative monetary and tax policy, pent up consumer demand for discretionary items is beginning to translate into confidence and spending. With that, although we feel that good snow certainly played a part in boosting the snow sports industry this season, we also believe that the gains in the industry can be traced to the strength in overall consumer discretionary spending. The confluence of these two factors helped continue the rebound in the industry and gives hope for next season as more consumers find the excess funds to make it to the mountain.

## *Condor Capital*

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