

Guest Editorial: Ski Industry Will Buck the Travel Industry Downturn

Written by By Ken Schapiro

Tuesday, 17 November 2009 14:52



This Ski Press Guest Editorial was written by Ken Schapiro, President of Condor Capital. For more on Mr. Schapiro, see the end of the editorial: "The ski industry was on a slippery slope last year to say the least, with across the board double digit declines in tax revenue, retail and lodging sales, and occupancy rates. The first half of the 2009-10 season will be challenging once again, but all signs are pointing toward a relatively modest 3% to 5% revenue drop for the mountain resorts nationally, which compares quite favorably with overall travel industry declines.

Through August, hotel occupancy nationally had dropped to 57% - the lowest level since 1987. But many ski resorts read the tea leaves from last season and adapted their marketing strategy to make the best out of a weak market. Last season, lift ticket revenues and visits were down, but skier visits increased due to the impact of heavily discounted season passes as part of an ongoing marketing shift toward more local/regional skiers. At the same time, the resorts have been offering out-of-state tourists special deals on everything from airline fares, to lessons, to food.

The incentive push seems to be working, and lodging and slopes close to metropolitan areas such as New York, Denver and Los Angeles stand to benefit the most as residents stay closer to home. Bookings at ski resorts made in August for all future arrivals were up 2 percent year-over-year. Skier visits at Vail's five mountains are expected to rise 2.4 percent this season, nearing the 6 million mark.

Vail forecast in September that earnings before interest, taxes, depreciation and amortization from its mountain operations and its lodging component would climb as much as 9.9 percent to \$188 million for fiscal year 2010. Starwood Hotels & Resorts Worldwide Inc., the third-largest U.S. lodging company, is also reporting an improvement at its ski resorts from last year.

In the end, good weather and a good deal bring out the skiers and we expect the ski market to get a boost from suggestive free advertising from the Winter Olympics, X Games and other sports. Condor Capital is forecasting that industry revenue will be down 5% to 8% in the first half of the 2009-10 season, while remaining flat year-over-year in the second half. People will be spending less, so revenue will be down, though occupancy will be up.

Part of the revenue story is the fact that the trend in the snow sport population is toward youth. Not just in snowboarding - the fastest growing sport in America in the 1990s - but also in skiing with the advent of twin-tipped skis allowing for greater aerial possibilities. This population wants cheap passes for both skiing and on-mountain terrain parks as well as après-ski bars and village

nightlife - a fact not lost on resorts nationwide.

Vail has a huge advantage over its competition because of the attractiveness of its five mountains. And there are some positive signs in Vail beyond the cheap passes. Two new luxury hotels - The Ritz-Carlton and the Marriott - will open this season and the Lionshead Village was restructured with restaurants, shops and multi-million dollar condos.

The trend in snow sports is toward bigger resorts with smaller resorts dying out. Luxury hotels and accommodations, village shopping, non-skiing on-mountain activities such as tubing, ice skating and snowshoeing, and five-star dining are all strong attraction points.

But the trend toward larger and more luxurious resorts did not prevent the recent downgrading of a luxury hotel in Aspen. Negotiations for the new development have been ongoing for the last six years and the developer recently announced the size of the project would be reduced 20% and the accommodations would be moved from luxury to a lower price point - a red flag for an industry that seems to be going in the opposite direction.

The ski industry obviously will have a challenging season, but resorts across the nation are hoping that the latest incentives - such as the buy three plane tickets get one free being hawked in Jackson Hole - will be enough to reverse the ominous trends of last season.

Ken Schapiro is President of Condor Capital, an SEC-registered investment firm based in Martinsville, N.J. As a 40-year veteran on the snow, Schapiro has logged over 6 million vertical feet helicopter skiing in the Canadian Rockies. FOMO: www.condorcapital.com