Projected Demand and Visitation for U.S. Ski Areas

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This report presents information related to the likely projected demand and skier visitation at U.S. ski areas over the next ten to fifteen years. The report is based on statistics from ski areas nationally as well as U.S. population projections (U.S. Census Bureau), the NSAA Model for Growth and other relevant information. Additionally, this report refutes a number of the arguments and conclusions put forth in an analysis titled "Downhill Skiing Needs Assessment for the Bitterroot and Lolo Forest Plan Revisions," authored by former USFS Winter Partnership Coordinator, Ed Ryberg and dated September 30, 2005 (hereinafter the "Ryberg Assessment"). Apart from flaws relating specifically to the Rocky Mountain Region and Montana ski areas, the Ryberg Assessment presents conclusions on the future growth of the industry at the national level that are not supported by current statistical evidence. The Ryberg Assessment inaccurately paints an unfavorable picture of future participation in skiing and snowboarding based on a questionable analysis of current demographic and other trends.[1]

Contrary to the conclusions of the Ryberg Assessment, the ski industry is poised for growth, sophisticated in its approach to effecting changes to achieve growth, and can expect to record **a 60+ million plus skier/boarder visit season within the next five years**. Additionally, the Ryberg Assessment's analysis of supply (capacity) and demand (utilization) in the ski resort industry is flawed. Finally, the analysis in the Ryberg Assessment disregards the very significant impact of destination visitors in the overall projection of likely demand at certain U.S. ski areas. Based on these flaws and the limited applicability of the Ryberg Assessment, it should not be considered by the Forest Service in the context of resort analyses across the U.S.

PROJECTED NATIONAL VISITATION: AN OVERVIEW

In the spring of 2000, The National Ski Areas Association introduced the Model for Growth as a method for critically analyzing the future of the snowsports industry. Its initial value was its ability to identify and quantify the impacts of

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[1] Apart from questionable demographic trends, the Ryberg Assessment cites global warming and an increasingly overweight population as additional challenges to future growth of skiing and snowboarding. It is important to recognize that scientists view climate change as a long term problem, and that current models for predicting the impacts of climate change are based on 50+ year projections. In fact, the projection included in the Ryberg Assessment from the IPCC is a ***100-year projection***. Moreover, these projections assume a "no action" scenario with respect to regulatory measures that could significantly reduce CO_2 emissions in the future. Finally, U.S. ski areas are situated to adapt to changes in climate based on significant investment in modern, computerized snowmaking equipment, as well as the diversification of activities offered, both in winter and summer, at U.S. resorts. Additionally, notwithstanding that the increase in the incidence of obesity is generally acknowledged to disproportionately impact Americans with incomes under $30,000 (which is not the skiing and snowboarding target market), it is paradoxical that the Forest Service would advocate *limiting* recreational opportunities for winter sports when such limitations will only exacerbate the obesity problems in this country. An increasingly overweight population is justification for increasing recreation opportunities, not decreasing them.

various obstacles that needed to be overcome in order to grow the sport. Unfavorable demographic trends, climate change, time poverty, increased alternative leisure activities, and an overweight population were all identified as potential obstacles to achieving growth. During the 2005/06 season, NSAA undertook a second major update to the Model for Growth. This update assessed progress made in achieving conversion and trial goals, gains or losses in the core skier/rider retention rate, and measured each region of the country's individual conversion and retention rates, as well as visitation projections over the next fifteen years. An overview of key trends at the national level and their implications for U.S. ski areas is provided below.

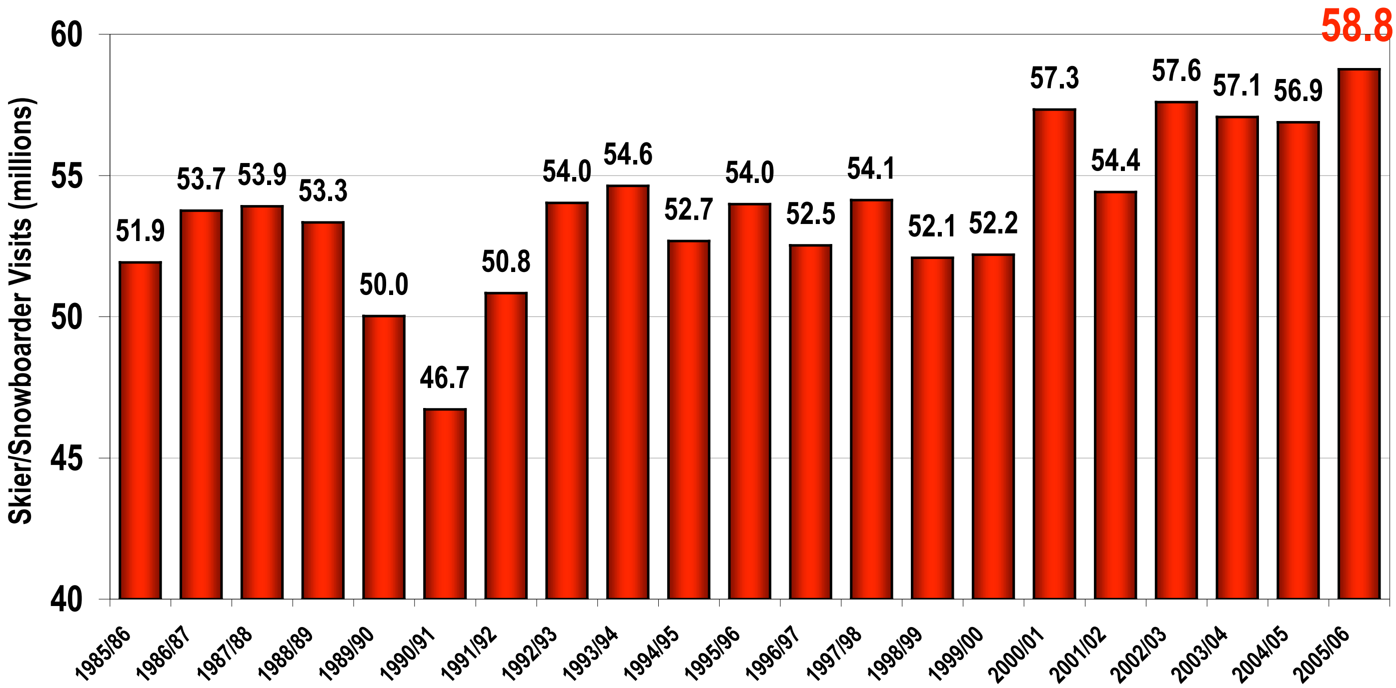
The Future that Wasn't

In 2000, the Model for Growth estimated that only about 15 percent of beginners were converted to core skiers/boarders in a given season. Given this low conversion rate, it was projected that under a "do nothing" scenario, total skier visitation numbers might be as low as 47.3 million skier/boarder visits by the winter of 2004/2005, with the largest visitation declines projected in the "beginner" category (a 9 percent decline by 2004/2005). While retention of core skiers and riders was estimated at a relatively high per season average of 80 percent, tremendous concern existed about future dropout of baby boomers. Based on these observations, the industry decided the most efficacious strategy to grow the sport was through a combination of trial and conversion. Resorts across the country devoted significant resources towards improving conversion rates, increasing trial, and at the same time, providing a quality experience for their core customer base. **These efforts yielded significant results**.

Since 1998/1999, the baseline performance year chosen as the starting point for the Model for Growth, skier visits have grown by 12.8 percent, with an average annual rate of growth of about 1.8 percent (see Figure 1). The baseline performance has been elevated from about 52 million annual skier visits in the 1990s to about 57 million visits in the decade of the 2000s. **During the past season (2005/06), national skier/snowboarder visits hit an all-time record of 58.8 million visits**, up 3.3 percent from the previous season and up 2 percent from the previous record set in 2002/03 (see Figure 1). Continuing a very strong trend, the top five seasons on record have all occurred in the past six seasons. These figures come as a direct result of resorts' continued focus on growing the sport and their success in continuing to appeal to Baby Boomers, while at the same time attracting younger skiers and snowboarders. The Ryberg Assessment overlooks these facts.

Every indicator suggests movement toward a 60+ million plus skier/boarder visit season within the next five years. While some challenges remain, the industry now has a much more sophisticated understanding of what interventions and methods are most effective in creating growth.

Figure 1
Estimated Skier Visits by Region
1985/86 - 2005/06



Sources of Growth and Challenge

In examining the exact source of the growth in skier/snowboarder visits, three factors emerge as having been critical to the recent success.

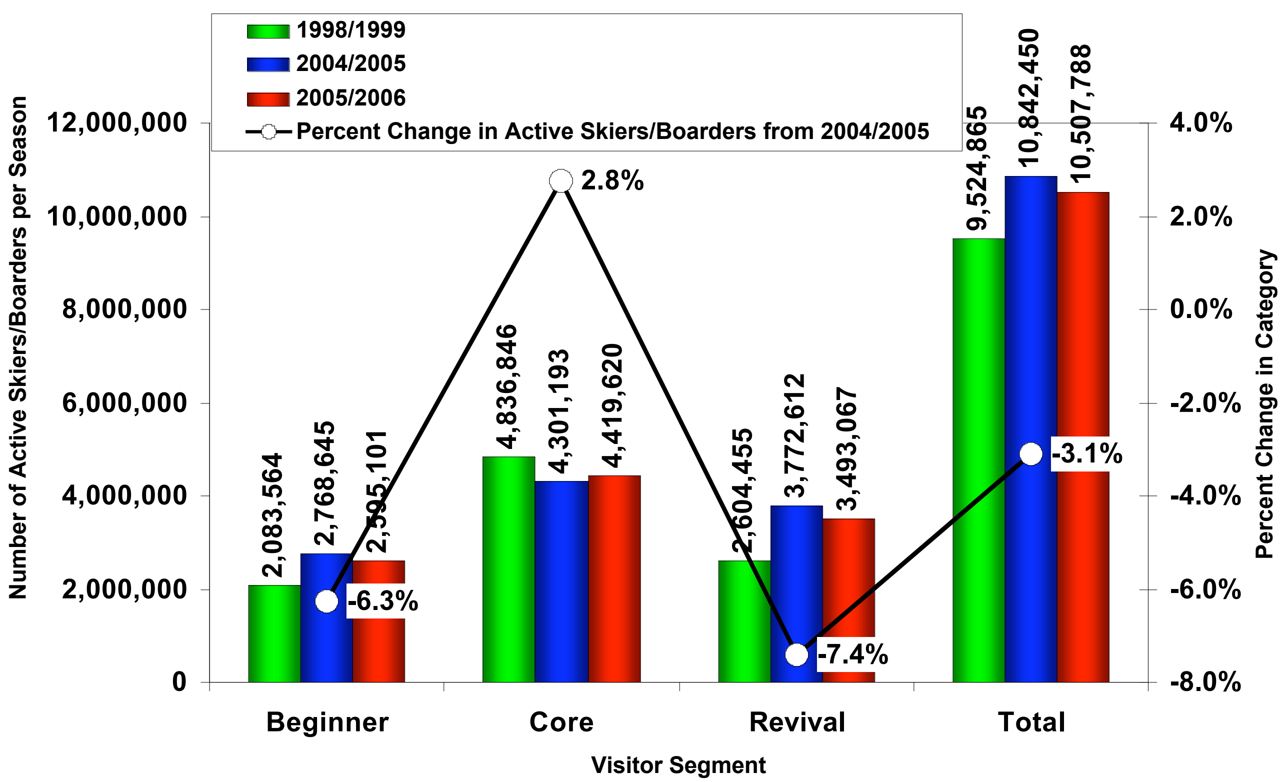
1) Creating significant levels of trial in the sport, while at the same time achieving modest gains in the beginner conversion rate;
2) The return of the revival, or lapsed, segment of skiers and boarders in greater numbers than anticipated; and
3) An increase in the average number of days skied/snowboarded per season for all skier/rider segments.

While the interaction of these three factors has helped to produce visitation gains, there are some underlying challenges that need to be addressed, particularly slow growth in the beginner conversion rate and declining retention rates for core skiers and riders.

Evidence of increased trial is undeniable. Since 1998/99 beginners have increased in absolute number by about 25 percent, to 2.6 million participants. Fortuitously, many of the strategies targeted at increasing trial also proved effective in bringing back lapsed skiers and riders; their numbers increased by 34 percent. Increases in conversion rates, however, have been more modest. The beginner conversion rate moved from 15 to 16 percent during the same timeframe, far short of the one percent per year goal set for the industry in 2000.

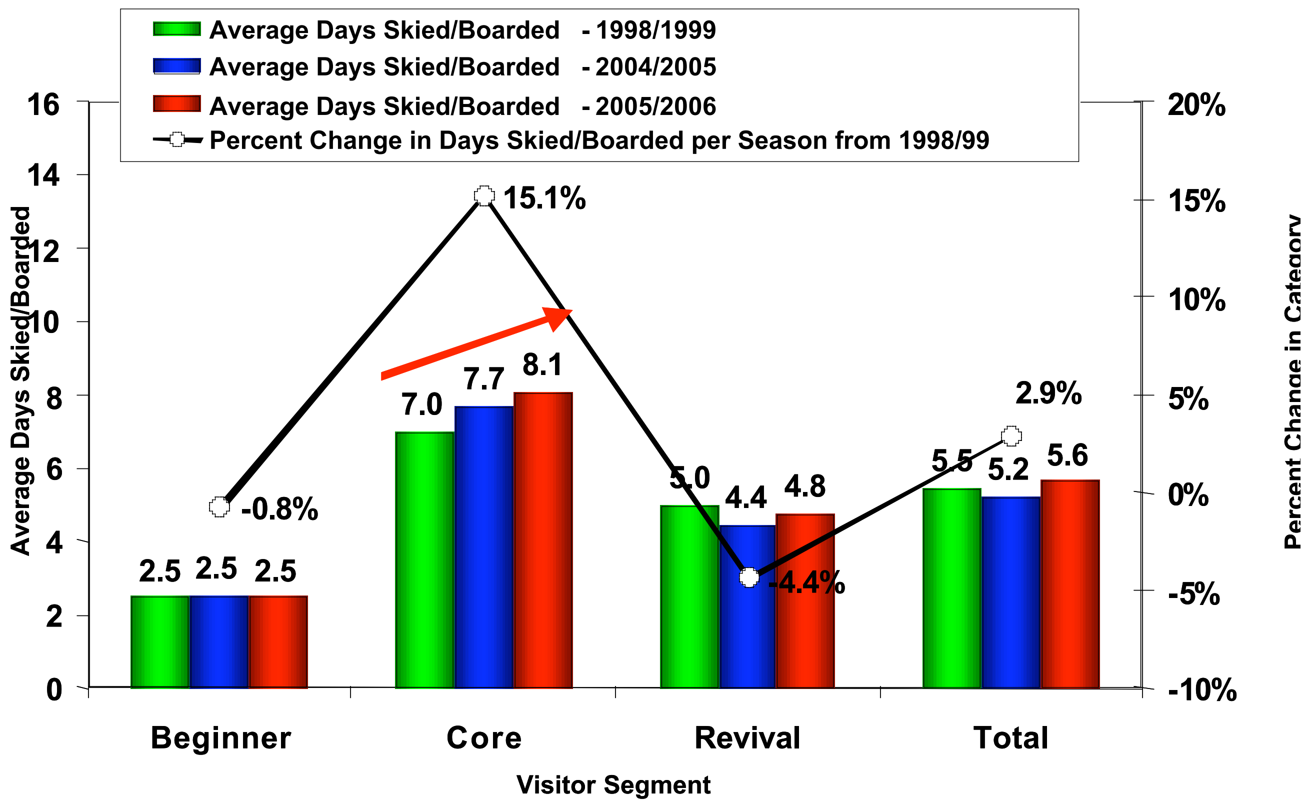
Moderating the positive of increased trial and lapsed participants is an observed 17 percent decline in the number of core skiers and riders (see Figure 2), and a corresponding decline in the retention rate for this core segment. Estimates from this past winter showed that the industry retained about 74 percent of core skiers and riders in a given season. This is down from the 80 percent core retention rate observed in the 1998/99 season.

Figure 2
Number of Active Skiers/Snowboarders by Segment and Percent Change:
1998/99 to 2005/06



Fortunately core skiers and riders made up for their reduction in number by an increase in the average number of days they skied/snowboarded per season. Since 1998/99 core skiers and riders have increased their average number of days on the slopes by almost 15 percent (see Figure 3). Overall, the average number of days skied per season is 5.6, up 2.9 percent from 5.5 in 1998/99.

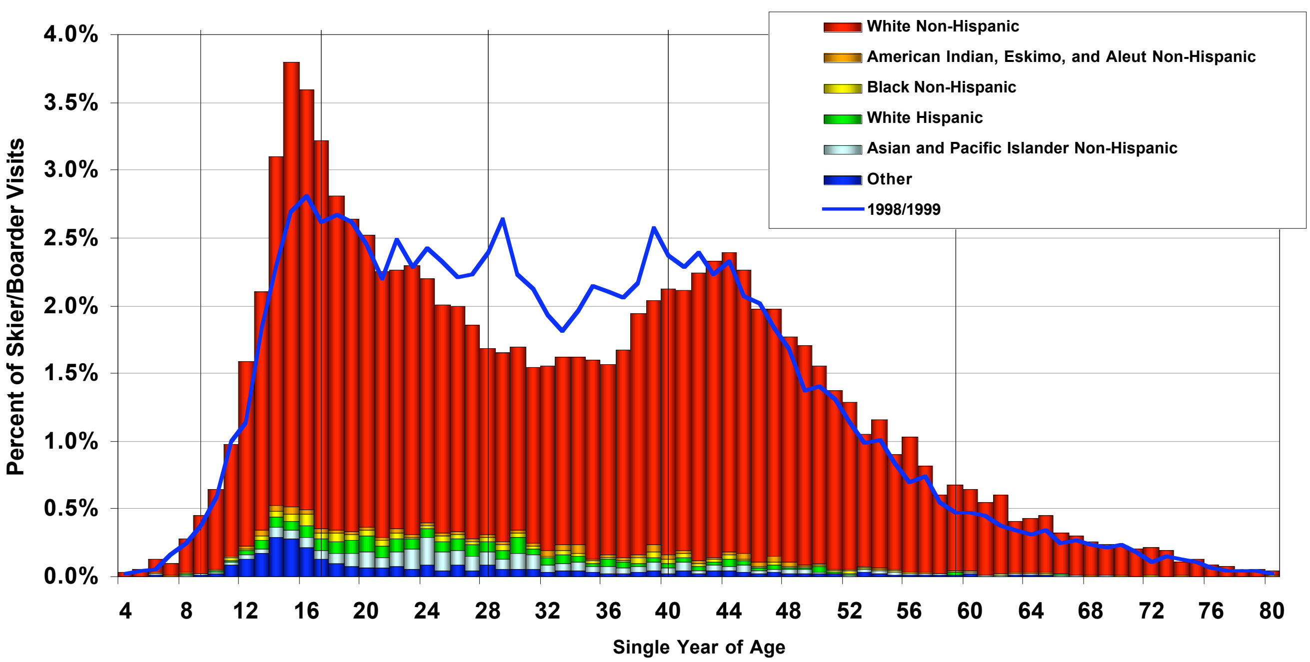
Figure 3
Average Days Skied/Snowboarded per Season by Segment and Percent Change:
1998/99 to 2005/06



While a pattern of increased frequency of use is desirable, the industry cannot rely on fewer people skiing/riding more and more days in order to make up for an ever-growing number of people leaving the core. It is clearly not a sustainable strategy. Plugging the leaks will result in a stable system and will yield greater returns. Over the next five to fifteen years, efforts to stop the erosion of the core while simultaneously maintaining trial and conversion goals will be critical to the growth of the ski resort industry.

Current data suggests that the core has two primary areas of vulnerability. One is the aging 41 to 59 year old baby-boomer segment; the other is the 29 to 40 year old Gen X segment (see Figure 4). Strategies relating to retention of the core must simultaneously target both of these segments, while at the same time maintaining the current strong levels of participation in the 20-year-old and under age groups.

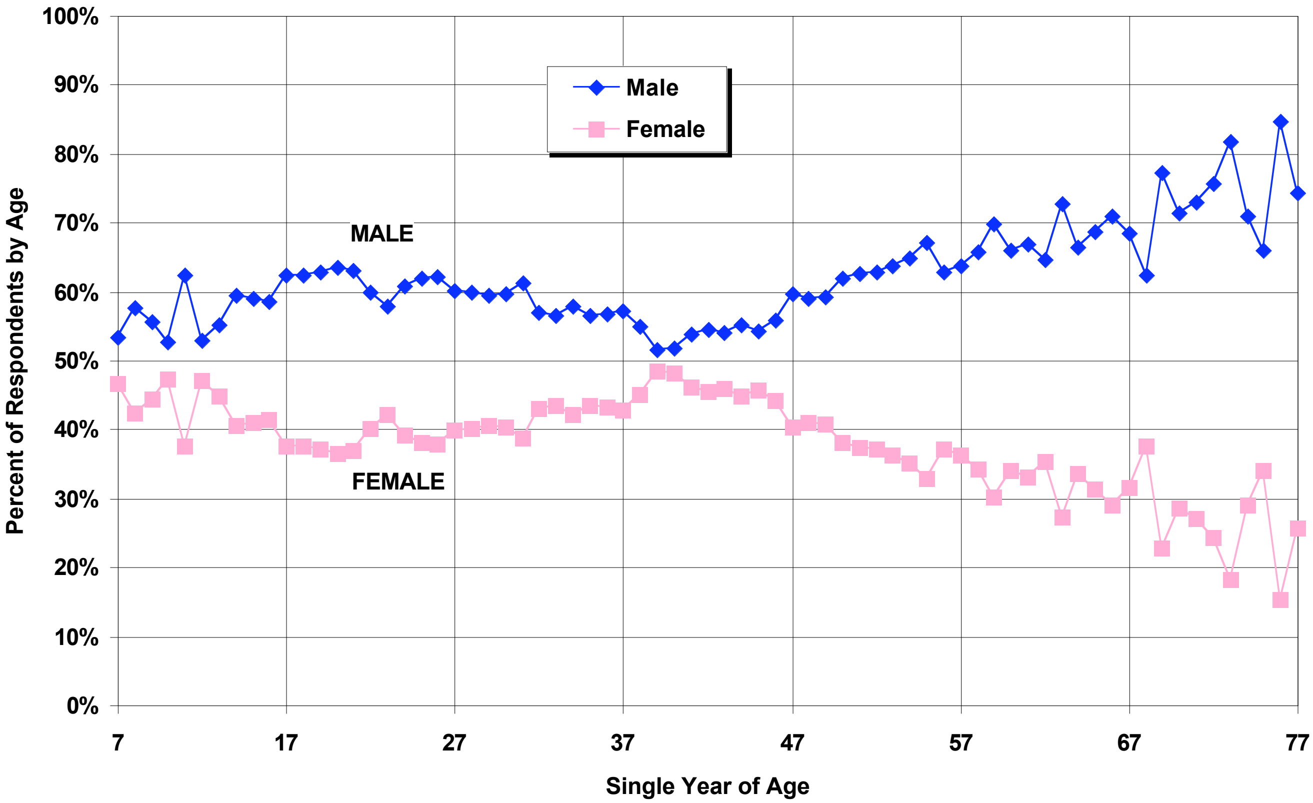
Figure 4
Percent of Skier/Snowboarder Visits by Single Year of Age and Ethnicity
1998/99 vs., 2004/05



Core baby-boomers will inevitably dropout of the sport as they reach their sixties. The rate of age-related dropout in snowsports hasn't changed much over the past seven years, a combination of physiology and sociology. While physiology may be beyond the control of the industry (though shaped skis and Advil have certainly helped), the industry might be able to influence some of the sociological factors. For example, gender-related dropout: data from the NSAA National Demographic survey show that after about age 40, women start dropping out of the sport, and not surprisingly, they pull their families with them (see Figure 5).

Some of the factors influencing this dropout are lack of a peer group to ski/snowboard with, safety concerns, an increasing desire to visit warm weather destinations, all combined with the perception that a skiing/snowboarding vacation is not a "relaxing" vacation. Highlighting safety, the strong family bonding element of the sport, and reducing hassle factors for older female skiers and riders, including the availability of newer and much improved equipment, would likely go a long way towards reducing the dropout rate for this group.

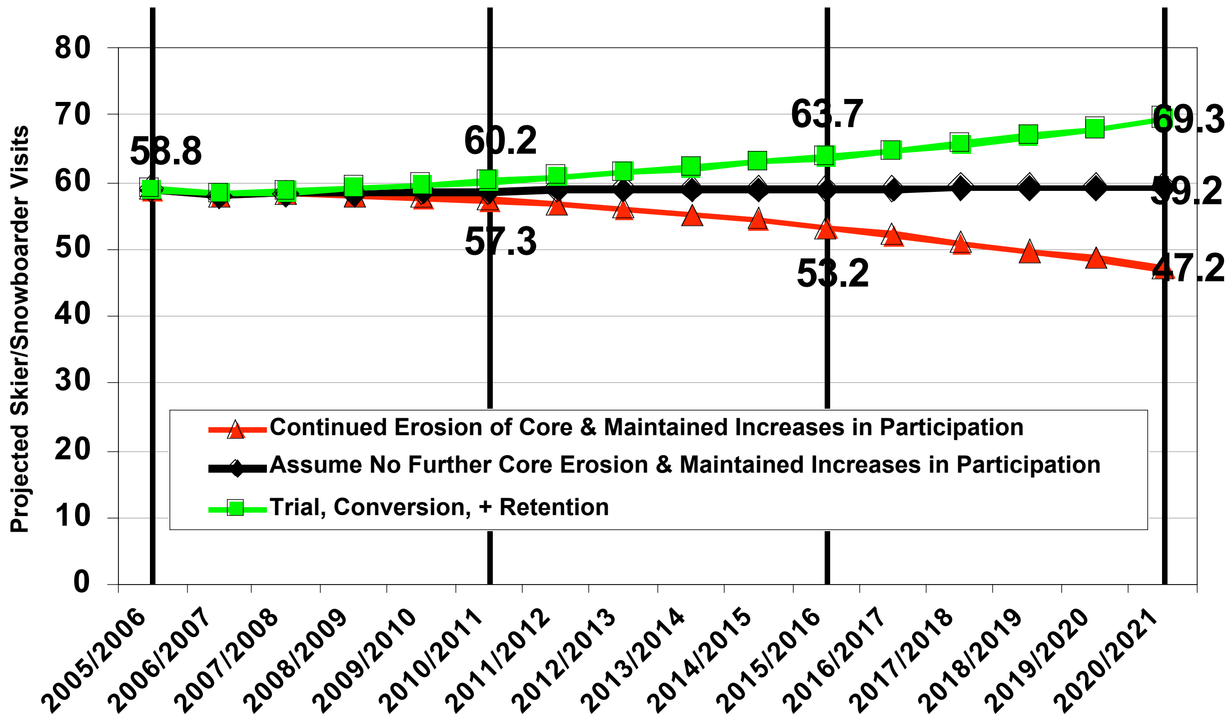
Figure 5
Gender by Single Year of Age
2004/2005



A decidedly different set of issues needs to be addressed for the 29- to 40-year-old Gen X segment. Since 1998/1999 this cohort has reduced its participation levels. Typically family and career pull them out of the sport in their mid to late twenties, and as their kids reach the appropriate age and their economic resources grow, they come back to the sport in their late thirties. Increasing this rate of return would stimulate growth in the industry. Programs that target young families would yield the best results for this age group. Again, this in large part is about reducing the hassle factor. Having quality childcare available, emphasizing lesson packages for their children, highlighting the desirability of a ski/snowboard trip over competing recreational activities, both in terms of health benefits and family fun, will help boost participation rates.

With all of the above factors taken into consideration, the revised Model for Growth indicates that a fairly modest combination of trial, conversion, and retention strategies can put the industry on a strong growth trajectory. Just assuming continued progress as observed over the past five years, with modest efforts made to plug the leak from the core, the Model projects about an 18 percent increase in skier visits to 69 million by 2020/21 (see Figure 6). However, two other scenarios in which the industry does not actively pursue the trial, conversion, and retention strategies project either "treading water" or declines in total skier visits. Notwithstanding these latter two scenarios, the industry is healthy and the future holds significant promise.

Figure 6
Visitation Projections
2005/06 to 2020/21



REBUTTAL OF CONCLUSIONS IN RYBERG ASSESSMENT

As mentioned previously, there are a number of flaws in the analysis and conclusions offered in the Ryberg Assessment with respect to the future demand and visitation trends in the ski industry. The Ryberg Assessment incorrectly assumes that skiing and snowboarding will not see any increase in participation from "younger age segments" in the future, since younger age segments will tend to be ethnic/racial minorities and minorities represent a "disproportionately small proportion of the participants in the sports." This assertion is misguided. Current demographic data show that snowsports participants under the age of 35 are ***twice as likely to be part of a racial/ethnic minority group*** (17 percent) compared to those 35 and over (8 percent). The younger generation of skier and snowboarders is much more diverse than their older counterparts, a finding that bodes well for the future growth of the sport. For the last ten years or more, a number of Southern California ski areas have been broadening their customer base, targeting a diverse population through many methods including advertising in Spanish, Chinese, and Japanese newspapers and magazines. Overall, the ski industry is witnessing an increasingly diverse population at ski areas particularly in urban proximate areas such as Southern California, the Pacific Northwest and the Middle Atlantic region as well. Additionally, snowboarding clearly resonates with the youth segment, and has attracted Asian and Latino participants in particular. Again, snowboarders are twice as likely as skiers to be part of a racial/ethnic minority group (19 percent versus 9 percent).

The Ryberg Assessment concludes that "underlying demographic trends do not bode well for the growth of national skier/snowboarder visits." To the contrary, one year after the publication of the Ryberg Assessment, the ski industry broke an all-time visitation record at 58.8 million skier/snowboarder visits and is now on pace to move past the 60 million skier/snowboarder visits mark. In the late nineties, more kids entered kindergarten that at any previous time in our nation's history according to the *Wall Street Journal*. These kids are now at the prime age to become core skiers and snowboarders. Also, population projections from the U.S. Census show that a number of key ski states, including Colorado, California, Utah, Idaho, Washington, Oregon, Minnesota and New Hampshire, are projected to grow by 28 percent or more by 2030. This growth in the underlying population in these key ski states contributes to a favorable outlook for future ski area visitation trends at the national level.

Apart from national trends data, the analysis in the Ryberg Assessment is flawed with respect to the specific context of the Rocky Mountains. While again the focus of this report is national trends and not regional or state trends, it is important to ensure that the agency does not apply the approach used in the Ryberg Assessment in the context of resorts or regions across the country. For example, the Assessment states that "it is unlikely that the Rocky Mountain Region, or the state of Montana, will experience any significant increase in destination skier/snowboarder visits in the foreseeable future." That key projection has been proven wrong. One year after the release of the Ryberg Assessment, the Rocky Mountain Region experienced a record season in terms of skier/snowboarder visits. During the 2005/06 season, the Rocky Mountain region registered a gain of 5.8 percent, or over 1.1 million additional visits over the previous record set in 2004/05.

Additionally, the Ryberg Assessment's supply (capacity) and demand (utilization) analysis is generally accurate from the view of the local and regional population, but misleading overall, ultimately flawed, and overlooks critical facts. The tables regarding capacity and utilization list ski areas that cater almost exclusively to day skiers, and not overnight destination guests. The Ryberg Assessment does not address the fact that a majority of the local and regional resorts operate only during limited seasons – some less than 60 days a year.

The Ryberg Assessment also does not adequately address the destination skier market in the Montana and Rocky Mountain regions, and the features of that growing market. Bitterroot Resort, for example, is a proposed four-season destination resort on private and National Forest System lands on the Bitterroot and Lolo National Forests in Montana. The Ryberg Assessment does not directly address the high-quality destination resort that Bitterroot Resort has proposed, and how its proposal differs from existing ski areas in the local area. Bitterroot seeks to fill a niche that is currently un-served in the local area: an overnight destination resort that can appeal to a national audience by leveraging the Missoula airport to bring skiers and riders from across the United States. Bitterroot seeks to grow into a ski resort that will offer lift-serviced downhill skiing and snowboarding as well as other amenities and activities designed to appeal to the destination skiers audience. As such, the capacity/utilization analysis falls short of quantifying the demand for a destination-oriented resort like Bitterroot.

Bitterroot certainly seeks to draw from the local and regional markets, but ultimately its intent is to draw on a national/destination clientele. The capacity/utilization analysis completely ignores the very significant impact of destination visitors, which, at some large ski resorts, account for over 75 percent of skier visits. Clearly, the analysis is incomplete without estimating the demand from destination visitors.

The only reference to the impact of destination visitors in the analysis is in reference to the calculation of the local participation rate: "This calculation assumes that leakage of skier/snowboarder visits from this (local) area is equal to visits attributable to destination and regional visitors." This is a gross misstatement regarding the quantity of destination visits anticipated at Bitterroot, which could easily exceed 50,000 by 2015 and over 75,000 by 2025.

Additionally, the analysis is incomplete because, as stated in the report, "This analysis is limited to ski areas located on NFS lands due to availability of data." The analysis omits important data from Bridger Bowl, Big Sky, Moonlight Basin, and Yellowstone Club; leaving out these four key regional ski areas results in questionable conclusions. In particular, Big Sky would be very important to include because it and Big Mountain are probably the closest ski area models that Bitterroot seeks to emulate. As noted in the analysis, "ski areas with a high proportion of destination visitors frequently have higher utilization rates than ski areas with primarily local visitors, while still maintaining acceptable levels of crowding."

In other markets, the introduction of a new ski area or a significant expansion of a ski area has had a positive impact on all ski areas in the region. The synergy created by a new ski area, especially one that complements the existing ones, tends to elevate the other ski areas in the region. In the case of Bitterroot, it is anticipated that the resort would spur trial and create a renewed interest in the local and regional population.

The best example of this impact is The Canyons ski area in Park City, Utah. The resort was "re-born" from the Wolf Mountain ski area in the late 1990s. Since the post-Olympic 2002-03 season, skier visits in the Park City area, largely due to The Canyons reaching a level of maturity and critical mass, have set records. Table 1 below illustrates the impact of The Canyons on the three Park City area ski areas: The Canyons, Park City, and Deer Valley.

Table 1
Park City area total skier visits (millions)

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Skier Visits	1,203,905	1,158,911	1,278,796	1,161,734	1,343,941	1,418,345	1,608,332	1,715,536
Percent Change	base	-3.9%	14.2%	-9.0%	13.6%	5.2%	11.8%	6.7%

Source: parkcityinfo.com

CONCLUSION

Over the past six years, the ski resort industry in the United States has performed strongly, with five record seasons in the past six years. The ski industry is poised for growth and can expect to record a 60+ million plus skier/boarder visit season within the next five years. With the proper focus on bringing new participants to the sport and retaining existing customers, the future of the industry looks strong, despite certain external factors and relative challenges in certain geographic sub-regions. As well, new ski resorts and ski resort expansions, especially those that seek to complement and diversify the skiing options in a particular market, will likely be able to capitalize on the continued interest in and appeal of skiing and snowboarding.