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# DOWNHILL SKI MARKET DEVELOPMENT: AN UPHILL BATTLE

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## ABSTRACT

Canada's ski industry has been facing flattening market demand and declining revenues and profitability for the past few years. In response, the Canadian Ski Council undertook a major research initiative to provide the market intelligence necessary to prepare a comprehensive and targeted marketing campaign. This study provides insights into the findings emanating from research on high potential non-skiers, and the ways in which the research was used to establish a nation-wide program designed to bring more skiers to the ski slopes.

# DOWNHILL SKI MARKET DEVELOPMENT: AN UPHILL BATTLE

## INTRODUCTION

It was a stressful time for the director of the Canadian Ski Council's marketing committee. As he prepared the agenda for the second meeting of his committee, he recognized that several key decisions would have to be made concerning the adoption of new and potentially controversial marketing programs. These new directives would influence the potential size and vitality of the Canadian ski industry well into the new decade. As he put the final touches on the schedule for the forthcoming meeting, he reflected on the information which had made the efforts and decisions of his committee so crucial at this time.

## AN INDUSTRY IN TRANSITION

In composite, Canada's ski industry and its related economy was large and diverse. At its core were ski areas, manufacturers, and retailers that provided the basic essentials for skiing. Linked directly to it were a wide variety of accommodations, food service and specialty retailing businesses that lodged, fed and serviced enthusiasts at the ski site. Finally, there were a myriad of transportation organizations (e.g., tour operators, airlines, bus lines, and car rental agencies) that

made it their business to get skiers to the slopes. Through management practices that had focused on substantial investments in product improvement, the industry has realized tremendous improvements in production efficiency in recent years. From an infrastructure and superstructure perspective they had also commenced to position themselves competitively for the 1990's (11).

Notwithstanding the industry's successes in facility improvement over the past decade, it was increasingly feeling the effects of a slowing market. The effects of this slowdown were being experienced not just by ski area operators, but also by other segments of the industry to varying degrees. There appeared to be ample evidence that without creative new management initiatives in the immediate future, the industry would experience significant market shrinkage and associated economic pressures. Signs of such a situation already existed in the form of decreased skiing demand; drops in ski area profitability; reductions in wholesale and retail sales; and changing market conditions.

### SKIING DEMAND

Through the continual infusion of improvements to ski equipment, hill grooming, clothing, instruction, on-site food and beverage services, as well as accommodation facilities, the ski industry had addressed winter's realities in a meaningful fashion for thousands of Canadians. As a result, more than a fifth of the population had skied or would continue to ski in the 1990's (6). In some geographic regions this proportion exceeded a third of the local population.

Compared to the United States situation, where less than six percent of the population skied, Canada was a nation of skiers. Further enhancing Canada's potential as a ski nation was the fact that most Canadians lived in close proximity to existing ski areas, making it feasible for them to experience skiing without much pre-planning. Conversely, less than a third of U.S. skiers were in situations where they could take day-trips to ski areas. As a result, Canadian skiers participated more frequently (six days on average) than their U.S. counterparts (four times on average) (3).

Despite past levels of success, ski demand had failed to grow in the previous five years at a pace comparable with other time periods. Between 1978 and 1984, Canadian household ownership of skis had increased at rates averaging 13% annually. Between 1982 and 1985 growth rates had dropped to about 4% per year. More recently ski ownership estimates approximated a 2% annual increase (9).

As with ownership indicators, participation levels had not kept pace with previous performance standards. While skier visit volumes had continued to expand in absolute terms, that demand had been driven by "veteran" participants skiing more, rather than new skiers entering the sport (7). In short, absolute increases in skier visits were increasing at a decreasing rate, and future prospects for expansion were not promising.

## SKI AREA PROFITABILITY

Declining skier visit growth rates, were beginning to directly influence ski area financial performance. While ski area profitability varied dramatically by region and management style, in recent years many centers had barely achieved adequate returns. Pretax return on skiing related capital investments had averaged levels significantly less than even commonly available alternative investments. Ski areas had suffered from flattened levels of skier visits; relatively constant revenues per skier visit; and escalating fixed costs of operation. Without increased visitation levels and ticket price escalations which reflected the true costs of doing business, the financial future of many small and medium-sized ski areas appeared gloomy. It was not surprising that so many of them were exploring the feasibility of other non-skiing related recreational uses of their properties in order to augment their skiing related revenues.

## MANUFACTURING AND RETAIL SALES

While total sales in ski equipment, apparel and accessories had continued to expand in absolute terms, real growth in revenues and prices had been modest at best (11). Lack of new market growth had resulted in an increasingly competitive marketplace. This situation dictated for most ski businesses a strategy of keeping margins at modest levels and increasing marketing in an attempt to capture a greater share of existing skier spending. As a consequence, retailers were demanding extended credit lines which in turn had placed a greater financial burden on ski equipment and apparel suppliers. This made it very costly for both retailers and suppliers to maintain appropriate inventory levels for a consuming public demanding a wide selection of competitively priced goods. These segments of the industry were experiencing increases in both consolidations and horizontal integrations by the stronger manufacturers, and above average bankruptcies among retailers.

## DEMOGRAPHIC REALITIES

The realities of future market demographics did not appear to provide the momentum necessary to reverse current declining skier visitation and revenue patterns. All research concerning the existing Canadian ski market suggested that the largest number of current skiers was comprised of persons 18-24 years of age (4). While the population of this age cohort was declining in size, it was projected to continue to generate the largest number of skier visits based upon its propensity to ski frequently.

People in the 25-34 year old market segment had traditionally generated low frequency and minimal incidence levels primarily due to

career-development and family-rearing constraints (10). Once they were more established in their jobs and had children old enough to ski, they would probably reconsider pursuing skiing. However, there was no guarantee that they would automatically take up skiing. They would need special attention from the ski industry to draw them to the slopes.

The most rapidly expanding segment of the Canadian population was the 35-49 year old age group. It also represented a core market of current skiers. Comprised of primarily veteran skiers (5 or more years of experience), this segment skied regularly and had the capability to ski more (12). Attempting to convert them to increased levels of visitation appeared to be a path of opportunity, at least in the short run. However, it was quite likely that the ski industry could not depend upon them to produce increased or the same levels of participation well into their later years. New markets would ultimately need to be cultivated to replace them if the ski industry was to expand in the 1990's.

### COMPETING LEISURE PURSUITS

Given current leisure time consumption and projected work patterns, it was conceivable that time and energy demands could potentially make other recreational alternatives more appealing than skiing. Increases in female work beyond the home, single parent families, disjointed and fragmented work and holiday patterns all served to create the need for convenient and time-efficient leisure opportunities. The Canadian ski experience would require a strong competitive image and product if it was to compete successfully with the myriad of other leisure options available to current and future skiers in the 1990's.

### PAST MARKETING PROGRAMS

Over the past decade, the ski industry had largely approached the problem of shrinking skier population growth by attempting to encourage existing skiers to ski more often. As the path of least resistance, it had enabled the industry to compete for the favours of a market with which they were familiar. This strategy had resulted in incremental gains across the industry, but more importantly, a significant diversion of demand from passive to more aggressive ski industry operations. Little growth had stemmed from actual increases in new skier markets.

While the existence of the non-skier market had always been recognized, it had never reached the kind of attention directed at existing skier markets (8). Limited school programs and reasonably priced short-term beginner introductory packages had met with only sporadic and non-sustaining success (1). It was only in recent times, that industry began to express an interest in addressing the potential of non-skiers in a concerted fashion.

## CONVERTING NON-SKIERS TO SKIERS

Of the population who had never skied, regional estimates suggested that perhaps 15% of them had the basic demographic characteristics and leisure time affinities necessary to become skiers (6). It was felt that many of them had never tried skiing because they were either unaware of the sports' benefits, or they had emotional or perceptual biases that inhibited their desire to participate (2). Specific product development and marketing strategies were required in order to lay their concerns to rest. However, before these actions were implemented there was a recognized need for a more thorough understanding of who they were; what might encourage them to participate; and what approaches would most effectively communicate the right messages about skiing.

### THE RESEARCH INITIATIVE

With these concerns in mind the Canadian Ski Council, Canada's national organization of ski area operators, suppliers, manufacturers, instructors and related sports groups undertook a major research initiative (13). The specific objectives of the project were to gain a stronger appreciation of high potential non-skiers with respect to what factors might heighten their interest and willingness to participate in skiing; what constraints had inhibited their previous involvement with the sport; and what promotional messages and incentives might influence their future levels of skiing.

Particular dimensions of these themes to be probed were determined through a series of focus group sessions with non-skier market segments, as well as industry leaders. In final form, the study examined key socio-demographic, attitudinal, motivational, and behavioral issues.

Inherent biases and administrative constraints associated with on-site and self-completion research methodologies dictated that the survey be administered in a household telephone interview format. Respondents were selected on a systematic stratified random sample bias from major urban centres across Canada. Each community was chosen in a manner designed to provide representation for each of the major ski regions in Canada. Qualified respondents were persons 18 years of age or older, who had never skied before or who had skied for the first time during the previous ski season. In total, 1,654 qualified respondents were interviewed. Compiled data were analyzed to determine overall frequency response patterns, as well as significant differences between various groups of non-skiers.

### RESEARCH FINDINGS

Upon analyzing the data, representatives from the Canadian Ski Council were able to identify several key findings that would represent an integral part of the foundation for an industry wide marketing

strategy to bring more skiers to the slopes more often. The most significant findings related to skiing's perceived barriers; its benefits; and incentives to ski.

#### SKIING'S BARRIERS

Constraints associated with skiing's media image, instructional requirements, cost and time commitments were identified as the major barriers keeping non-skiers off the ski hills. Each represented a challenge and opportunity for the Canadian Ski Council's marketing committee.

Past promotional activities had portrayed skiing as a physical activity more than a social experience for most of the people interviewed. They also had the distinct impression that skiing was not a family-based pursuit, but rather one that focused on the singles crowd. Getting to the ski area "was half the challenge," and meeting friendly people was "the other half of the problem." Non-skiers needed more convincing that all of the preparations required to go skiing were worth the effort.

The majority of the respondents believed that having a knowledgeable person teach them the basics of skiing was a necessity for involvement in the sport. Ski instruction was believed to be almost a prerequisite for competency on the slopes, and that proficiency was important to non-skiers. They were seeking a non-embarrassing learning experience delivered by people sensitive to their needs. Their overall perception was that learning how to ski was not a fun experience and that this was a key factor keeping them away from skiing.

Cost was suggested as a major barrier to participation. They were convinced that skiing was too expensive, without knowing in absolute or relative terms its cost/value dimensions. Skiing's relative value when compared to other leisure pursuits was not well established in the minds of these non-skiers.

Non-skiers perceived themselves to be busy people--too busy to ski. Their time was already committed to a wide range of job, family and other home-related duties. Their time was best occupied with convenient, hassle free, streamlined, and reliable activities. These characteristics were not clearly linked in their minds to skiing. Indeed, perceived problems with transportation to and from the ski area; ski lift line lengths, food service line-ups, and unexpectedly poor on-site weather and slope conditions all loomed as impediments to the wise use of their busy schedules.

#### SKIING'S BENEFITS

Historically, skiing had been presented to the public as more of a physical activity than an experience comprised of specific benefits. They indicated that they might be more willing to commit the time and

money to go skiing if they were made more aware of the sports inherent advantages for them. From their perspective the chances of them skiing would be substantially increased if they perceived skiing to be fun; good for their health; a hobby for a lifetime; an opportunity to socialize with friends or family; a way to enjoy the outdoors in winter; a method for relaxing and reducing stress.

#### INCENTIVES TO SKI

Triggers that would facilitate future participation in skiing among non-skiers appeared to revolve around two themes. They were a reassuring introduction to the sport; and a clear communication of skiing's relative safety/competency requirements and value.

The research suggested that non-skiers were unlikely to venture into skiing alone. They wanted to be guided into it by experienced and personable people. They indicated that the link with skiing could be through other knowledgeable skiers, ski area staff, professional ski instructors, or retail sales personnel. However, it was unlikely that they would seek out these personal linkages on their own. The ski industry would have to come to the non-skier and make the connection. They stated that it could be through distribution channels associated with schools, social clubs, the work place, or even other leisure activities. Once contact had been made, the "right message" would go a long way towards bringing them to the slopes.

Potential skiers felt that there was abundant information available concerning where to ski, when to ski, and how to get there. What was lacking was a clear understanding of the sport's relative safety, competency requirements and value.

While potential skiers were very concerned for their personal safety while skiing, for the most part they were unaware of the many ways in which the industry had dramatically reduced the dangers of skiing. Instruction, ski patrol training, equipment testing and technology, hill grooming techniques, as well as hill signage and skier safety education programs were not "top-of-mind" awareness factors for non-skiers. Attitudes about safety for many non-skiers were often shaped by more visible images of the sport related to the risk-taking, high speed adventures of downhill racers, rather than the less hazardous activities of recreational skiers.

Potential skiers wanted to become competent skiers quickly, but were unsure what opportunities existed in this regard. They wanted to know that skiing instruction would provide that competency under inviting, fun-filled circumstances. To be a draw for non-skiers, these instructional programs would have to be easily accessible from cost, time and location perspectives.

While skiing's cost was identified as a major barrier to participation, little awareness existed concerning the sport's absolute or relative value. For the most part, non-skiers indicated little familiarity with the "life expectancy" of ski clothing and equipment; the

economies associated with ski equipment rental programs; ski vacation package costs compared to other travel options of similar quality; services included in ski lift ticket prices; or benefits derived from time spent skiing. There was a clear need to communicate to non-skiers, that the value they would get from a ski experience was worth more than the price that they would pay for it. Skiing was believing.

#### NEW MARKETING DIRECTIONS

Faced with the realities of a flattening market, and armed with the marketing intelligence gained from their research in specific regions of Canada and the United States, the Canadian Ski Council's marketing committee was charged with the responsibility of developing an effective marketing program which would address the challenge. At its first meeting, the committee decided that it would focus its attention on a nation-wide demand-building marketing program linked to converting potential skiers to new skiers. The marketing messages in this campaign would be designed to allay concerns about the costs and perils of skiing; the ease of gaining skiing competency; and the lack of professional companionship while skiing.

Because of the potential impact of this program on all sectors of the industry, the committee decided to involve all of them in designing and delivering common messages complemented with sector specific programs. Building demand through concerted action appeared to be a large opportunity that had remained relatively untapped in Canada's entrepreneurial ski industry. Ample evidence existed that such action was possible. Entrepreneurial competition which had played a dominant role in the industry's half-century of success, had not prevented members from cooperating on vital issues like safety, operating standards and land management. The time had now come for similar coordinated action in marketing.

As envisioned the messages and programs would be designed and delivered at three levels. At the top level, a common message would be established and implemented nationally. At a more regionalized level, regional ski associations would participate in the marketing and delivery chain whenever their needs and market conditions warranted involvement of non-skiers. At the local level, individual businesses would have to develop the necessary systems to deliver on the promises communicated in the national and regional demand-building campaigns. Any dissatisfaction with the ski experience promised to interested non-skiers would quickly turn them against skiing and send them back to competing recreation pursuits.

#### THE NEXT AGENDA

With the overriding strategic framework for a nation-wide skier conversion campaign in place, the marketing committee was now faced with the challenge of establishing the thematic message and program directions which would guide future marketing actions. The director of the

marketing committee's agenda defined the work ahead quite clearly.

National and regional marketing campaign issues dominated the agenda. At the national level, attention was focused on the development of: a campaign slogan with supportive communication messages; potential channels for an awareness building advertising and communication programs; coordinated skiing trial programs, promotional offers in conjunction with potential third-party sponsors; and creative third-party promotional materials.

Regional level agenda items centered on methods for assisting regional ski associations in modifying national advertising copy to reflect particular regional consumer needs. Approaches for tailoring trial programs and demand shifting messages so that they best reflected the needs of non-skiers in that area and the opportunities provided by individual skiing related businesses were of important concern as well.

The director of the Canadian Ski Council's marketing committee anxiously awaited the outcome of this meeting. There were considerable long term implications riding on the meeting's outcome.

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