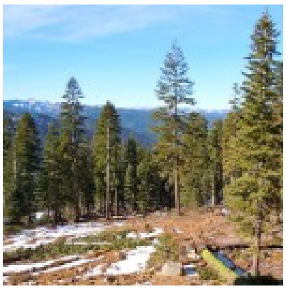
Ski companies survive with diverse locations, activities

By Susan Wood

Even the Easter Bunny wouldn't put all his eggs in one basket this spring. So why would a smart ski resort company do the same in winter?

That's the question major U.S. ski resort companies such as Vail Resorts and Powdr Corp. ponder every year with their mix of assets, investments and planned capital improvements — much like an investor evaluates and reevaluates the diversity of a financial portfolio.

Ski resort companies are no longer satisfied with one area and one activity in an industry that's constantly evolving.



When Northstar on Dec. 20, 2011, didn't have enough snow to cover its slopes, Vail Resorts' Colorado resorts did. Photo/LTN file

Take Vail, for example. The Broomfield, Colo.-based corporation is often seeking good investment opportunities – including China, which would introduce a mass population and completely novice market to the industry.

According to the China Ski Association, the number of skiers and boarders who graced the slopes in places as untouched as inner Mongolia and the Altai Mountains featured in the 2009 Warren Miller film "Dynasty" has soared. Records show the numbers jumped from 200,000 in 2000 to 5 million five years later. If the right opportunity arises, this discovery would spell mega dollars for a company that already owns four ski areas in Colorado and soon will have three in Northern California with the finalization of the Kirkwood Mountain Resort deal which is expected this week.

Along with Boreal Mountain Resort in the Lake Tahoe region, Powdr Corp. out of Park City claims holdings in Utah, Colorado, Oregon and Vermont. The names are synonymous with landmark skiing –Park City, Mt. Bachelor and Killington.

Mother Nature bestows her will differently from one area of the United States to another. This means the region that gets the snow in one year may carry the weight of the balance sheet in revenue and vice versa.

"It certainly helps to have resorts located in different regions across the entire country. It can help us balance out the weather pitfalls," Powdr Corp. Chief Development Officer Tim Brennwald told *Lake Tahoe News*. He called it "common sense" and "not a grand scheme" because the snowfall "can vary all the time."

Proving their point

This year made for a prime example in January. Snow was expected to hit Boreal in the Sierra Nevada Mountain range. Instead, the storms split and dumped nearly 5 feet of snow in Bend, Ore., where Mt. Bachelor was only too happy to advertise to a snow-hungry California market. Whistler in Canada jumped on the same marketing bandwagon.

Brennwald said his company has passed on the Asian market to instead keep an eye on possibilities in Europe and New Zealand.

Snowmaking has in many ways changed the game a bit, and sometimes it doesn’t even take snow to tout amenities at a resort. The corporation plans to turn Boreal into a year-round resort this summer by building Woodward Tahoe, a 33,000-square-foot facility geared toward action sports such as skateboarding, skiing, snowboarding, BMX riding and gymnastics.

“Obviously, we won’t need a lot of natural snowfall to make this work and is another way we diversify our properties,” Brennwald said.

Importance of more than one location

Snow – where to make it (in the cold) and where to get it (in the storm track) – is the key to success for most ski resort companies.

But even the downward slope of snowpack levels – (well below normal in Lake Tahoe this season) – didn’t hurt lodging reservations in February according to a recent report from Mountain Travel Research. One could say the market itches for the sport – especially following a record, blockbuster winter like 2010-11 that builds positive snow equity.

“It’s true the weather is the driving force behind ski resorts diversifying. There isn’t necessarily a consistency (in weather) from coast to coast. There’s lots of experience in defense of this notion, and it serves these (resort executives) well to believe that. They’ve done well in the last 10 years,” said Michael Berry, president of the National Ski Areas Association.

Future ski resort holdings will expand beyond the typical boundaries of North America for companies such as Vail, Berry predicts.

"They'd love to see China open up," he said. The novelty would make any ski equipment manufacturer salivate. Outside North America and Western Europe, enthusiasts ski and board with primitive gear.

Berry notes one of the biggest benefits to the diversification of ski resorts is the multi-state season pass. Vail's Epic pass provides a Tahoe rider with an invitation to hop a plane to Denver and experience Vail resorts with varying personalities – from the high altitude Breckenridge and quieter cousin Keystone to the luxurious Beaver Creek and massive flagship Vail resort.

The company has become so much about skiing that a recent quarterly report to investors indicated less of a focus on building its RockResorts beachy hospitality brand at the expense of its ski properties.

"Our real strategy is a geographic strategy," Blaise Carrig, co-president of Vail's mountain division, told *Lake Tahoe News* in a recent conversation.

Diversity in properties makes for one major consideration in ski area companies investing in properties.

Carrig, with a long background running Heavenly Mountain Resort, explained how the South Lake Tahoe ski area is quite different than Northstar in Truckee. Both resorts must have something special to bring to the table. The former has expanded its offerings in other amenities such as snowshoeing and cross country ski trails and equipment in the winter, and an adventure park with dry inner tubing in the summer. The latter, on the other end of Tahoe, has long been the destination visitors' delight with amenities as diverse as golfing and tennis to stargazing and hiking off the gondola.

Access to transportation and a solid bed base are other considerations in terms of buying properties.

From there, investments that pay off in the long haul like snowmaking can always be added, Carrig said. Being a “tough year,” he took much solace in a corporate report that showed a 15 percent drop in skier visits compared to last year.

“This means that 85 percent of our customers are still coming to ski and spend money. Sure, we’re off, but I’m going to look at the point where the glass is full,” he said. “I don’t see (the weather) as a pattern. I guess our plan B is investment in our resorts.”

It’s been said, “You have to spend money to make money.” The big ski companies are doing just that.